CANBUD DISTRIBUTION CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED June 30, 2021 AND 2020

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis ("MD&A") is intended to provide a review of the financial position and results of operations of Canbud Distribution Corporation ("CBDX," the "Company", "we," "our," "us") for the six months ended June 30, 2021. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2020 and December 31, 2019. Those financial statements are presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all dollar amounts refer to Canadian funds. Information herein includes any significant developments up to August 30, 2021, the date on which this MD&A was approved by the Company's board of directors.

For the purposes of preparing this MD&A, management, in conjunction with the board of directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A contains statements and information that, to the extent that they are not historical fact, may constitute "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information is typically, but not always, identified by the use of words such as "will", "intends", "scheduled", "to be" and "may be" and similar words, including negatives thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking information in this MD&A includes, but is not limited to, statements regarding: the anticipated timeframe to complete the retreat build-out; the anticipated closing date of the acquisition; and statements regarding the Company's goals or future plans relating to the build-out of the retreat. Such forward-looking information is based on various assumptions and factors that may prove to be incorrect, including, but not limited to, factors and assumptions with respect to: the ability of the Company to complete the acquisition within the specified time frame; the receipt of all necessary regulatory and other approvals or consents; the ability of the Company to successfully implement its strategic plans and initiatives relating to the acquisition and the retreat build-out, and whether such strategic plans and initiatives will yield the expected benefits; approvals and authorizations from regulatory authorities, and the timing thereof; the ability of the Company to obtain the necessary approvals, permits and licenses within the specified time frame to complete the build out; there being no material delay in the build out; the availability of materials; the availability of labour, contractors, employees and/or personnel necessary to undertake the retreat build-out; and the ability of the Company to close the acquisition within the anticipated time frame. Although the Company believes that the assumptions and factors on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that it will prove to be correct or that any of the events anticipated by such forward-looking information will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. Actual results could differ materially from those currently anticipated due to a number of factors and risks including, but not limited to: conditions in the psychedelics industry in Jamaica; fluctuations in market conditions, including in securities markets; economic factors; the risk that the retreat build out will not be completed as anticipated within the specified timeframe, including the risk that the Company will not receive the approvals/permits/licenses necessary in connection with the retreat build out; the ability of management to execute its business strategy, objectives and plans; and the impact of general economic conditions and the travel restrictions imposed as a result of the COVID-19 global pandemic. Additional information regarding risks and uncertainties relating to the Company's business are contained under the heading "Risk Factors" in the Company's management discussion and analysis filed on SEDAR. The forward-looking information included in this MD&A is made as of the date of this MD&A and the Company does not undertake an obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise, except as required by applicable law.

This MD&A should be read in conjunction with the risk factors described in the "Risks and Risk Management" and the "Cautionary Statement on Forward-Looking Information" sections at the end of this MD&A.

THE COMPANY

Canbud Distribution Corporation ("Canbud" or the "Company") was initially incorporated on October 4, 2018 under the Canada Business Corporations Act as "Cannabis Clonal Corporation" and on September 19, 2019, the Company filed articles of amendment to (i) change its name to "Canbud Distribution Corporation"; (ii) re-designate its Class A shares to common shares; (iii) decrease the authorized capital of the Company by canceling the unissued Class B shares and deleting the rights, privileges, restrictions and conditions attaching to the Class B shares of the Company; and (iv) remove the private company restrictions.

On October 9, 2020, the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol CBDX. The Company's registered office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, Canada M5H 1T1.

Overview

Canbud is an early state science and technology company focused on the hemp and cannabis space. Currently the Company, through its subsidiaries, Canbud D2385NR Inc., and Canbud D1726KC Inc., holds two industrial hemp licenses for the purposes of supplying the global market with medicinal and wellness cannabidiol and other cannabinoid-based products on leased lands located in Ontario. As part of its annual review process, the Company is evaluating the need to maintain its cultivation locations, based on current plans, market conditions including demand, competitor dynamics and changes in regulations.

Through its two (2) licensed subsidiaries, the Company is licensed to grow hemp CBD for the purposes of supplying the global market with medicinal and wellness cannabidiol and other cannabinoids-based products on leased lands located in McKellar, Lakefield and Kettleby, all in Ontario, respectively, under three (3) industrial hemp licenses issued by Health Canada as follows:

- Canbud D23 operates the business on approximately fifty-five (55) acres of farmable and tillable land located in Lakefield, Ontario, under its industrial hemp license number LIC-7S62J6ZAZR-2019 issued by Health Canada on November 15, 2019 (the "Canbud D23 License"); and

- Canbud D17 operates the business on approximately eighty-five (85) acres of farmable and tillable land including three buildings located in Kettleby, Ontario, under its industrial hemp license number LIC-MGG9LOM6BH-2019 issued by Health Canada on November 29, 2019 (the "Canbud D17 License")

The Company has researched, and continues to refine its business model, based on global best practices.

The Company has three strategic pillars:

- Science and technology
- Quality and compliance
- Cost

Since early 2021, the Company has expanded its focus into complementary areas of ancillary services by entering into analytical testing service market. To support this expanded focus, the Company undertook the following 2 significant measures:

(i) On May 27, 2021, the Company signed a letter of intent to acquire 100% of Molecular Science Corp. (MSC). MSC is a privately held Canadian analytical science and services company, carrying on the business of testing cannabis and related pharmaceutical products. The acquisition was completed on July 08, 2021. The acquisition is intended to enable the Company to expand its current focus and become more intricately connected within the supply chain in the cannabis and hemp sector as licensed producers refine and expand their cannabis 2.0 type product offerings, which require additional testing to conform to Health Canada regulations. Also, the Company

intends to expand MSC's service offerings into emerging markets such as testing for psychedelics, to drive revenue growth.

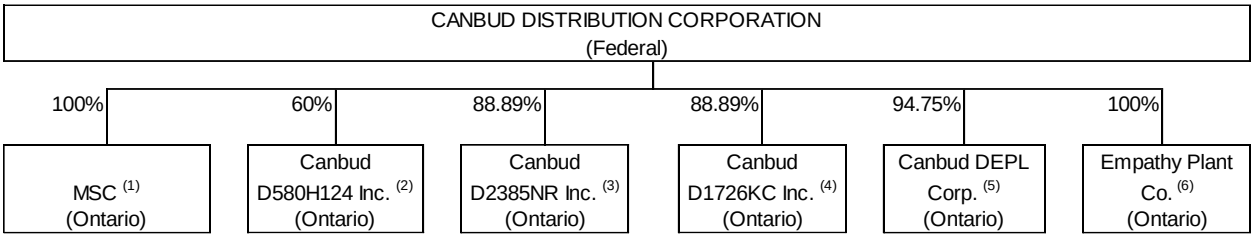
(ii) On August 3, 2021, MSC, the fully owned subsidiary of the Company received the dealer's license from Health Canada that allows MSC to work with psilocybin, Ketamine and other controlled substances in psychedelic space

The Company currently has 10 consultants primarily based in Ontario, Canada, including the executives, and there are no employees.

The Company is an early-stage entity and has not generated significant revenues to-date. The Company has relied on equity financings to date to support business endeavours and may continue to do so until significant revenue and profitability is achieved. The Company has sufficient funds, in view of management, to maintain its current operational objectives for the next 18-to-24-month period.

Intercorporate Relationships

The following diagram illustrates the intercorporate relationships between the Company and its subsidiaries, as well as the jurisdiction of incorporation of each entity.



Notes:

(1) Acquired on July 8, 2021.
(2) Incorporated on July 23, 2019.
(3) Incorporated on October 22, 2019 and holds the Canbud D23 Hemp License.
(4) Incorporated on October 31, 2019 and holds the Canbud D17 Hemp License.
(5) Incorporated on November 20, 2019.
(6) Incorporated on January 22, 2021

UPDATES DURING THE THREE MONTH PERIOD JUNE 30, 2021 AND SUBSEQUENT TO THE PERIOD

On April 7, 2021, Canbud entered into a research partnership with Brock University for the potential application of fungi as a Climate Smart Sustainable Natural Fungi Biofertilizer for crop cultivation, inclusive of hemp plants. The project was recently launched after the Brock research team obtained the required license from Health Canada. The project is intended to be completed by December 2021 and in connection with this agreement, the corporation has made expenditures of approximately $5,000 to date.

On April 14, 2021, Canbud provided an update on its subsidiary, Empathy Plant Co.'s developmental pipeline and momentum. Empathy Plant Co. submitted the first production order for its Complete Plant Protein product line. The Company finalized the formulation for 8 additional flavours which are scheduled. The flavours include:

- Strawberry & Cream Chocolate Peanut Butter Chocolate Hazelnut Banana Bread
- Peanut Butter & Jam
- Pralines & Cream
- Shamrock Shake
- Chocolate Covered Strawberry

Additionally, Empathy Plant Co. has finalized the formulation for a new product offering called Green Energy Powder.

On May 25, 2021, the Company entered into a non-binding letter of intent to acquire Molecular Science Corp. ("**MSC**") by way of a three-cornered amalgamation (the "**Proposed Transaction**"). MSC is a privately held Toronto-based Licensed Dealer, carrying on the business of testing cannabis and related pharmaceutical products. MSC is in the process of obtaining approval from Health Canada for testing of controlled substances, including psychedelic compounds, in addition to its current Analytical Testing Licence for Cannabis and Drug Establishment Licence (DEL). The Proposed Transaction is an arms' length acquisition and will not result in a change of control of the Company.

Formed in January 2017, MSC is an established Health Canada licensed GMP analytical science and services company. MSC's primary asset is a purpose-built facility in the Greater Toronto Area (GTA), which operates to pharmaceutical GMP standards. MSC tests cannabis and related pharmaceutical products for a range of purposes:

- Commercial release of cannabis products, as required by Health Canada or other authorities, including for export to international markets;
- Testing of new formulations for product development and registration, including chemical analysis of products beyond regulatory requirements for clinical purposes; and
- In-process testing and testing of manufacturing inputs (e.g., biomass, oils, etc.) for value-added products and process development.

On June 18, 2021, the Company entered into a definitive agreement with MSC to acquire all of the outstanding securities of MSC by way of a three-cornered amalgamation.

On July 8, 2021 Canbud completed the acquisition of MSC with a three-cornered amalgamation. In connection with the Acquisition, the Corporation issued an aggregate of 68,212,896 common shares (the "**Canbud Shares**") of the Corporation to the former shareholders of MSC on the basis (the "**Exchange Basis**") of approximately 3.313 Canbud Shares for each MSC common share (each, an "**MSC Share**") outstanding, representing approximately 43.7% of the issued and outstanding Canbud Shares. All outstanding common share purchase warrants of MSC were replaced with common share purchase warrants of the Corporation, entitling the holders thereof to purchase an aggregate of up to 3,958,800 Canbud Shares for a purchase price of $0.30 per share until July 8, 2024. In connection with the completion of the Acquisition, the Corporation also issued 1,765,000 Canbud Shares as an advisory fee.

The Canbud Shares issued to the former shareholders of MSC are subject to resale restrictions, such that the holders thereof are permitted to trade 25% of such Canbud Shares on the date that is four months from July 8, 2021 and a further 25% of such Canbud Shares on the dates that are seven, 10 and 13 months after July 8, 2021. All of the Canbud Shares issued with respect to the advisory fee are subject to a hold period of four months plus a day from the date of issuance under applicable securities law.

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.

	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.

On June 22 Empathy Plant Co. joined the plant-based Foods of Canada association. PBFC was founded in 2018 and has since acted as the collective voice of plant-based food companies. As a division of Food, Health & Consumer Products of Canada (FHCP), they work to keep consumers, governments and industry participants informed about the benefits of plant-based foods. The goal of PBFC is to move regulations forward to support innovation, growth and make plant-based eating more available to the masses. As Empathy Plant Co. nears commercialization it will benefit from the resources provided by PBFC to help navigate the plant-based CPG (Consumer Packaged Goods) landscape and strengthen their development pipelines.

On August 3, 2021, Canbud's subsidiary MSC has received its Dealer's License from Health Canada on July 30, 2021. As a result, MSC has become one of very few organizations able to work with Psilocybin with Health Canada approval. MSC's current licensed capabilities will expand to include the possession, sale/provision, transportation, and testing of controlled substances including Psilocybin, Ketamine, and N-3,4 Methylenedioxyamphetamine. Obtaining this license enables MSC to rapidly integrate and establish itself as one of leaders in the emerging analytical support network that will be integral to product safety and quality as demand grows for these substances of interest in Canada and internationally

On August 9, 2021, Canbud entered into a non-biding LOI with Steep Hill Inc. (SH) to acquire all of the issued and outstanding shares of SH. Steep Hill's 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**"),

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.

On August 9, 2021, Canbud granted 7,000,000 incentive stock options to directors, employees, officers, and consultants of the Company. The options have an exercise price of $0.10 and a term of 5 years expiring on August 05, 2026.

On August 19, 2021, Canbud decided to re-evaluate its activities and consolidate its associated licenses. To rationalize its operations and optimize resources and capital investments, Canbud decided to voluntarily submit a request to cancel the Federal Sales License on Health Canada CTLS system. The Federal cannabis sale for medical purpose licence was granted by Health Canada on January 29, 2021. As careful consideration, including the current dynamics underway within the sector, management has elected to submit the cancellation request to eliminate idle cost which include regulatory adherence legal costs, reporting expenses, resourcing and physical location rental, etc.

Canbud will continue to maintain the other licenses granted by Heath Canada. Through the acquisition of Molecular Science Corp. ("MSC") on July 8, 2021, Canbud has expanded the breadth of regulated activities including a Dealer's License received on July 30, 2021, that enable Canbud to focus on testing and formulations for both cannabis and controlled substances. Management believes such actions will result in appropriate reallocation of capital resources into growth areas.

On August 19, 2021, Canbud appointed a new independent director, Ian Morton, who will provide additional oversight as Canbud works towards closing the planned acquisition of Steep Hill Inc. Ian is an accomplished business leader and entrepreneur responsible for establishing and building several environmental services companies such as Eco Generation Home Services, Scout Environmental and Summerhill. He was the Chairman of the Board at Ample Organics, one of Canada's premier Cannabis seed-to-sale software providers, prior to its sale to Nasdaq listed Akerna Corp. in July 2020. He has been recognized by Strategy Magazine for his marketing expertise along with other recognitions and awards, Mr. Robert Tjandra, COO has stepped aside as Director of the Company, and will continue in his capacity as COO.

BUSINESS OVERVIEW AND DISCUSSION

Hemp Cultivation

The introduction of the Cannabis Act in October 2018 instituted, amongst other things, the framework for outdoor cannabis cultivation (noting cultivation previously was confined to indoor operations). The Company identified this trend towards outdoor cultivation, noting its cost advantages over indoor and greenhouse cultivation, as a market shift towards lower cost production and cannabis derivatives (such as oils and extracts). The Company has concentrated its efforts on low-cost outdoor Hemp cultivation which requires limited capital expenditure including the use of land lease agreements.

For 2020 cultivation, in light of Covid-19 challenges, the Company decided to concentrate on one property only and started to cultivate its Kettleby farm. The Company activities started in March 2020 with preparation to select female only mother plants for creating clones. Two cost effective custom built 40-foot containers were used to perform the mother plants selection. Female mother plants were then planted in several cold frame doubly poly plastic hoop houses.

For 2021 cultivation, due to continued effects of Covid-19 on labour and hemp markets, the company will evaluate the markets and decide on the continued operations of Hemp farms in 2022.

Kettleby Property

2020 cultivation season was the Company's first year pilot project to translate its clonal system into large acreage outdoor field cultivation. The Covid-19 pandemic created challenges for the Company to execute its cultivation development. Furthermore, it was the first year the Company tested some of the hemp cultivars approved by Health Canada. Despite the Covid-19 challenges, the Company successfully proved its clonal system by creating 20,000 clones, and have them planted in the field in stages to understand how planting period effect the timing to harvest.

Distribution Channel Development

On January 29, 2021, Health Canada issued to the Company a Federal Sales License for Medical Purposes.

The Company has signed a revenue growth partnership LOI with Hempsana, an EU GMP extraction company with the state of art extraction facility focusing on cannabidiol as primary extracts. The Company continues to explore the potential strategic partnership.

Canbud has decided to voluntarily submit a request to cancel the Federal Sales License on Health Canada CTLS system. The Federal cannabis sale for medical purpose licence was granted by Health Canada on January 29, 2021. As careful consideration, including the current dynamics underway within the sector, management has elected to submit the cancellation request to eliminate idle cost which include regulatory adherence legal and other costs,

Research and Development

The research partnership with Brock University investigates the potential application of fungi as a Climate Smart Sustainable Natural Fungi BioFertilizer for crop cultivation, inclusive of hemp plants is progressing

well. The Company aims to develop a game-changing Climate Smart Sustainable Natural Fungi BioFertilizer for crops cultivation which could reduce and replace chemical fertilizer, likewise applicable to hemp plants, therefore supporting sustainable global hemp and food production. This agreement was amended on March 19, 2021, and its term will end on the later of the completion of the research project and December 31, 2021. In connection with this agreement, the Corporation has made expenditures of approximately $5,000 to Brock University as of the date.

The Company continues to explore research and development partnership to create intellectual property and game changing solutions encompassing its business lines.

Covid-19 Strategy

Given the current reality that started in March 2020 which we expect to continue through the years of 2020 and 2021 at the minimum. Our farming season is affected in many ways even though farming is considered essential service. We are affected in many ways including travel restrictions, getting temp workers, getting supplies in a timely manner. Considering all the current conditions management has come to decision to scale down the total outdoor cultivation acreage for the 2020 season by focusing on one of the three farm properties.

Entry into the psychedelics and functional mushroom market

Canbud believes that there is presently a sizeable legal market for psychedelic pharmaceutical and nutraceutical products and, further, believes that there is a promising prospect for a strong, legal psychedelic pharmaceutical and nutraceutical industry to emerge globally. In particular, although the legal market for psychedelic pharmaceutical products is presently limited, globally, and in some jurisdictions, it is still in its early stages, the Company believes that the recent wave of deregulation and legalization of recreational cannabis across the globe will provide jurisdictions with the impetus to shift their focus to psychedelics, and, in time, give way to the emergence of numerous and sizable opportunities for market participants, including the Company.

Psychedelics are progressively emerging as potential alternative candidates for conventional therapies for individuals suffering from elusive maladies like post-traumatic stress disorder (“PTSD”), addiction, anxiety, and depression. For example, in August of 2020, as a result of the efforts of TheraPsil, a non-profit coalition that advocates for a legal, Special Access Programme access to psilocybin therapy for palliative care of Canadians, four Canadians with incurable cancer were approved by the Canadian federal Minister of Health, to use psilocybin therapy in the treatment of their end-of-life distress.

As of the date of this document, certain synthetic psychoactive tryptamines and phenthylamines are being researched as candidates for the treatment of several psychiatric conditions, such as PTSD and depression. At present, treatments for such conditions are limited in effectiveness, with some traditional treatment methods posing a heightened risk of complications. By contrast, the Company expects that like the various key compounds in cannabis, which are presently being used in a variety of medical products and formulations, these psychoactive compounds, such as psilocybin, may in time also emerge as a safer and healthier medical treatment alternative for various ailments.

The Company’s target market is focused on psychedelic pharmaceutical and non-psychedelic products. The Company expects that its naturally extracted psychedelic substances will be utilized as boosters for the brain that can potentially rebuild pathways and break negative patterns all while looking at non-psychedelic medical mushroom extracts as the next wave of nutraceuticals that can potentially optimize overall health.

On December 4, 2020 (the "Effective Date"), Canbud entered into a definitive agreement with 2688453 Ontario Ltd. ("268 Ont"), pursuant to which the Company will acquire all of the shares of 268 Ont in exchange for 7,600,000 common shares in the capital of the Company at a deemed price per share equal to $0.195. The share issuance is structured in four tranches: (i) 1,520,000 shares to be issued within thirty (30) days of the Effective Date; (ii) 1,900,000 shares to be issued (the "Second Distribution") upon the earlier of: (i) completion of phase 1 of the business plan as agreed upon, or (ii) six (6) months from the Effective Date; (iii) 2,280,000 shares to be issued (the "Third Distribution") on the date that is four months

from the date of the Second Distribution; and (iv) 1,900,000 shares to be issued on the date that is four months from the date of the Third Distribution. The share issuance under (ii), (iii) and (iv) above has not been completed.

The acquisition of 268 Ontario was the first step by the Company to expand in the emerging psychedelic and functional mushroom nutraceuticals space. The Company also plans to undertake and support clinical studies through strategic academic and institutional partnerships and plans to launch psilocybin-based products in jurisdictions where permissible. The progress on this initiative is underway and is in line with internal plans.

Following closing of the transaction upon the issuance of the 7,600,000 shares, 268 Ont will become a wholly-owned subsidiary of the Company.

The intention behind the acquisition transaction is to create health supplements division dedicated to the cultivation and distribution of mushroom derived products and associated consumer packaged goods. It is anticipated that the Company's mushroom derived products will not contain ingredients that are currently classified as controlled substances in Canada and the United States and will not be regulated as controlled substances, the products may be distributed through conventional channels in the food supplement category throughout Canada and the United States. In addition, given the current regulatory framework in Jamaica, the Company intends to utilize that facility to grow specific type of psychedelic mushrooms for the purposes of research and development and creation of new products that are approved by Health Canada. The Company intends to license such developments to pharmaceutical type companies that can utilize the authorized formulations for treatment of various ailments. Additionally, the Company intends to supply organic psychedelic mushrooms to other corporate buyers to supplement their R&D efforts.

The Company is in the process of assembling a team comprised of its incumbent Board and management as well as its Advisory Board, who have expertise in various areas of business and science, that are essential to providing the Company with the support necessary to successfully develop and market mushroom-based products. The Company has entered into discussions with several universities to assess the economics of utilizing the skills and technology available within such institutions.

The Company will continue to build core skills in managing pre-clinical studies, product formulation, manufacturing, supply chain and commercialization by adding in-house personnel as required.

For the psychedelics project in Jamaica, the emphasis is on cultivation of mushroom types that have specific molecules with empirical medicinal properties such as psilocybin, which with supportive psychotherapy, have produced rapid and large reductions in depressive symptoms as Johns Hopkins Medicine researchers have reported.

The project is to be carried out in 4 phases which includes completion of the cultivation facility, initial cultivation in conjunction with a research project with a local university to identify specific spores that maximize yields in that environment, expansion of the cultivation site to increase production tied in with needs of specific customers and, ultimately, the establishment of a medical retreat which is permitted in Jamaica.

Currently, the Company is only focussed on the facility competition and discussions with potential research partners. The facility design and construction were completed at a cost of less than USD $50,000 and the installation at the approved site is underway. During the current phase, which is expected to be completed by September 2021, the company will commence the process of taking delivery of the spores and hiring of trained staff. The company has budgeted an annual spend of approximately USD $100,000 towards this aspect, which all staff will be hired as consultants to minimize the financial commitment at this time. On completion of this stage and receipt of commitments from potential corporate customers, the company may adjust the financial commitment accordingly. The total allocation of funding is not expected to exceed USD $250,000 over the course of the next six quarters, unless required to accelerate operations and potential revenue. Canbud is currently in negotiations to commence a research (R&D) program in Jamaica which is Step-1 to understanding the properties and potential benefits of various strains of psychedelic mushrooms. The anticipated expensed under the program are approximately $25,000 for the next 12-month period which forms part of the larger budgeted allocation mentioned above.

Non-Psychedelics

Medicinal mushroom extracts from species such as Lions Mane, Cordyceps, Reishi, Chaga and others offer potential health benefits. Initial research is showing potential indications for immune boosting, mental wellness, detoxification, anti-tumor, antiviral and other benefits. The Company's efforts in this area has progressed significantly since the fourth quarter of 2020 with the establishment of Empathy Plan Co. as a wholly owned subsidiary.

Psychedelics

Currently, this is a research and development initiative and has no revenue. in Jamaica, the focus will be on cultivation of spores for several psychedelic mushrooms with the intent on medical R&D in Jamaica and Canada.

In order to establish its business operations, the Company intends to leverage the extensive professional network of its management to build working partnerships with (i) existing producers of registered psychedelic and nutraceutical products in Canada, the United States, and Europe to sell through the psychedelic pharmaceutical and nutraceutical products the Company intends to develop and distribute under its specific brand, and (ii) to facilitate the development and distribution and sale of its specific brand of psychedelic pharmaceutical and nutraceutical products.

Research and Development

Demonstrating product safety at pre-determined levels of dosage is an integral part of the regulatory process to register products with the FDA and Health Canada. The Company is engaged with discussions with various service providers that will guide the Company through the dietary supplement and NHP regulatory processes with the FDA and Health Canada, respectively, and associated pre-clinical studies and identity characterization to demonstrate the safety of the formulated products.

Trends, Commitments, Events or Uncertainties

The Company has no history of operations in the health supplement industry. Even if the Company is successful in commencing commercial operations, there is no guarantee that the business model of producing and selling the plant and mushroom-derived products will be a viable business. Significant funds are required to establish operations, distribution channels, hire and retain staff and initiate marketing efforts. There are no current trends in the Company's business that are likely to have an impact on the Company's performance.

Consumer demand for plant and mushroom-based products has seen steady growth over the past decade as consumers have become more aware of their nutritional profile and have sought to incorporate functional foods and nootropics (Nootropics is a colloquial term that refers to drugs, supplements, and other substances that may improve cognitive function, particularly executive functions, memory, creativity, or motivation, in healthy individuals) in their diets. One of the types of functional foods being incorporated includes various types of mushrooms, such as reishi, cordyceps, chaga and others, which are believed to contain various nutrients and vitamins, and antioxidant properties presenting various health benefits, such as improving antioxidant activity in the body and reducing inflammation. According to Technavio, a London, United Kingdom based market research firm, the global functional mushrooms market is poised to grow by US$13.88 billion during the period between 2018 2022, progressing at a capitalized annual growth rate of more than 9% during that period 2 In addition, Food Navigator, a website that provides market leading business information for the food and drink industry, found that year on year sales for food products incorporating mushroom extracts have risen between 200 800%, depending on the variety. 3 The global functional mushroom market was estimated at US$5.8 billion in 2018 according to Avinash Desamangalam at Modor Intelligence, a revenue funded organization that delivers precise data and actionable insights.

North American and European eating trends reflect a changing pattern towards health foods. These changes show increased consumer awareness towards organic foods and foods that confer health benefits, as well as nutrition and general health. According to Imbibe Inc., an Illinois-based beverage developer, a

number of niche brands are gaining mainstream attention using ingredients with adaptogenic properties3,5 – non-toxic substances and especially plant extracts that support the body's response to stress as well as promote physiological functions. Accordingly, the Company believes increased demand for mushroom-based products will assist it in completing its business objectives.

Cyclicality and Seasonality

The Company does not anticipate results to be impacted by any factors related to seasonality.

Changes to Contracts

The Company does not anticipate that its business will be affected by renegotiation or termination of contracts or subcontracts during the current financial year. The Company currently relies on per use short term contracts for its supply and distribution arrangements.

The Company is reliant on the services of contractors. However, the Company does not consider these contracts material as there are many potential partners that the Company can work with and there are no significant intellectual property advantages that the Company believes exists in working with one contractor versus another at the current stage of product development.

Canada

Psychedelics

In Canada, oversight of healthcare is divided between the federal and provincial governments. The federal government is responsible for regulating, among other things, the approval, import, sale, and marketing of drugs such as psilocybin and other psychedelic substances, whether natural or novel. The provincial/territorial level of government has authority over the delivery of health care services, including regulating health facilities, administering health insurance plans such as the Ontario Health Insurance Plan, distributing prescription drugs within the province, and regulating health professionals such as doctors, psychologists, psychotherapists and nurse practitioners. Regulation is generally overseen by various colleges formed for that purpose, such as the College of Physicians and Surgeons of Ontario. Certain psychoactive compounds, such as psilocybin, are considered controlled substances under Schedule III of the CDSA. In order to conduct any scientific research, including pre-clinical and clinical trials, using psychoactive compounds listed as controlled substances under the CDSA, an exemption under Section 56 of the CDSA ("Section 56 Exemption") is required. This exemption allows the holder to possess and use the controlled substance without being subject to the restrictions set out in the CDSA. The Company has not applied for a Section 56 Exemption from Health Canada.

The possession, sale or distribution of controlled substances is prohibited unless specifically permitted by the government. A party may seek government approval for a Section 56 Exemption to allow for the possession, transport or production of a controlled substance for medical or scientific purposes. Products that contain a controlled substance such as psilocybin cannot be made, transported or sold without proper authorization from the government. A party can apply for a Dealer's Licence under the Food and Drug Regulations (Part J). In order to qualify as a licensed dealer, a party must meet all regulatory requirements mandated by the regulations including having compliant facilities, compliant materials and staff that meet the qualifications under the regulations of a senior person in charge and a qualified person in charge. Assuming compliance with all relevant laws (Controlled Drugs and Substances Act, Food and Drugs Regulations) and subject to any restrictions placed on the licence by Health Canada, an entity with a Dealer's Licence may produce, assemble, sell, provide, transport, send, deliver, import or export a restricted drug (as listed in Part J in the Food and Drugs Regulations – which includes psilocybin and psilocin) (see s. J.01.009 (1) of the Food and Drug Regulations). The Company intends to sponsor and work with licensed third parties to conduct any clinical trials and research and does not handle controlled substances. If the Company were to conduct this work without the reliance on third parties, it would need to obtain additional licences and approvals described above. The Company has signed a LOI with Molecular Science Corp, a Toronto based Licensed Dealer that is in the process of obtaining approval from Health Canada for testing of controlled substances, including psychedelic compounds, in addition to its current Analytical Testing Licence for Cannabis and Drug Establishment Licence (DEL). Under the terms, once MSC obtains its

Health Canada approval which is expected shortly, the Company and MSC will work together to enable Canbud to import psychedelics into Canada for testing and R&D purposes.

Non-Psychedelics

NHPs, prescription drugs, and non-prescription drugs are all classified and regulated under the Canadian FDA. The product safety, quality, manufacturing, packaging, labeling, storage, importation, advertising, distribution, sale and clinical trials of NHPs, drugs, cosmetics and foods are subject to regulation primarily under the Canadian FDA and associated regulations, including the Food and Drug Regulations, Cosmetic Regulations and the Natural Health Products Regulations, and related Health Canada guidance documents and policies (collectively, the "Canadian Regulations"). In addition, drugs and NHPs are regulated under the federal Controlled Drugs and Substances Act if the product is considered a "controlled substance" or a "precursor," as defined in that statute or in related regulatory provisions.

Health Canada is primarily responsible for administering the Canadian FDA and the Canadian Regulations. The Canadian FDA and Canadian Regulations also set out requirements for establishment and site licences, market authorization for drugs and NHP licences. Each NHP must have a product licence or a Homeopathic Medicine Number ("DIN-HM") issued by Health Canada before it can be sold in Canada. Health Canada assigns a natural health product number ("NPN") to each NHP once Health Canada issues the licence for that NHP. The Canadian Regulations require that all drugs and NHPs be manufactured, packaged, labeled, imported, distributed and stored under Canadian Good Manufacturing Practices ("GMP") or the equivalent thereto, and that all premises used for manufacturing, packaging, labeling and importing drugs and NHPs have a site licence (NHPs) or establishment licence (drugs), which requires GMP compliance. The Canadian Regulations also set out requirements for labeling, packaging, clinical trials and adverse reaction reporting.

The Canadian FDA and Canadian Regulations, among other things, govern the manufacture, formulation, packaging, labeling, advertising and sale of NHPs and drugs, and regulate what may be represented on labels and in promotional materials regarding the claimed properties of products. The Canadian Regulations also require NHPs and drugs sold in Canada to affix a label showing specified information, such as the proper and common name of the medicinal and non- medicinal ingredients and their source, the name and address of the manufacturer/product licence holder, its lot number, adequate directions for use, a quantitative list of its medical ingredients and its expiration date. In addition, the Canadian Regulations require labeling to bear evidence of the marketing authorization as evidenced by the designation drug identification number, DIN-HM or NPN, followed by an eight-digit number assigned to the product and issued by Health Canada.

The Company's expected nutraceutical products will be considered "food" and, as such, will be principally regulated under the Canadian FDA and the Canadian Regulations. The Company must ensure that the labelling, marketing and selling of any of its products comply with the Canadian FDA, including by ensuring that the Company's products are not packaged or marketed in a manner that is misleading or deceptive to a consumer.

Jamaica

Psilocybin mushrooms do not fall within the definition of a dangerous drug under the Dangerous Drugs Act (the "DDA") in Jamaica. The Company's future business activities in Jamaica involve the import of psychedelic and pharmaceutical based medicines (derived from mushrooms) for the purposes of conducting research and development as well as testing on human subjects i.e., clinical trials in Jamaica. It is intended that the clinical trials will be conducted by a local approved entity based on current negotiations and the Company will act as a sponsor (the "Clinical Trials").

The process of conducting clinical trials in Jamaica is governed by the Ministry of Health, Jamaica Guidelines for the Conduct of Research on Human Subjects (the "Guidelines"). The Company and the potential research partner would be required to ensure that the clinical trials are being conducted in accordance with these Guidelines. The Guidelines provide that prior to conducting research on human subjects, all researchers (i.e., academics, scientists, students, and investigators) are required to prepare a research protocol/proposal.

Research protocols are required to be submitted to the Medical Officer of Health in the parish where the proposed research is to be conducted, for evaluation of the ethical and scientific merits. Where the site of the proposed research includes a hospital, the Senior Medical Officer of the facility should also receive a copy of the research protocol, and his/her approval to conduct the study should be obtained.

The regulation of the sale, manufacturing, importation and distribution of drugs in Jamaica is largely governed by the Food & Drugs Act, 1964 (the "Jamaica FDA") and the Food and Drugs Regulations, 1975 (the "Regulations"). Section 4 of the Jamaica FDA prohibits the importation of any drug into Jamaica unless it conforms to the law of the country in which it was manufactured or produced and is accompanied by a certificate declaring that the drug does not contravene any known laws of that country and that its sale therein for consumption or use by or for man or animal, as the case may be, would not constitute a violation of the laws of that country.

Regulation 40 stipulates that, a person shall not sell, manufacture, import or distribute a drug unless that drug has been registered with the MOH. The Regulations further state that a permit must be obtained from the MOH for the sale, manufacturing, importation and distribution of drugs into Jamaica. Additionally, Regulation 65 states that a person shall not import, sell, advertise for sale, or manufacture a new drug in Jamaica unless that person has obtained a licence from the MOH.

Failure to comply with section 4 of the Jamaica FDA shall result in such person being guilty of an offence and liable to a fine not exceeding J$1,000,000 (approximately US$7,093) or to imprisonment with or without hard labour for a term not exceeding twelve months. Where a person committing an offence under the Jamaica FDA is a corporation, the chairman, president, the officers and every director thereof concerned in the management of such corporation, shall also be guilty of the same offence unless he/she proves that the act or omission constituting the offence took place without his/her knowledge or that he/she exercised all due diligence to prevent the commission thereof.

Regulation 87 provides that any person who fails to comply with the Regulations shall be guilty of an offence and shall be liable to a fine not exceeding J$2,000 (approximately US$15) or to imprisonment for a term not exceeding twelve months. In the event that the Clinical Trials include the preparation and manufacture of precursor chemicals, then the Precursor Chemicals Act (the "PCA") may be applicable to the Clinical Trials. As per section 6 of the PCA, any person who proposes to engage in any prescribed activity shall apply to the Pharmaceutical & Regulatory Affairs Department of the MOH for a licence to engage in such prescribed activity.

Section 23 under the PCA stipulates that any person who engages in any prescribed activity without obtaining the requisite licence shall be guilty of an offence and liable to a fine not exceeding J$3,000,000 (approximately US$21,277) or to imprisonment for a term not exceeding three years or to both such fine and imprisonment.

As of the date hereof, the Company's sponsorship of the Clinical Trials has not commenced.

United States

The Company does not intend to have any operations and/or sales of psychedelic mushroom derived products, whether intended for research and development or other uses by its customers, in the United States.

Empathy Plant Co.

Canbud's plant-based protein product initiative is intended to address the fast-growing consumer demand for sustainable plant-based protein as replacement to meat-based protein. The Company's plant-based protein products are intended to be best-in-class with a unique all-natural composition and environmentally friendly packaging of certified compostable packets using algae-based compostable ink.

On January 25, 2021, Canbud announced the launch of Empathy Plant Co., the Company's plant based protein brand with 100% compostable packaging to support the company's sustainability vision. Empathy

Plant Co. products are naturally sweetened, zero sugar added, produced without genetic engineering (non-GMO) project verified, gluten-free, soy-free, and available in multiple flavours.

Since the announcement, the Company has undertaken several measures to develop products and brand awareness of its products, such as:

- appointing Adrian Burke as Vice-President, Marketing to lead the efforts. Adrian is a serial entrepreneur with multiple exits. He has 24 years of brand development, marketing, and business execution experience that lends support to Canbud's management team. Adrian's previous focus in the nutraceutical space, and his insight into the current state of attention and distribution, is expected to add value as Canbud differentiates its consumer-packaged goods (CPG) offerings. Adrian's focus in the plant-based space and empathic approach to environmentally sustainable packaging is seen as instrumental in building out and scaling the portfolio.
- Empathy Plant Co. placed an initial production order for Complete Plant Protein product, following the finalization of the product formulation and packaging design.
- Empathy Plant Co. engaged a certified plant-based nutritionist, Melissa Melnychuk as its official spokesperson for the brand. Melissa is a Plant-Based Certified expert from Cornell University. Melissa started her practice in 2010 and has worked with women from all walks of life including entrepreneurs, traveling executives, professional athletes, etc. Given her background, the Company believes she adequately reflects the Empathy Plant Co. culture and messaging tone of inclusivity and change through thoughtful conversations.
- Empathy Plant Co. submitted its first production order for its Complete Plant Protein product line scheduled to hit the market. Empathy Plant Co. finalized the formulation for 8 additional flavours, which include: (i) Strawberry & Cream, (ii) Chocolate Peanut Butter, (ii) Chocolate Hazelnut, (iv) Banana Bread, (v) Peanut Butter & Jam, (vi) Pralines & Cream, (vii) Shamrock Shake, and (viii) Chocolate Covered Strawberry.

Industry

Empathy operates in the emerging plant-based protein market, which is rapidly evolving and experiencing significant growth, exemplified by the recent success of companies like Beyond Meat and Impossible Foods. Consumer interest in plant-based proteins, particularly among millennial and younger generations, has been driven by growing awareness of the long-term health, environmental and animal-welfare impacts of animal-based meat consumption. The Plant-Based Foods Association commissioned data that showed sales of plant-based products in the retail channel generated just over $670 million of retail sales over the 52- week period ending June 16, 2018.1 According to Reports and Data, the global plant-based protein market was valued at U$ 10.10 billion in 2018 and is expected to reach USD 30.92 billion by the year 2026, at a compound aggregate growth rate of 14.8%.2 We anticipate recognition of these issues to continue to grow and have a positive impact on consume demand for our products. We believe that the following factors are shaping consumer preferences:

Health

The negative impact on health caused by certain meats has been well publicized in recent years. In 2004, the World Health Organization published materials, which highlighted positive associations between eating red meat and developing colorectal cancer.3 These materials also indicated that processed meats cause cancer. A similar conclusion was presented at the American Heart Association. In this study, researchers reviewed dietary patterns of over 15,000 participants, over a ten-year time period.4 Additionally, animals and livestock are also susceptible to various diseases such as mad cow (beef), swine flu (pork) and avian influenza (poultry) that may cause further health risks from consuming potentially infected animal meats.

Climate Change

The global livestock industry is estimated to be responsible for a significant portion of global greenhouse gas emissions, such as methane and nitrous oxide.5 The IPCC Report highlighted that climate change is expected to cause "severe, pervasive, and irreversible impacts" on the natural environment unless carbon emissions are cut sharply and rapidly. The IPCC Report highlighted_that behavioral changes, including dietary changes such as eating less meat, can have a significant role in cutting emissions.

Empathy Products

Empathy Plant Co. currently has 3 different flavours of Complete Plant Protein in production: Chocolate, Vanilla and Cookies & Cream. Management expects products sales to commence in Q3/2021. There are 5 additional fully developed products and production is planned for later in 2021 and 2022. The developmental pipeline also includes Greens Energy Powder and Women's Multivitamin

The distribution strategy is an omnichannel approach. Initially, Empathy Plant Co. will deploy a DTC (Direct to Consumer) strategy supported by social advertising deployment and influencer engagement. Following the results of this strategy, Canbud intends to begin rollout of a brick-and-mortar strategy starting with 200 specialty channel stores which is expected to scale up to 800 locations in Canada. Discussions with distributors is ongoing and is led by relationships built by management. Once fully executed, management intends to revaluate the performance and return on investment, prior to moving onto a club channel and international growth strategy.

Product Shelf-Life and Inventory

Empathy has placed an initial purchase order for trial run of less than $100,000, with 50% advance payment to Synergy Private Label for manufacturing/production of the SKUs. The PO was for the following SKUs:

- Chocolate (600 gm) – 1,000 units
- Vanilla (600 gm) – 1.000 units Cookies & Cream (600 gm) – 1,000 units
- Chocolate (single serve) – 5,000 units
- Vanilla (single serve) – 5,000 units
- Cookies & Cream (single serve) – 5,000 units

The quantity for the other products will depend on initial success on execution on the above SKUs. From a production standpoint, management expects a similar quantity per SKU. The shelf life on all products is 2 years.

Production

All Empathy production is currently manufactured by a co-packer- Synergy Private Label – based on Ontario, Canada. Canbud choose the vendor based on their expertise in nutraceutical production in powder, pill and capsule form. Secondarily, Synergy will also provide 3PL DTC integration and execution.

Production Facilities and Capacity

The relationship between Empathy Plant Co. and Synergy is established through Canbud VP of Marketing, who has 25 years of experience in the nutraceutical space. Empathy Plant Co. and Synergy have developed a strong understanding of execution expectations and to this date, the execution is in line with internal targets.

Certifications

To date, none of the products in production require NPN submission. However, moving forward submissions to Health Canada will be made through Natural Products Consulting Corporation in Toronto, Ontario. Synergy's facility has both Health Canada and Canadian Food Inspection Agency production licenses required to manufacture Empathy products.

Ingredient Sourcing and Suppliers

All product ingredient sourcing and testing is done by Synergy Private Label, both in-house and by a 3rd party. Historically the pricing of nutraceutical ingredients is very stable with an estimated 2-4% increase per annum. The production of the 100% compostable packaging is done by Rootree in Ontario. As the technology is very new, production delays are expected but will improve as Canbud strengthens its supply chain logistics.

Competitive Conditions

Empathy operates in a highly competitive environment in which it competes with large established plant-based protein brands such as Beyond Meat, the Field Roast Grain Meat Co., as well as medium and smaller companies including Sol Cuisine and VG Gourmet. We believe the principal competitive factors in our industry include:

- taste;
- nutritional profile, e.g. protein, fiber and salt content;
- organic, natural, or highly processed ingredients;
- product texture;
- soy, gluten and GMO content;
- ease of integration into consumer diet;
- convenience;
- cost;
- brand awareness and loyalty among consumers;
- product variety and packaging;
- access to retailer shelf space and retail locations; and
- access to restaurant and foodservice outlets and integration into menus.

Management believes Empathy can compete effectively with respect to the majority of these factors and that it has a meaningful advantage in our minimal processing and production methods and use of natural, and as available, organic, ingredients. Some of the companies in industry have substantially greater financial resources, more comprehensive product lines, broader market presence, longer standing relationships with distributors and suppliers, longer operating histories, greater production and distribution capabilities, stronger brand recognition and greater marketing resources than it has.

Government Regulation

The food industry is highly regulated and is subject to changing political, legislative, regulatory, and other influences. Empathy is governed by Canadian federal, provincial and municipal laws and regulations. In Canada, the primary federal agencies governing the manufacture, distribution, labelling and advertising of the consumer food products are the Canadian Food Inspection Agency (the "CFIA") and Health Canada. Together these agencies regulate product composition, manufacturing, labelling and other marketing and advertising to consumers. Given that manufacturing is outsourced, there is risk mitigation measure in place as vendors need to meet regulatory requirements, however, Empathy retain certain risks.

Additionally, the CFIA requires that certain nutrition and product information appear on product labels. The Company is also restricted from making certain types of claims about products, including nutrient content claims, health claims, and claims regarding the effects of our products on any structure or function of the body, whether express or implied, unless the Company satisfy certain regulatory requirements.

Trade Secrets

The Company's success is dependent, in part, upon the proprietary rights to products. Management considers proprietary information related to recipes, formulas and production methods to be trade secrets. Vendors, employees and consultants with access to such information are subject to confidentiality provisions contained in their agreements which prohibit them from disclosing information, including information relating to recipes and production methods, acquired by them during, as a consequence of or in connection with the contract. Canbud relies on these agreements to protect proprietary information. The URL addresses, social media addresses, business names, and brand portfolio are assets, which add distinctive value and recognition to customers. Canbud also considers the specifics of marketing, promotions and products as a trade secret, and information the Company wishes to keep confidential.

Molecular Science Corp.

MSC is an 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*.

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.

Research and Development

The Company is actively pursuing opportunities to develop additional IP through collaboration with Canadian universities and institutions. The Company has entered a research agreement with Brock University.

The Company continues to explore research and development partnership to create intellectual property and game changing solutions encompassing its business lines.

SELECTED QUARTERLY FINANCIAL INFORMATION

Selected financial information for the previous six quarters since inception is set out below.

	Quarter ended June 30, 2021 $	Quarter ended March 31, 2021 $	Quarter ended December 31, 2020 $	Quarter ended September 30, 2020 $
Loss before other income (expenses)	(467,105)	(964,360)	(1,275,299)	(287,896)
Other income (expense)	(7,311)	(7,616)	(29,271)	(259)
Net income (loss)	(474,416)	(971,676)	(1,304,570)	(288,155)
Total comprehensive income (loss)	(474,416)	(971,976)	(1,304,570)	(288,155)
Net loss per share*	(0.01)	(0.01)	(0.02)	(0.01)
	Quarter ended June 30, 2020 $	**Quarter ended March 31, 2020 $**	**Quarter ended December 31, 2019 $**	**Quarter ended December 31, 2019 $**
Loss before other income (expenses)	(324,547)	(233,603)	(214,621)	(243,709)
Other income	28,370	2,639	3,166	3,354
Net loss	(296,177)	(230,964)	(211,455)	(240,355)
Total comprehensive loss	(296,177)	(230,964)	(211,455)	(240,355)
Net loss per share*	(0.01)	(0.01)	(0.01)	(0.01)

Note: Fully diluted income (loss) per share is not presented since it would be anti-dilutive.*

- The Company has yet generated any revenue from its operations. In 2020, the Company successfully cultivated and harvested hemp plants using the proprietary clonal system developed in 2019. The Company is in the final process to develop and manufacture such ingredients to CBD products for distribution to medical patients in 2021. Additionally, the Company is entering into emerging psychedelics market through its pending acquisition of 2688453 Ontario Inc. and plant-based protein market through its wholly owned subsidiary, Empathy Plant Co.

SUMMARY OF QUARTERLY RESULTS

Results of Operations

For the three months ended June 30, 2021

The Company generated no operating revenues during the three months ended June 30, 2021, which is unchanged from the three months ended June 30, 2020. The Company commenced its inaugural cultivating season in the spring of 2020, using the proprietary clonal system, and harvested in the last quarter of 2020. The Company has processed the harvested hemp plants into dried hemp plants and will further process them to CBD products for distribution through the medical-patient channel in 2021.

The Company recorded an operating loss of $467,105 for the three months ended June 30, 2021, compared to $316,566 for the three months ended June 30, 2020. The increase of $150,539 is attributed primarily to the following:

- Consulting for the three months ended June 30, 2021 was increased by $97,621, compared to comparative period primarily due to consultants to develop plant-market protein market of $53,042 for the three months ended June 30, 2021 (2020 - $Nil).
- Marketing and promotion amounted to $50,093 (2020 - $Nil) for the three months ended June 30, 2021. Marketing and promotion expenses were incurred to bring awareness, development and expansion of the Company's brand.
- Office and general amounted to $69,783 for the three months ended June 30, 2021 (2020 - $19,690). The increase is primarily due to the increase in insurance of $65,980 (2020 - $2,314).

The increase in operating loss is offset by the decrease in business development of $35,460 due to the reduction in the purchase of seeds for initial farming season in 2020 (2021 - $Nil) and the decrease in professional fees of $25,776 primarily related to services for going public in 2020.

For the six months ended June 30, 2021

The Company generated no operating revenues during the six months ended June 30, 2021, which is unchanged from the six months ended June 30, 2020. The Company commenced its inaugural cultivating season in the spring of 2020, using the proprietary clonal system, and harvested in the last quarter of 2020. The Company has processed the harvested hemp plants into dried hemp plants and will further process them to CBD products for distribution through the medical-patient channel in 2021.

The Company recorded an operating loss of $1,431,465 for the six months ended June 30, 2021, compared to $544,407 for the six months ended June 30, 2020. The increase of $887,058 is attributed primarily to the following:

- Consulting for the six months ended June 30, 2021 increased by $438,782, compared to comparative period primarily due to issuance of 1,082,251 common shares, valued at $215,151, to a consultant of the Company to develop the plant-based protein market, $83,393 (2020 - $Nil) spent on consultants to develop plant-market protein market and $60,000 (2020 - $Nil) on strategic and financing consulting as well as increased number of consultants.
- Marketing and promotion amounted to $157,151 (2020 - $Nil) for the six months ended June 30, 2021. Marketing and promotion expenses were incurred to bring awareness, development and expansion of the Company's brand.
- Share-based compensation amounted to $249,563 for the six months ended June 30, 2021 (2020 - $Nil). The Company granted a total of 1,500,000 (2020 – Nil) options to various consultants of the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company does not generate revenue as of the date hereof. As at June 30, 2021, the Company had not commenced any commercial operations and had a deficit of $3,980,551 (2020 - $2,543,323). For the six months ended June 30, 2021, the Company's net loss was $1,446,392 (2020- $527,141), negative cash flows from operating activities was $1,068,145 (2020 - $408,784) and working capital of $3,371,821 (2020 - $317,511) as of June 30, 2021. The Company's ability to continue as a going concern is dependent upon its existing working capital and obtaining the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. The Company's working capital may not meet corporate, development, administrative and property obligations for the coming year. As a result, the Company may require additional financing and, while the Company has been successful in raising equity financing through the issuances of common shares in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. As such, there remains significant doubt as to the Company's ability to continue as a going concern.

Three months ended June 30, 2021

Cash used in operating activities was $491,150 during the three months ended June 30, 2021, an increase of $246,988 from the comparative period. The increased is primarily due to the increase in operating loss of $178,239 primarily driven by the increased consultants and marketing and promotion expenses.

Cash used in investing activities was increased by $500,000 due to $500,000 advance made to MSC.

Cash used in financing activities was $23,457, an increase of $38,457 from comparative period primarily due to the $40,000 proceeds from government loan received in the comparative period.

Six months ended June 30, 2021

Cash used in operating activities was $1,068,145 during the six months ended June 30, 2021, an increase of $407,033 from the comparative period. The increased is primarily due to the increase in operating loss of $919,251, offset by shares issued for services of $215,151 (2020 - $nil) and share-based compensation $249,563 (2020 - $nil).

Cash used in investing activities was $565,497, an increase of $413,840 from comparative period. The increase is primarily due to advances made of $66,497 to 2688453 Ontario Inc. and $500,000 to MSC.

Cash generated from financing activities was $4,499,024, an increase of $4,503,524 from comparative period. During the six months ended June 30, 2021, the Company closed 2 tranches of non-brokered private placements with an aggregate net proceed of $4,547,640 (2020 - $Nil).

CAPITAL MANAGEMENT

The Company actively manages its capital structure and adjust accordingly. There is no return on capital measure imposed on the management rather board provides the opportunity to the management to use their expertise and business acumen to generate value for the Company and its stakeholders.

Management with the board reviews its capital management policies regularly. There were no changes to The Company's approach to capital management in the current period.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the Company; that has control or joint control over the Company; that has significant influence over the Company; or is a member of the key management personnel of the Company.

An entity is related to a Company if the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

A related party transaction is a transfer of resources, services or obligations between a Company, and a related party, regardless of whether a price is charged. All transactions with related parties are in the normal course of business and are measured at fair value.

Compensation awarded to key management personnel

Key management personnel refer to the Company's members of its executive management team and directors.

For the six months ended		**June 30, 2021**		June 30, 2020
Consulting fee	**$**	129,000	$	129,500
Director fees		10,000		-

	$	**139,000**	$	129,500

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. The estimates and underlying assumptions are based on current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements, estimates, and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described as follows:

Expected credit losses

The Company applies the simplified approach as permitted by IFRS 9 for the expected credit loss (ECL) associated with financial assets. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Capitalization and write-off of intangible assets

An intangible asset arising from development is recognised on satisfying the following criterions by the entity:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Estimated useful lives and amortization of long-lived assets

Depreciation of Property and equipment and intangible assets are dependent upon estimates of useful lives which are determined through the exercise of judgments. The assessment of any impairment of these assets is dependent upon estimates recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets.

Impairment of long-lived assets

Long-lived assets, including property and equipment and 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). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate

of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Incremental borrowing rate and lease term on leases

The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest and depreciation expense, may differ due to changes in the market conditions and lease term. Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions. The Company's incremental rates at the commencement of the leases on January 1, 2020 ranged from 4% to 10%.

Share-based compensation

In calculating share-based compensation expense, key estimates such as the rate of forfeiture of awards granted, the expected life of options, the volatility and the risk-free interest rate used.

Deferred tax

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax loss carry forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore, do not necessarily provide certainty as to their recorded values.

Going concern

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

New accounting standards, amendments and interpretations issued but only effective for the Company beginning on or after January 1, 2021 are as follows:

Amendment to IAS 1

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months;
- provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its financial statements.

Amendment to IAS 16

On May 14, 2020, the IASB amended IAS 16 “Property, Plant and Equipment” to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted.

The Company is currently assessing the financial impact of these amendments and expects to apply the amendments at the effective date.

SHARE CAPITAL

The exercise of outstanding options, and other future issuances of securities, will result in dilution of our common shares.
As at June 30, 2021, share capital consisted of:

- 86,059,597 issued and outstanding common shares;
- 7,526,000 options outstanding with exercise price ranges from $0.125 to $0.22 and weighted average remaining contractual life of 4.27 years; and
- 45,671,694 outstanding warrants with exercise price ranging from $0.20 to $0.22 and weighted average remaining contractual life of 1.53 years.

As at August 30, 2021, share capital consisted of:

- 156,061,493 issued and outstanding common shares;
- 14,526,000 outstanding options with exercise prices ranging from $0.10 to $0.22; and
- 49,630,641 outstanding warrants with exercise prices ranging from $0.20 to $0.30.

RISKS AND RISK MANAGEMENT

No Profits or Significant Revenues

The Company has no history upon which to evaluate its performance and future prospects. The Company’s proposed operations are subject to all the business risks associated with new enterprises. Such risks include, but are not limited to, likely fluctuations in operating results as the Company makes significant investments in research, development and product opportunities, and reacts to developments in its market, including purchasing patterns of customers, and the entry of competitors into the market. The Company will only be able to pay dividends on any shares once its directors determine that it is financially able to do so. The Company cannot make any assurances that it will be profitable in the next three years or generate sufficient revenues to pay dividends to the holders of the Common Shares.

Plans for Growth

The Company intends to grow rapidly and significantly expand its operations within 24 months. This growth will place a significant strain on the Company’s management systems and resources. The Company will not be able to implement its business strategy in a rapidly evolving market, without an effective planning and management process. In particular, the Company may be required to manage multiple relationships with various strategic industry participants and other third parties, which relationships could be strained in the event of rapid growth. Similarly, a large increase in the number of third-party relationships the Company has, may lead to management of the Company being unable to manage growth effectively. The occurrence of such events may result in the Company being unable to successfully identify, manage and exploit existing and potential market opportunities.

Limited Products

The Company will be heavily reliant on the production and distribution of psychedelics, nutraceuticals and related products. If they do not achieve sufficient market acceptance, it will be difficult for the Company to achieve profitability.

The Company's revenue will be derived almost exclusively from sales of pharmaceutical and nutraceutical-based products, and the Company expects that its pharmaceutical and nutraceutical-based products will account for substantially all of its revenue for the foreseeable future. If the market declines or fails to achieve substantially greater market acceptance than it currently enjoys, the Company will not be able to grow its revenues sufficiently for it to achieve consistent profitability. Even if products to be distributed by the Company conform to international safety and quality standards, sales could be adversely affected if consumers in target markets lose confidence in the safety, efficacy, and quality of psychedelic pharmaceutical and nutraceutical-based products. Adverse publicity about products that the Company sells may discourage consumers from buying products distributed by the Company.

No Assurance of Commercial Success

The successful commercialization of the Company's products will depend on many factors, including, the Company's ability to establish and maintain working partnerships with industry participants in order to market its products, the Company's ability to supply a sufficient amount of its products to meet market demand, and the number of competitors within each jurisdiction within which the Company may from time to time be engaged. There can be no assurance that the Company or its industry partners will be successful in their respective efforts to develop and implement, or assist the Company in developing and implementing, a commercialization strategy for the Company's products.

Nature of Regulatory Approvals

The Company's development and commercialization activities are significantly regulated by a number of governmental entities, including Health Canada. The Company may fail to obtain the necessary approvals to commence or continue clinical testing. The Company must comply with regulations concerning the manufacture, testing, safety, effectiveness, labeling, documentation, advertising, and sale of products and ultimately must obtain regulatory approval before it can commercialize a product. The time required to obtain approval by such regulatory authorities is unpredictable.

If there are changes in the application of legislation, regulations or regulatory policies, or if problems are discovered with the Company products, or if one of its distributors, licensees or co-marketers fails to comply with regulatory requirements, the regulators could take various actions. These include imposing fines on the Company, imposing restrictions on the Company's products or its manufacture and requiring the Company to recall or remove its products from the market. If any of these events occurs, the Company's ability to sell its products may be impaired, and it may incur substantial additional expense to comply with regulatory requirements, which could materially adversely affect its business, financial condition and results of operations.

Cultivation Risk

Risks inherent in the outdoor agriculture operations apply to the Company operations. The Company will carry out risk management to mitigate the potential damage due to climate. Proper farm-land management will be carried out to anticipate too much rain falls. Drought will be anticipated by having stand-by water wells whenever feasible. In the longer run, plant genetic breeding work would produce a more drought and frost resistant strains or cultivars The Company will also be implementing its technology platform "CanbudProve" which will include IOT sensors to provide cultivation environment data analytics. To manage risk of pest and plant disease, the Company will develop an integrated pest and disease management system.

Extraction and Processing Risk

The Company will develop relationship with several third-party extraction and processing companies to mitigate the risk of not having a capacity to extract and process the cultivated hemp CBD flowers.

Distribution and Trading Risk

The CBD market is highly competitive despite it is a new industry. The competitiveness is mainly due to regulatory requirements in marketing and sales of products containing CBD. Furthermore, many jurisdictions globally are still not permitting use of CBD for medical and wellness purposes.

The Company will manage the risk by exploring and developing numerous partnerships in offtake and distribution.

CBD Price Risk

Due to fierce competition in limited Canadian market, and United States' CBD supplies, there is a risk of decreasing CBD extracts pricing. The Company will continuously develop its cost leadership strategy to anticipate competitive pricing.

Access to Capital Market Risk

The capital market may not be conducive to raising additional capital in the near future. The Company has built a business model that demonstrates sustainability.

Regulatory Risk

The industry is highly regulated and the regulations in Canada as well as overseas jurisdictions continue to evolve. The Company will mitigate the regulatory risk by working with experts/consultants to monitor, anticipate, and comply with respective regulations.

Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet its short-term financial obligations as they come due. The Company has developed a planning and budgeting process to help determine the funds required to support The Company's ongoing liquidity needs. Historically, the Company's sole source of funding has been funds raised from the investors through private placements. The Company's access to financing is always uncertain and depends on the capital markets. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

Foreign Exchange Risk

The Company does most of its business in Canada but buys machinery and other agricultural equipment from United States and abroad. Also, company plans to sell its products in Europe once its export license is approved. Since most of the equipment purchase is complete and foreign sales are not expected this year, the Company is not exposed to foreign exchange risk.

Interest Rate Risk

Interest rate risk is the potential loss from investments in financial instrument due to changes in market interest rates. As at June 30, 2021, the Company is not exposed to interest rate risk.

Emerging Market Risks

The Company, through its wholly owned subsidiary, 268 Ont following completion of the acquisition of 268 Ont, will have secured a lease to develop a psilocybin site in Jamaica, an emerging market country. Such operations expose the Company to the socio-economic conditions as well as the laws governing the activities of the Company in Jamaica and any other jurisdiction where the Company may have operations in the future. Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; extreme fluctuations in currency exchange rates, military repression; war or civil war; social and labour unrest; organized crime; hostage taking; terrorism; violent crime; expropriation and nationalization; renegotiation or nullification of existing licences, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, banking and

currency controls and governmental regulations that favour or require the Company to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of emerging markets, including Jamaica. Such events could materially and adversely affect the Company's business, financial condition and results of operations.

In the event of a dispute arising in connection with the Company's operations in Jamaica or another a foreign jurisdiction where the Company may conduct business, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Company's activities in foreign jurisdictions could be substantially affected by factors beyond the Company's control.

Other risks include the potential for fraud and corruption by suppliers or personnel or government officials which may implicate the Company, compliance with applicable anti-corruption laws, including the Corruption of Foreign Public Officials Act (Canada) by virtue of the Company's operating in jurisdictions that may be vulnerable to the possibility of bribery, collusion, kickbacks, theft, improper commissions, facilitation payments, conflicts of interest and related party transactions and the Company 's possible failure to identify, manage and mitigate instances of fraud, corruption, or violations applicable regulatory requirements.

To mitigate risk when operating in Jamaica, the Company may, in part, engage local counsel and/or consultants to advise on applicable regulatory and/or operational matters, as applicable.

COMPLIANCE PROGRAM

The Company oversees and monitors compliance with applicable laws in each jurisdiction in which it operates. In addition to the Company's senior executives and staff responsible for overseeing compliance, the Company has local counsel engaged in every jurisdiction in which it operates and has received legal opinions or advice in each of these jurisdictions regarding (a) compliance with applicable regulatory frameworks, and (b) potential exposure to, and implications arising from, applicable laws in jurisdictions in which the Company has operations or intends to operate.

The Company works with third parties who require regulatory licensing to handle products and raw material. The reliance on third party certifications is crucial to operations and loss of licenses and/or approvals by such third parties may impact the Company. Management is working to implement risk mitigation measures to ensure such entities comply with applicable regulations. The Company will continue to work closely with external counsel and other compliance experts and is evaluating the engagement of one or more independent third party providers to further develop, enhance and improve its compliance and risk management and mitigation processes and procedures in furtherance of continued compliance with the laws of the jurisdictions in which the Company operates.

The Company and, to its knowledge, each of its third-party researchers, suppliers and manufacturers have not received any non-compliance, citations or notices of violation which may have an impact on the Company’s licences, business activities or operations.

CONTINGENCIES

The Company is not aware of any contingencies or pending legal proceedings as of June 30, 2021, and as of the date of this report.

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This Management Discussion and Analysis ("MD&A") includes forward-looking statements concerning the Company's future performance, operations, and financial performance and financial condition. These forward-looking statements may include, among others, statements with respect to our objectives and

strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. When used herein, the words “plan”, “believe”, “anticipate”, “may”, “should”, “intend”, “estimate”, “expect”, “project”, and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on management's current expectations. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates, or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors including economic conditions, technological change, regulatory change, and competitive factors, many of which are beyond our control.

Future events and results may vary significantly from what is expected. We are under no obligation (and we expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise.