Hollister Biosciences Inc.

Management's Discussion & Analysis
For the three months ended March 31, 2021 and 2020
Expressed in United States Dollars

This Management's Discussion & Analysis ("MD&A") of the financial condition and results of operations of Hollister Biosciences Inc. ("Hollister" or the "Company") should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 and 2020, and the accompanying notes therein. This MD&A is dated May 31, 2021, which is the date that the Board of Directors of the Company (the "Board") approved the disclosure contained in this MD&A.

The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Except as otherwise indicated, all financial data in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively.

All dollar amounts in this MD&A are expressed in United States Dollars except where otherwise indicated.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors in the "Risk Factors" and "Additional Risk Disclosure for Issuers with U.S. Cannabis Operations" section below. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its anticipated results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

USE OF NON-IFRS FINANCIAL MEASURES

This MD&A includes certain non-IFRS financial measures. Reconciliations of these non-IFRS financial measures to the most directly comparable financial measure calculated and presented in accordance with IFRS are included below. This information should be considered as supplemental in nature and not as a substitute for, or superior to, any measure of performance prepared in accordance with IFRS. Our management uses adjusted EBITDA to evaluate our operating performance and trends and make planning decisions. Our management believes adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the items that we exclude. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects, and allowing for greater transparency with respect to key financial metrics used by our management in its financial and operational decision-making.

CORPORATE OVERVIEW

Hollister Biosciences Inc. was incorporated on April 17, 2019 under the laws of the Province of British Columbia, Canada. On August 29, 2019, the Company changed its name from 1205600 B.C. Ltd to Hollister Biosciences Inc. (collectively herein referred to as the "Company", "Hollister"). The Company's registered and records office is located at 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, British Columbia, Canada, V6E 4N7. The Company was incorporated for the sole purpose of completing financings in anticipation of completing the acquisition of Weldon Manor, LLC, ("Weldon") and concurrently applying for a listing on the Canadian Securities Exchange (the "CSE") as described below. Weldon is a private licensed manufacturer and distributor of cannabis pre-roll and extract products in the State of California. On March 24, 2020, the Company acquired a 100% interest in Labtronix, Inc. doing business as Venom Extracts ("Venom Extracts") which is a leading Arizona cannabis extract brand and one of the state's largest producers of award-winning medical cannabis distillate and related products. On April 30, 2020, the Company acquired a 100% interest in AlphaMind Brands Inc. a growth stage company that is developing a portfolio of certified legal mushroom based natural health products. The Company is listed on the CSE under the symbol "HOLL".

The Company operates as a licensed manufacturer and distributor of recreational cannabis and cannabis products, and distributes its products through an arrangement with a cannabis distributor to licensed cannabis vendors in California and Arizona. The Company commenced revenue generating activity during the year ended December 31, 2018. Continuance of operations is dependent upon maintaining the necessary licensing under California state law, and the ability to obtain the necessary financing to perform its operating activities and meet ongoing obligations.

Although the Corporation's activities are compliant with all applicable Arizona and California state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Corporation of liability under United States federal law nor provide a defense to federal criminal charges that may be brought against the Corporation. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and State law, the federal law shall apply.

The Company is classified as having a "direct" involvement in the United States cannabis industry and is in compliance with applicable United States state law and related licensing requirements and the regulatory framework enacted by the State of Arizona and State of California. The Company is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory frameworks which may have an impact on its licenses, business activities or operations. The Company uses reasonable commercial efforts to ensure that its business is in compliance with applicable licensing requirements and the regulatory frameworks enacted by Nevada, through the advice of its General Counsel, who monitors and reviews its business practices and changes to United States Federal enforcement priorities.

The Company's General Counsel works with external legal advisors in Arizona and California, to ensure that the Company is in on-going compliance with applicable state laws.

CORPORATE OUTLOOK

Corporate Outlook

In March of 2017, the Company commenced construction of a large legal cannabis facility. The Company has a 35,000 sq. ft. facility that is being developed in phases. In August 2017, the Company was approved to have cannabis in the building, and operate on December 29, 2017 just in time for *Adult-Use* legalization to take effect on January 1, 2018.

Weldon is the management company for Hollister Holistics 1 and Hollister Holistics 2 (collectively "Hollister Cannabis Company"), which both operate in the legal cannabis industry in California. Hollister Cannabis Company manufactures hash, tinctures, hash infused products, crumble infused products, pre-rolls, and other cannabis products under their brands HashBones, Purity Petibles, Hollister Cannabis Co., and as contract manufacturing white label products for other companies.

Currently, the most widely distributed product manufactured at Hollister Cannabis Company is the HashBone which is a 25% hash 75% flower pre-roll which is made in small batches with only premium flower and artisanal bubble hash. Hollister Cannabis Company Bubble Hash is made with purified water and ice in hash wash machines. It is dried in state of the art freeze dryers and strained and grammed in concentrate jars. There are several white label products manufactured at Hollister Cannabis Co including crumble infused pre-rolls, 1/8th and grammed flower, and pre-rolls. The Company uses an automated process that fills vape cartridges, capsules, tincture bottles and more. There are potential white label projects for this equipment. Most products are packaged, labeled, and prepared for distribution prior to leaving Hollister Cannabis Company. The Company employs an extremely efficient Auto Labe labeling machine for any round vessel, and a blister pack machine.

Hollister Cannabis Company is currently operating in 2,061 sq. ft. of the 37,061 sq. ft. facility (the "Hollister Facility"). The available space will house several projects that are currently under development including but not limited to automated pre-roll manufacturing, NanoPure, nano emulsified cannabis concentrate which will be sold both wholesale as an ingredient for other companies and power products for Hollister Cannabis Company and an extraction lab for Venom Extracts to commence operations in the state of California. The first product to be launched is a fast acting sublingual spray. Beverages, edibles, and capsules will soon be produced.

Hollister, through its wholly-owned subsidiary, Venom Extracts, operates a two storey, 11,000 square feet indoor cannabis facility located at 2046 W Ironwood Dr, Phoenix Arizona 85021 (the "Phoenix Facility"). The Phoenix Facility meets all security requirements under applicable laws and the Company uses this space for butane, propane and ethanol extraction and packaging in its manufacturing process for the production of cannabis concentrate products.

The Company uses the Hollister Facility and the Phoenix Facility for the production and downstream processing of cannabis products using plant materials purchased from the licensed marketplace. Some products are unprocessed (e.g. dried flowers), while others are processed (e.g. oil derived from the cannabis leaves).

The Company offers products in the medicinal and recreational spaces, including products in the categories of, distillates, cannabis concentrates, pre packaged flower, pre-roll, infused pre-roll, bubble hash, tinctures, beverages, edibles and pet products.

Hollister Cannabis Company is licensed by the city of Hollister and the State of California for Manufacturing and Distribution. The Company currently uses Nabis as its primary distributor in California, and continues to evaluate additional or alternative distribution lines in California.

Venom Extracts is one of Arizona's premier extract brands and one of the state's largest producers of award-winning medical cannabis distillate and related products. With an experienced management team and focus on quality, Venom Extracts prides itself as a differentiated extraction company by producing legal Marijuana products at a price point that allows retailers the potential to generate higher margins.

The Company's expansion strategy is centered on entering new markets/states that are approved for medical cannabis use and/or approved or have a reasonable expectation to be approved for recreational use in the near future. The Company has expanded its production capacity in Arizona to accommodate Adult Use going into effect in Q1 2021. The Company is also in process of bringing its California brands into the Arizona market. The Company expects its California brands to be available in the Arizona market in the second quarter of 2021. Another key initiative for the Company in 2021 and 2022 will be greenfield development to build redundancy into the Company's supply chain of raw material, lower input costs and enhance profit margins.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. COVID-19 has created a new set of challenges for Hollister and we have risen to that challenge. All of our employees have been able to continue to stay working in California during this time as Hollister was deemed an essential service. We have a full COVID-19 sanitization protocol in place to keep our employees safe. When the COVID-19 shutdowns started to happen Hollister jumped into action by manufacturing hand sanitizer to donate to the city, county and the local community. Hollister was awarded a certificate of appreciation from San Benito County for donating the hand sanitizer.

Hollister has been experiencing some delays in product packaging and delivery of raw materials that have extended our normal turnaround times to manufacture products for distribution. The Company foresees further supply constraints that may cause delays in the two to four week range, and is working to mitigate these delays. In the meantime, COVID-19 has accelerated the direct to consumer delivery plan, the brand is called Dreamy Delivery and the first delivery hub was launched during Q4 2020 with statewide service expected by the end of 2021. Hollister has completed the design phase for the eventual buildout of its Venom brand in the Hollister Facility however the Company will initially use an asset light approach to validate the Venom brand in the California marketplace.COVID-19 has also delayed the launching of initial products for AlphaMind Brands Inc. Tommy Chongs's Full Spectrum Elixir is now being distributed into California dispensaries by our distribution partner Nabis.

The Company's wholly owned subsidiary Hollister Holistics 2 ("HH2") applied for a non-storefront delivery license in the city of Hollister. On September 21, 2020 the City Council of Hollister unanimously approved HH2's application for a delivery license in the city of Hollister. The Company has applied to the state of California for a similar license that is currently in process.

The Company has also opened a smaller depot in Oakland, CA and Sacramento, CA to service the Bay Area and the greater Sacramento area in California. The www.DreamyDelivery.com website for delivery has been launched and is currently accepting orders in the Bay Area of California, Sacramento and Hollister California.

Acquisition of Venom Extracts

On March 24, 2020, the Company closed its acquisition of Venom Extracts, an Arizona cannabis extract brand (the "Venom Acquisition").

Pursuant to the terms of the Venom Acquisition, the Company acquired Venom Extracts for consideration of $6,328,112 which was satisfied by the issuance of 70,390,672 Hollister common shares at a fair value of CDN$0.092 per share pro rata to the shareholders of Venom Extracts and a commitment to issue an additional 29,610,054 common shares (the "Venom Earn-Out Shares") at a fair value of CDN$0.092 per share to certain former shareholders of Venom Extracts on the earlier of (i) Venom Extracts reaching certain revenue milestones (detailed below), or (ii) December 31, 2021. The Earn-Out Shares were valued at $1,873,744 using the one-month volume

weighted average share price on closing date and are recorded as the Company's commitment to issue shares. The Venom Earn-Out Shares were issued during the three months ended December 31,2020.

- 19,740,036 Venom Earn-Out Shares will be issued when revenue of Venom Extracts exceeds CDN$30,000,000 (calculated in accordance with IFRS from January 1, 2020); and
- An additional 9,870,018 Venom Earn-Out Shares will be issued when revenue of Venom Extracts exceeds CDN$40,000,000 (calculated in accordance with IFRS from January 1, 2020).

All the Venom Earn-Out Shares were issued during the three months ended December 31, 2020 as Venom Extracts achieved both milestones as described above.

In connection with the Venom Acquisition, the Company issued 6,000,000 common shares (the "Finder Shares") to an arm's length third party finder with a fair value of $379,684.

The Company engaged an independent valuation firm to complete a valuation of the underlying assets of Venom Extracts including its property and equipment, intangibles, the Venom Extracts brand, intellectual property and goodwill, and also determined Venom Extracts' final working capital balances. The results of this independent valuation are included in the purchase price allocation included in the Company's consolidated financial statements. Management continues to refine and finalize its purchase price allocation for the fair value of the identifiable intangible assets and the allocation of goodwill.

Acquisition of AlphaMind Brands Inc.

On April 30, 2020, the Company closed its acquisition of AlphaMind Brands Inc (AlphaMind"), a Canada and US based growth stage company, which is developing certified legal mushroom based natural health products (the "AlphaMind Acquisition").

Pursuant to the terms of the AlphaMind Acquisition, the Company has acquired AlphaMind for consideration of $517,613 which was satisfied by the issuance of 4,200,000 Hollister common shares at a fair value of CDN$0.12 per share pro rata to the shareholders of AlphaMind and a commitment to issue an additional 1,800,000 common shares at a fair value of CDN$0.12 per share to certain former shareholders of AlphaMind on the earlier of (i) AlphaMind's first production run or its first sales of product, or (ii) December 31, 2021.

AlphaMind continues to discover, develop and commercialize products using non-psychoactive mushroom blends using certified organic mushrooms growth in North America.

OVERALL PERFORMANCE

Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgment in order to ensure that our consolidated financial statements are presented fairly and in accordance with IFRS. All amounts in this MD&A are presented in U.S. dollars, unless otherwise noted.

For information in regarding the Company's total assets and liabilities, refer to "Liquidity and Capital Resources" below.

SELECTED FINANCIAL INFORMATION - RESULTS OF OPERATIONS

For the three months ended March 31, 2021 and 2020:

	2021	2020
	$	$
Gross revenue	**23,093,206**	948,898
Gross profit	**3,601,404**	(284,869)
Operating expenses	**(1,185,378)**	(1,792,897)
Net income (loss) and comprehensive income (loss)	**1,986,802**	(2,153,479)
Total assets	**23,875,555**	8,829,018
Current liabilities	**7,442,149**	4,818,546

Gross revenue during the three months ended March 31, 2021, increased by $22,144,308 or 92% compared to the prior year period, as the Company increased sales of existing products (pre-rolls and vape cartridges) and realized the revenues from Venom Extracts from the date of acquisition to the end of the quarter which resulted in the company recognizing $670,376 revenue from March 24, 2020 to March 31, 2020.

Expressed in United States Dollars

The composition of revenue for the three months ended March 31, 2021, included the following:

- $19,377,792 – concentrates
- $72,920 – Hash Bone (as described in "Corporate Outlook" above)
- $nil – contract manufacturing services
- $3,664,842 – other product sales

Comparatively, the composition of revenue during the three months ended March 31, 2020, was substantially comprised of sales of concentrates, hash bone, contract manufacturing services and other product sales which totaled $692,875, $158,603, $86,847 and $10,573, respectively.

Gross margin was $3,601,404 for the three months ended March 31, 2021, compared to the gross margin loss of $284,869 for the prior year period, This change is primarily driven by increased sales of Hollister Cannabis Company and the newly acquired Venom Extracts, which was supplemented by a one-time increased rent charge of $245,928 recorded within cost of sales. Gross margin for the current year period was also impacted by increases in most other cost components of inventory.

The portion of cost of sales that related specifically to inventory (product, labour, testing, and supplies) amounted to $19,089,983 during the three months ended March 31, 2021 (2020 - $349,979), or 83% (2020 - 89%) of revenue. Key drivers in percentage fluctuations of cost of sales relative to revenue is driven by fluctuating market prices of biomass inputs (product), as well as the addition of new production employees during the quarter and the acquisition of Venom Extracts.

Operating expenses during the three months ended March 31, 2021 were $1,185,378, compared to $1,792,897 during the prior year period. The decrease is primarily driven by the prior year transaction costs as part of the Company's reverse acquisition to the CSE as well as the decrease in marketing expenses to $160,193 during Q1 2021 from $471,132 during Q1 2020 as a result of the Company's cost cutting initiatives. Offsetting these cost reductions, were increases in many of the other expense categories as part of the continual evolution of the Company's activities and expansion of sales efforts including increasing its sales mix and customer acquisition efforts. The most significant changes in operating expenses and other expenses were as follows:

- Administrative expense increased to $194,069 during Q1 2021 from $93,164 during Q1 2020 as a result of the Company's acquisition of Venom Extracts on March 24, 2020, which have various administrative costs.
- Depreciation increased to $304,041 during Q1 2021 from $77,099 during Q1 2020 as a result of the Company's acquisition of Venom Extracts on March 24, 2020 which has a production facility that is required to be depreciated in accordance with IFRS.
- Professional fees and consulting increased to $236,326 during Q1 2021 from $135,571 during Q1 2020 as a result of the Company's acquisition of Venom Extracts on March 24, 2020 and additional costs associated with the Company's continued growth.
- Salaries and wages increased to $200,137 during Q1 2021 from $62,499 during Q1 2020 as a result of the Company's acquisition of Venom Extracts on March 24, 2021, which has various full and part-time staff as part of its operation.

SUMMARY OF QUARTERLY RESULTS

	Revenue	Net income (loss) and comprehensive income (loss)	Income (loss) per share
	$	$	$
March 31, 2021	23,093,206	1,986,802	0.01
December 31, 2020	11,710,491	(459,860)	(0.00)
September 30, 2020	9,489,911	(649,095)	(0.00)
June 30, 2020	8,473,339	305,377	0.00
March 31, 2020	951,761	(2,153,479)	(0.01)
December 31, 2019	347,362	(1,328,057)	(0.07)
September 30, 2019	236,603	(362,450)	(0.02)
June 30, 2019	221,826	(1,979)	(0.00)

Quarter to quarter fluctuations in revenue have been driven by fluctuations in the normal course of business, the Company's overall growth efforts, significant customer acquisitions in recent periods, and the seasonality of product sales particularly in the third and fourth quarters. Moreover, the Company's sales mix has expanded since the beginning of fiscal 2019, which is driving an upward trend in quarter-by-quarter revenue.

During the period ended March 31, 2020, the Company acquired Venom Extracts resulting in the recognition of a one-time non-cash transaction cost of $828,100. Commencing the three months ended June 30, 2020, the Company realized increased sales of existing products (pre-rolls and vape cartridges) and the revenues from Venom Extracts from the date of acquisition resulting in the Company recognizing revenue of $7,118,424 during the quarter.

Expressed in United States Dollars

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors which comprises members of management, does not establish quantitative return on capital criteria, but rather relies on their expertise to sustain future development of the business. The Company defines capital that it manages as shareholders' equity. The Company has historically relied on financing from the issuance of Units, other arm's length financing arrangements, and the contributions of its officers to fund its activities. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended March 31, 2021.

Liquidity and Financial Condition

As at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
	$	$
Cash	**6,913,865**	1,061,950
Receivables	**5,224,365**	2,849,775
Prepaid expenses	**50,016**	82,088
Inventory	**2,832,601**	2,203,133
Current portion of lease receivable	**163,324**	157,439
Current assets	**15,184,171**	6,354,385
Deposits	**93,448**	83,380
Property and equipment	**3,566,459**	3,152,638
Intangible assets	**1,975,000**	2,137,500
Lease receivable	**835,849**	879,484
Goodwill	**2,220,628**	2,220,628
Current liabilities	**7,442,149**	5,720,938
Non-current liabilities	**3,578,789**	4,036,325
Working capital	**7,742,022**	633,447
Shareholders' equity	**12,854,617**	5,070,752

The Company's current assets increased by $8,829,786 in major part due to an increase in cash from financing, receivables and inventory. The Company had a positive working capital resulting from the significant increase in cash from proceeds on the issuance of common shares, partially offset by current liabilities characterized by increases in accounts payable and accrued liabilities.

The Company is in a deficit position due to the historic losses incurred during prior periods. Details of which are further discussed in Note 2 to the Company's condensed interim consolidated financial statements. Fluctuations in cash are discussed below under "Cash flows".

Cash flows

During the three months ended March 31, 2021 and 2020:

- Cash provided by operating activities of $897,280 (2020 cash used - $645,685) were the result of net cash inflows from revenue activity, supplemented by the Company conserving cash through utilizing available credit on accounts payable and accrued liabilities causing such balance to increase, partially offset of increases in receivables due to timing of sales collection.
- Cash used in investing activities comprised the purchase of equipment totaling $580,779 (2020 - $66,241) and cash acquired on the acquisition of Venom Extracts of $nil (2020 - $2,091,219), along with the payment of $250,000 in deferred compensation to Venom Extracts owners and staff as part of the Venom Extracts acquisition (2020 - $1,250,000).
- Cash provided by financing activities totaled $5,487,248 (2020 cash used - $228,960) which was primarily driven by proceeds of $6,273,779 pursuant to the Special Warrant financing that closed on March 4, 2021, and $425,999 from the exercise of warrants, partially offset by financing costs of $982,294, payments of $141,500 towards the promissory note and payments of $150,091 towards the Company's lease obligations.

Expressed in United States Dollars

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

The table below reconciles net income (loss) and comprehensive income (loss) to Adjusted EBITDA for the three months ended March 31, 2021 and 2020:

	2021	2020
	$	$
Net income (loss) and comprehensive income (loss)	1,986,802	(2,153,479)
Add (deduct) impact of:		
Accretion	-	3,150
Depreciation	304,041	77,099
Finance costs	101,182	109,682
Foreign exchange gain	(28,296)	-
Interest expense	17,514	12,500
Transaction costs	-	828,100
Interest income	(25,610)	-
Income tax expense	808,000	-
Deferred income tax recovery	(55,000)	-
Foreign currency translation adjustment	(298,166)	75,713
Adjusted EBITDA	2,810,467	(1,047,235)

OUTSTANDING SHARE DATA

Summary of outstanding share data as of date of this MD&A:

Authorized: Unlimited number of common shares without par value.
Issued and outstanding: 267,784,732 common shares.
Stock options: 13,016,666
Warrants: 26,474,961

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The carrying values of cash, receivables, accounts payable and accrued liabilities, and accounts payable to related parties approximate their respective fair values due to the short-term nature of these instruments. Long-term debt and lease obligations also approximate their respective fair values as these instruments are either discounted using market rates of interest or bear a market rate of interest.

The Company's potential sources of cash flow in the upcoming year will be from possible equity or debt financings.

Economic dependence

During the three months ended March 31, 2021, the Company derived 52% of its revenues from eight customers (2020 - 32% from two customers) with the remaining sales being made to a variety of customers..

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at March 31, 2021 and December 31, 2020, and as at the date hereof.

Expressed in United States Dollars

RELATED PARTY TRANSACTIONS

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors of the Company. The remuneration of the Company's key management personnel during the three months ended March 31, 2021 and 2020 are as follows:

	2021	2020
	$	$
Salaries and wages	**68,750**	62,499
Professional and consulting fees	**36,531**	19,518
	105,281	82,017

As at March 31, 2021, accounts payable to Amasa Lacy (an Vice President, Production and director of the Company) totalled $59,083 (December 31, 2020 - $59,083) and accounts payable to Carl Saling (CEO and director of the Company) totalled $63,612 (December 31, 2020 - $63,612). These amounts are unsecured, non-interest bearing and are due on demand.

USE OF NON-GAAP FINANCIAL MEASURES

This press release includes certain non-GAAP financial measures as defined by the SEC. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measure calculated and presented in accordance with GAAP are included below. This information should be considered as supplemental in nature and not as a substitute for, or superior to, any measure of performance prepared in accordance with GAAP. Our management uses adjusted EBITDA to evaluate our operating performance and trends and make planning decisions. Our management believes adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the items that we exclude. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects, and allowing for greater transparency with respect to key financial metrics used by our management in its financial and operational decision-making.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities. Details of the areas which require management to make critical estimates and judgments are disclosed in note 2 of the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021.

ACCOUNTING STANDARDS AND INTERPRETATIONS

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of March 31, 2021. The Company's significant accounting policies are described in note 2 of the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019.

LEGAL AND REGULATORY MATTERS

For a detailed listing of the legal and regulatory considerations impacting the Company, please refer to the Company's MD&A for the year ended December 31, 2020.

RISKS AND UNCERTAINTIES

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

ADDITIONAL RISK DISCLOSURE FOR ISSUERS WITH U.S. CANNABIS OPERATIONS

Unfavourable Publicity or Consumer Perception

Proposed management of the Company believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or the Company's proposed products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

ADDITIONAL RISK DISCLOSURE FOR ALPHAMIND BRANDS

AlphaMind's prospects depend on the success of its products/compounds which are not yet in development

AlphaMind currently has no products/compounds that have been approved by Health Canada or any similar regulatory authority. To obtain regulatory approvals for its product/compound candidates being developed and to achieve commercial success, clinical trials may be required to demonstrate that the product/compound candidates are safe for human use and that they demonstrate efficacy to varying degrees of certainty depending on the product. Many product/compound candidates never reach the stage of clinical testing and even those that do have only a small chance of successfully completing clinical development and gaining regulatory approval. Product/compound candidates may fail for a number of reasons, including, but not limited to, being unsafe for human use or due to the failure to provide therapeutic benefits equal to or better than the standard of treatment at the time of testing. Unsatisfactory results obtained from a particular study relating to a research and development program may cause AlphaMind or its collaborators to abandon commitments to that program. Positive results of early preclinical research may not be indicative of the results that will be obtained in later stages of preclinical or clinical research. Similarly, positive results from early-stage clinical trials may not be indicative of favourable outcomes in later-stage clinical trials, and AlphaMind can make no assurance that any future studies, if undertaken, will yield favourable results.

The psychedelic industry and market are relatively new and this industry may not succeed in the long term

There is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the psychedelic industry and market could have a material adverse effect on AlphaMind's business, financial conditions and results of operations. The psychedelic market will face specific marketing challenges given the products' status as a controlled substance which resulted in past and current public perception that the products have negative health and lifestyle effects and have the potential to cause physical and social harm due to psychoactive and potentially addictive effects.

AlphaMind expects to rely on contract manufacturers over whom it will have limited control AlphaMind may rely on contract manufacturing organizations ("CMOs") for manufacturing, formulation, filling, packaging, storing and shipping of drug product in compliance with current Good Manufacturing Practices ("cGMP") regulations applicable to its products/compounds. Health Canada and the FDA and other equivalent regulatory bodies in other jurisdictions ensure the quality of drug products by carefully monitoring drug manufacturers' compliance with cGMP regulations.

The cGMP regulations for drugs contain minimum requirements for the methods, facilities and controls used in manufacturing, processing and packing of a drug product. There can be no assurances that CMOs, if and when contracted by AlphaMind, will be able to meet AlphaMind's timetable and requirements. Further, CMOs must operate in compliance with cGMP and failure to do so could result in, among other things, the disruption of product supplies. AlphaMind's dependence upon third parties for the manufacture of its products/compounds may adversely affect its profit margins and its ability to develop and deliver products on a timely and competitive basis.

A CAUTIONARY NOTE

The information provided in this MD&A, including information incorporated by reference, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

(a) the regulation of the recreational cannabis industry in the State of California;
(b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and
(c) other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

With respect to the forward-looking statements contained herein, although the Company believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required licenses, risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential transaction and legal risks; risks relating to regulations applicable to the production and sale of marijuana; and other factors beyond the Company's control, as more particularly described elsewhere in this MD&A.

Consequently, all forward-looking statements made in this MD&A and other documents of the Company, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

Respectfully submitted on behalf of the Board of Directors,

"Carl Saling"

CEO and Founder