CBD Global Sciences Inc.
Management Discussion and Analysis
For the nine months ended September 30, 2020 and 2019
(expressed in United States Dollars)

November 30, 2020

The following discussion and analysis of the Company's financial condition and results of operations for the nine months ended September 30, 2020 should be read in conjunction with the financial statements and related notes. The requisite financial data presented for the relevant periods has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

CBD Global Sciences Inc. is classified as a "venture issuer" for the purposes of National Instrument 51-102.

Disclaimer

Certain statements in this interim report are forward-looking statements which reflect management's expectations regarding future growth, results of operations, performance, business prospects and opportunities such as intended work programs on existing properties, the Company's ability to meet financial commitments and its ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. These assumptions, which include management's current expectations, the global economic environment, and the Company's ability to manage its operating costs, may prove to be incorrect. A number of risks and uncertainties could cause actual results to differ materially from those expressed or implied by the forward-looking statements; these risks are outlined substantially in the Company's prospectus.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Nature of Business

CBD Global Sciences Inc.'s (the "Company") head office and principal address is located at 225 Union Boulevard, Suite 350, Lakewood, Colorado, 80228. The registered office in Nevada is located at 1085 Pleasure Lane, Henderson, Nevada, 89002 and 2754 Rockbridge Dr., Highlands Ranch, CO 80126 for Colorado. The records office is located at 225 Union Boulevard, Suite 350, Lakewood, Colorado, 80228.

CBD Global Sciences Inc. is an Industrial Hemp farming, processing and product manufacturing company focused on cannabidiol ("CBD"). The Company is directly involved in the Industrial Hemp, hemp oil, and CBD marketplace in the State of Colorado and other states which have regulated such activity.

The Company grows hemp plants under its wholly owned subsidiary, Strasburg Pharms, LLC which is registered with the Colorado Department of Agriculture. The plants are then dried into biomass and either sold as is or converted into CBD oil or distillates under its own brands.

The Company continues to sell raw biomass and is currently marketing and selling its own brand of CBD oil and byproducts under the Aethics and CannaOil brands (collectively "Products"). More information about the Aethics brand can be found at https://aethics.com/. The Company plans to expand its range of CBD oil and byproducts in fiscal 2020.

As at the date of this MD&A, the Company has decided to discontinue its farming and growing operations and focus on expanding and distribution of its CBD oil products.

Hemp and CBD regulatory environment in the United States

All Industrial Hemp produced and sold by the Company constitutes Industrial Hemp under the 2018 and 2014 Farm Bills, as well as the laws of the states in which it produces and sells such Industrial Hemp and its Products.

The Products will be legal as a matter of federal law because they will constitute hemp as defined in the Agriculture Improvement Act of 2018 ("***2018 Farm Bill***"). As a result, the Products may be legally shipped and transported in interstate commerce as a matter of federal law. The Products will be legal as a matter of the laws of Colorado for the same reason and may be legally offered for retail sale in Colorado.

It is noted, however, that topical and ingestible products containing CBD fall within the regulatory jurisdiction of the U.S. Food and Drug Administration ("***FDA***") under the federal Food, Drug, and Cosmetic Act (21 U.S.C. 301 *et seq.)* ("***Food and Drug Act***"). Accordingly, because they will contain CBD, certain of the Products, including the Company's nutraceuticals and food and body care Products, may be subject to enhanced scrutiny or enforcement action by FDA.

2014 and 2018 Farm Bills

On December 20, 2018, President Donald J. Trump signed into law the 2018 Farm Bill, which overwhelmingly passed Congress with bipartisan support. The legislation became effective immediately, and its significance to the hemp industry cannot be overstated. The mechanics of the 2018 Farm Bill can be summarized as follows:

- The era of hemp prohibition is over. The 2018 Farm Bill permanently removes "hemp" from scheduled control under the federal Controlled Substances Act (21 U.S.C. 801) ("***CSA***"). Moving forward, the 2018 Farm Bill forever deems hemp an agricultural commodity. As such, federal law enforcement and regulatory officials can no longer mistake hemp for its illicit cousin, marijuana, also a subspecies of the cannabis plant.

- Hemp is federally redefined as "the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis." Accordingly, the determination of whether a substance constitutes federally legal hemp is based on its THC concentration on a dry weight basis, and not on where the hemp in the substance is grown or cultivated. Further, this redefinition explicitly removes popular hemp products, such as hemp-derived CBD, from scheduled control under the CSA.

  Accordingly, the Drug Enforcement Administration ("***DEA***") no longer has any possible claim to interfere with interstate commerce involving hemp products. This should give comfort to federally-regulated institutions -- pharmacies, banks, merchant services, credit card companies, e-commerce sites, and advertising platforms -- as well as private retailers, to conduct commerce involving hemp and the hemp product industry.

- The 2018 Farm Bill explicitly protects interstate commerce involving hemp and hemp derived products and prohibits states and Native American tribes from interfering with the interstate transportation or shipment of hemp or hemp-derived products. Any effort by state or tribal law enforcement or regulatory officials to enforce against hemp or hemp-derived products in interstate commerce would contravene federal law.

- States, including the District of Columbia and any territory or possession of the United States, as well as Native American tribes, may assume primary regulatory authority over the production of hemp in their jurisdictions through a regulatory or tribal plan approved by the U.S. Department of Agriculture ("***USDA***"). In the event a state or tribe does not establish (or have approved) such a regulatory plan, hemp production in that jurisdiction is subject to the regulatory plan established by USDA.

- The U.S. Food & Drug Administration ("***FDA***") retains exclusive jurisdiction over the regulation of ingestible and topical hemp-derived products, as the 2018 Farm Bill does not amend or modify the Food and Drug Act, section 351 of the Public Health Service Act (42 U.S.C. 301 *et seq.*), or certain authorities of the Commissioner of Food and Drugs or Secretary of the U.S. Department of Health and Human Services.

- The 2018 Farm Bill does not, however, preempt state or local law. As such, through their regulatory plans, states or tribes may impose separate (and greater) restrictions or requirements on hemp production in their jurisdiction.

Prior to enactment of the 2018 Farm Bill, the Agricultural Act of 2014 ("***2014 Farm Bill***") regulated the production of hemp at the federal level. Under this regime, states -- through their departments of agriculture -- were authorized to establish agricultural pilot programs for the production of hemp for research purposes, including marketing studies. The 2014 Farm Bill sanctioned, but did not require, states to establish agricultural pilot programs for the growth and cultivation of hemp for research purposes. At least forty-one (41) states, including Colorado, established agricultural pilot programs under the 2014 Farm Bill, some of them with broader permissions (and more sophisticated regulatory frameworks) than others.

Interstate Commerce

Federal appropriations riders passed subsequent to the 2014 Farm Bill prohibited federally appropriated agencies, including DEA, from enforcing against hemp and hemp-derived products in interstate commerce, a protection that, as discussed above, the 2018 Farm Bill preserves (and extends to states and Native American tribes).

The 2014 Farm Bill also did not preempt state or local law, leaving up to each state whether to sanction the production of hemp in its jurisdiction. For this reason -- under the jurisdiction of state or local law -- a handful of states have taken law enforcement or regulatory action against hemp derived products. Currently, there are at least seventeen (17) identifiable states whose laws and/or regulations provide explicit protection for the retail sale of hemp-derived CBD. The remaining states neither explicitly permit nor explicitly prohibit the retail sale of hemp-derived CBD; in fact, many of these states do not mention CBD anywhere in their statutes or regulations. As discussed above, any continued action against the interstate transportation or shipment of hemp-derived products would contravene federal law.

FDA and Food Products

While the 2018 Farm Bill sidelines the DEA, the FDA retains its authority to regulate ingestible and topical products, including those that contain hemp and hemp extracts, such as CBD. Much public attention has focused on a non-binding Q&A posted on the FDA's website a few years ago,[1] which the FDA Commissioner Scott Gottlieb reiterated in a statement issued the day the 2018 Farm Bill became law.[2] The Q&A suggests that CBD products cannot be marketed as foods or dietary supplements. Commissioner Gottlieb's December 20, 2018 statement separately concludes that it is a violation of federal law to introduce CBD ingredients "into the food supply or market them as dietary supplements."[3] These positions, however, are unsettled and unsupported by law or regulations. More importantly, the FDA's current position is *not* a final determination.

As background, the Food and Drug Act, as amended by the Dietary Supplement Health and Education Act of 1994 ("***DSHESA***"),[4] defines a "dietary supplement" as a product intended to supplement the diet that contains one or more of the following: (a) a vitamin; (b) a mineral; (c) an herb or other botanical; (d) an amino acid; (e) a dietary substance for use by man to supplement the diet by increasing the total dietary intake; or (f) a concentrate, metabolite, constituent, extract, or combination of any ingredient described in clause (a) through (e).[5] Thus, the law permits a wide range of dietary ingredients in dietary supplements, including CBD-a botanical extract (*Cannabis sativa L.*). CBD also falls under clause (e), as it is a dietary substance for use by man to supplement the diet by increasing the total dietary intake.

[1] U.S. Food & Drug Administration, "FDA and Marijuana: Questions and Answers," FDA.GOV, https://www.fda.gov/NewsEvents/PublicHealthFocus/ucm421168.htm (hereinafter the "Q&A").
[2] U.S. Food & Drug Administration, "Statement from FDA Commissioner Scott Gottlieb, M.D., on signing of the Agriculture Improvement Act and the agency's regulation of products containing cannabis and cannabis-derived compounds," FDA.GOV, https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm628988.htm.
[3] *Id.*
[4] Dietary Supplement Health and Education Act of 1994, Pub. L. No. 104-417.
[5] 21 U.S.C. § 321(ff).

The FDA has taken the position -- via Warning Letters sent to hemp-derived CBD companies,[6] as well as the Q&A -- that because substantial clinical trials studying CBD as a new drug were made public prior to the marketing of any food or dietary supplements containing CBD, dietary supplements or food are precluded from containing this ingredient ("***IND Preclusion***").[7]

However, we firmly disagree that the referenced clinical trials are in fact "substantial," as the trials were extremely limited in scope, and funding and the publication of these trials were limited as well. The FDA also seems to misinterpret the IND Preclusion in that it believes the preclusion date is simply the date in which the FDA authorized CBD as an investigational new drug ("***IND***"), without giving deference to the remaining portion of the statute, which requires that substantial clinical investigation be commenced and that such substantial clinical investigation be made public. In addition, the Q&A does not have the effect of law but instead merely reflects the FDA's opinion, which the agency suggests may change as evidenced from the FDA's own request for further input on the topic.

Rather, we believe that hemp-derived CBD products were marketed as dietary supplements and/or foods prior to any *substantial* drug investigations being undertaken, or made public, and that based on the definition of "dietary supplement" under DSHEA, CBD is in fact a permissible dietary ingredient. In any event, the FDA's Warning Letters and Q&A are not final agency determinations. It is of significant import that, to date, the FDA has not taken any hemp-derived CBD products off the market, prohibited the sale of such products, or ordered a product recall. Further, the primary motivation for the Warning Letters issued in 2015, 2016, and 2017 concerned the improper use of disease-remediation claims by supplement/food companies. No Warning Letter has been issued to a company that merely sold legitimate hemp-derived CBD products without making inappropriate disease-remediation claims, and we are not aware of any Warning Letters being issued since enactment of the 2018 Farm Bill.

In addition, current scientific research confirms that hemp-derived CBD is safe in food, supplements, and beverages and has provided general health and wellness benefits to millions of Americans. Because hemp contains only a negligible amount of THC, hemp-derived CBD products are non-psychoactive and safe. Hemp-derived CBD does not have the potential for abuse or addiction, and there is no potential for diversion.

We are also not aware of any serious adverse events associated with the consumption of CBD. Food and supplements that contain hemp-derived CBD are already subject to a comprehensive regulatory framework that addresses both the safety and quality of these products. In fact, the current Good Manufacturing Practices ("***GMPs***") for food and supplements (21 CFR Part 117 and Part 111, respectively) are equally, if not more, robust than the regulations governing the manufacture and production of cannabis products in most states.

Indeed, the World Health Organization ("***WHO***") Expert Committee on Drug Dependence recommended in August 2018 that "preparations considered to be pure CBD should not be scheduled within the International Drug Control Conventions." Some key findings from the WHO:

- "There are no case reports of abuse or dependence relating to the use of pure CBD."
- "No public health problems have been associated with CBD use."
- "CBD has been found to be generally well tolerated with a good safety profile."

[6] U.S. Food & Drug Administration, "Warning Letters and Test Results for Cannabidiol-Related Products," FDA.GOV, https://www.fda.gov/NewsEvents/PublicHealthFocus/ucm484109.htm.
[7] 21 U.S.C. § 321(ff)(3)(B)(ii).

- "There is no evidence that CBD is liable to similar abuse and similar ill-effects as substances ... such as cannabis or THC."[8]

Perhaps more significantly, a May 2018 memorandum from U.S. Health and Human Services Assistant Secretary Brett Giroir concludes that "CBD and its salts . . . could be removed from control under the CSA."

After a thorough scientific review and analysis, the FDA opined:

- "There is little indication that CBD has abuse potential or presents a significant risk to the public health."
- "No evidence for a classic drug withdrawal syndrome for CBD, and no evidence that CBD causes physical or psychic dependence."
- "CBD does not appear to have abuse potential under the CSA."
- "There is no signal for the development of substance use disorder in individuals consuming CBD-containing products."
- "It is unlikely that CBD would act as an immediate precursor to THC for abuse purposes."[9]

The FDA appears to be relaxing its positions. On the same day it concluded that CBD ingredients cannot be legally introduced in the food supply or marketed as a dietary supplement, the FDA issued a statement opining that "[it] has no questions" about the conclusion that hulled hemp seed, hemp seed protein powder, and hemp seed oil are generally recognized as safe ("***GRAS***") under their intended conditions of use.[10] While the GRAS evaluation was made at the request of a specific company, Fresh Hemp Foods, "the GRAS conclusions can apply to ingredients from other companies, if they are manufactured in a way that is consistent with the notices and they meet the listed specifications. Some of the intended uses for these ingredients include adding them as source of protein, carbohydrates, oil, and other nutrients to beverages (juices, smoothies, protein drinks, plant-based alternatives to dairy products), soups, dips, spreads, sauces, dressings, plant-based alternatives to meat products, desserts, baked goods, cereals, snacks and nutrition bars."

Of greater significance, Commissioner Gottlieb's December 20, 2018 statement also indicated that the FDA was receptive to permanent and formal acceptance of hemp-derived CBD as a food additive or nutritional supplement. For the very first time, the FDA is seriously considering using its authority to issue a regulation that will specifically allow hemp-derived ingredients in foods and supplements:

> [P]athways remain available for the FDA to consider whether there are circumstances in which certain cannabis-derived compounds might be permitted in a food or dietary supplement. Although such products are generally prohibited to be introduced in interstate commerce, the FDA has authority to issue a regulation allowing the use of a pharmaceutical ingredient in a food or dietary supplement. We are taking new steps to evaluate whether we should pursue such a process.

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[8] World Health Organization, "Fortieth meeting of the Expert Committee on Drug Dependence," WHO.INT, https://www.who.int/medicines/access/controlled-substances/ecdd_40_meeting/en/.

[9] Department of Health & Human Services, Letter from Dr. Brett P. Giroir, Assistant Secretary for Health, Department of Health & Human Services, to Robert W. Patterson, Acting Administrator, Drug Enforcement Administrator (May 16, 2018), https://hempindustrydaily.com/wp-content/uploads/2018/10/DHS-DEA-letter-2018-0014-0002.pdf?_ga=2.205388819.221633313.1538568567-731547511.1538568567.

[10] U.S. Food & Drug Administration, "FDA responds to Three GRAS Notices for Hemp Seed-Derived Ingredients for Use in Human Food," APP.INFO.FDA.GOV, http://app.info.fda.gov/eles?s=2027422842&e=l74367&elqTrackId=78D8A052C380BCBFF284D754BEBE9730&elq=920ad70cfc794cdd98dl 05ed04048730&elqaid=6391 &elqat= 1.

In fact, on February 26, 2019, Commissioner Gottlieb gathered with state agriculture leaders at the National Association of State Departments of Agriculture and, for the first time since his December 20, 2018, statement, outlined a path for the full recognition of CBD as a food additive or dietary supplement. It was clear from Commissioner Gottlieb's comments that the FDA is feeling congressional pressure. As it continues down this path, the FDA is also engaging the hemp industry and the public:

> Given the substantial public interest in this topic and the clear interest of Congress in fostering the development of appropriate hemp products, we intend to hold a public meeting in the near future for stakeholders to share their experiences and challenges with these products, including information and views related to the safety of such products. We'll use this meeting to gather additional input relevant to the lawful pathways by which products containing cannabis or cannabis-derived compounds can be marketed, and how we can make these legal pathways more predictable and efficient. We'll also solicit input relevant to our regulatory strategy related to existing products, while we continue to evaluate and take action against products that are being unlawfully marketed and create risks for consumers. At the same time, we recognize the potential opportunities that cannabis or cannabis-derived compounds could offer and acknowledge the significant interest in these possibilities. We're committed to pursuing an efficient regulatory framework for allowing product developers that meet the requirements under our authorities to lawfully market these types of products.

The U.S. Hemp Roundtable ("***Roundtable***"), the industry's leading national business advocacy association, will be actively involved in the negotiation process, especially as the FDA welcomes a new Commissioner. Commissioner Gottlieb recently announced his plans to resign by April 2019.

With the partnership of other industry organizations, such as the American Herbal Products Association and the Hemp Industries Association, the pursuit of this approval path will be one of the Roundtable's top priorities for 2019.

II. STATELAW

While federal law permissions are clear, states' laws on hemp vary. Specifically, you have asked us to consider the legality of the Products under the state laws of Colorado, and you may have interest in other states' laws in the future.

In general, at least forty-one (41) states, including Colorado, have authorized the growth and cultivation of hemp for commercial or research purposes. Many of these states, like Colorado, established agricultural pilot programs pursuant to the 2014 Farm Bill, to which explicit federal law protections attached. Regardless of their existing laws (and whether they established agricultural pilot programs), however, states may not interfere with the interstate transportation or shipment of hemp or hemp-derived products. Any effort by state law enforcement or regulatory officials to enforce against hemp or hemp-derived products in interstate commerce would contravene the 2018 Farm Bill, which became effective December 20, 2018.

As part of its agricultural pilot program regime, Colorado has among the most favorable hemp laws in the United States. These laws deem hemp an agricultural commodity and permit broad activities involving hemp and hemp-derived products to the maximum extent permitted by federal law -- both within and outside the construct of Colorado's agricultural pilot program.[11] In addition to establishing a 2014 Farm

[11] Colorado Revised Statutes § 35-61-101 *et seq.*

Bill-compliant agricultural pilot program, Colorado legalized the distribution and sale of hemp and hemp-derived products so long as it is consistent with federal law.[12] Specifically, "a person engaged in processing, manufacturing, selling, transporting, possessing, or otherwise distributing industrial hemp cultivated by a person registered under this article 61, or selling industrial hemp products produced from it, is not subject to any civil or criminal actions under Colorado law for engaging in such.[13] Colorado defines hemp as having the same definition as under federal law, meaning all parts of the plant, including CBD, with 0.3% THC on a dry weight basis.[14] The definition is not limited to hemp grown or cultivated as part of Colorado's agricultural pilot program (or any agricultural pilot program).

III. APPLICATION

A. FEDERAL LAW

It is our opinion that the Products, as proposed to us, will be legal as a matter of federal law because they will derive from hemp and contain CBD extracted from hemp but will not contain more than three tenths of one percent (0.3%) THC. In other words, they will clearly constitute hemp as defined in the 2018 Farm Bill, which permanently removes hemp from scheduled control under the CSA. As a result, the Products may be legally shipped and transported in interstate commerce.

Under the 2018 Farm Bill, the FDA retains exclusive jurisdiction over the regulation of ingestible and topical hemp-derived products, as the 2018 Farm Bill does not amend or modify the Food and Drug Act (among other federal laws). While it is our opinion that Products are legal as a matter of federal law, they may be subject to enforcement under the Food and Drug Act. For instance, we are aware of enforcement actions by the FDA against hemp-derived CBD products that are falsely mislabeled or that make inappropriate dietary, medical, or nutritional claims. Marketing a product containing CBD for use in the care, mitigation, treatment, or prevention of disease may qualify the product as a drug controlled by the Food and Drug Act. In addition, introducing a drug into interstate commerce without FDA approval would violate the Food and Drug Act. We are cognizant of the FDA's guidance on the use of hemp parts in human food products (and human dietary supplements).

We note, however, that the FDA's current stance on the introduction of hemp-derived CBD in food (whether for human or animal use) and marketing hemp-derived CBD as a dietary supplement is unsettled and unsupported by federal law.[15] We also note that the FDA has expressed receptiveness to adopting a regulatory framework to permit the marketing of hemp-derived products. Nonetheless, the formal position of the FDA remains that CBD has not been approved for ingestible and topical use by humans and animals, and we acknowledge that the FDA may disagree with our interpretation of federal law.

B. STATELAW

Colorado

[12] *Id.* § 35-61-108
[13] *Id.* § 35-61-108(3)
[14] *Id.* § 35-61-101(7)
[15] *See* U.S. Food & Drug Administration, *supra* note 3.

The Products will also be legal as a matter of Colorado law. The Products will derive from hemp lawfully grown and cultivated as part of IHRP and do not contain more than three tenths of one percent (0.3%) THC. Further, the Products will be protected as hemp products and hemp-derived CBD products under Colorado law. As such, they will be removed from scheduled control as marijuana and may be legally distributed and sold as a matter of Colorado law.

Other states

As discussed above, while federal law permissions are clear, states may regulate and enforce against hemp differently, including more restrictively than the 2018 Farm Bill. Currently, there are at least seventeen (17) identifiable states whose laws and/or regulations provide explicit protection for the retail sale of hemp-derived CBD. The remaining states neither explicitly permit nor explicitly prohibit the retail sale of hemp-derived CBD; in fact, many of these states do not mention CBD anywhere in their statutes or regulations.

The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the industrial hemp, hemp oil and cannabis industry in the State of Colorado and, if permitted, other states in the U.S. Accordingly, there are a number of significant risks associated with the business of the Company. If the FDA takes a position regulating all CBD products intended for human or pet consumption there is a risk that federal authorities may enforce this position, and some or all of the products produced by the business of the Company may be deemed unfit for consumption.

For these reasons, the Company's operations in the U.S. cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities.

There can be no assurance that third party service providers, including, but not limited to, suppliers, contractors and banks will not suspend or withdraw services which could negatively impact the business of the Company.

More information about the risk factors associated with the hemp and CBD business in the United States can be found in the Company's prospectus filing dated October 21, 2019.

Overall performance

The Company recorded revenue of $462,514 for the nine months ended September 30, 2020, as compared to revenue of $4,905,159 for the nine months ended September 30, 2019. The net loss for nine months ended September 30, 2020 was $3,750,344 compared to net income of $2,209,106 for the nine months ended September 30, 2019.

Working capital deficit increased as at September 30, 2020 to a deficit of $3,440,180 from $2,002,973 for the year ended December 31, 2019. Working capital decreased due increases in accounts payables and other liabilities, as well as impairments to equipment and inventory.

Harvesting summary

- In March 2017, Strasburg Pharms' third crop was planted consisting of 84,000 plants.

- In October 2017, Strasburg Pharms' completed its third harvest of hemp for total biomass harvested of 21,934 lbs. A total of 1,134 lbs. of biomass was converted to oil for use in CBD oil products. The remaining biomass was sold for an average of $21.1 per lb.
- In March 2018, Strasburg Pharms' fourth crop was planted consisting of 196,500 plants.
- In October 2018, Strasburg Pharms completed its fourth harvest of 55,970 lbs of Industrial Hemp and almost tripled the amount of CBD molecule harvested from the field based on genetic selection and farming technique.
- As of June 30, 2019, the Company's crop was completely planted, consisting of 350,000 plants and total production costs incurred was $452,912.
- As at September 30, 2019, the Company had begun harvesting the 2019 crop with 288,000 total plants and had harvested a total of 57,600 plants. The Company incurred crop loss of approximately 62,000 plants arising from generalized crop loss.
- As at December 31, 2019, the Company completed is 2019 crop harvest of 230,400 plants for a total of 288,000 plants harvested in the 2019 season.
- During the nine months ended September 30, 2020, the Company abandoned its 2020 crops due to poor germination and growth of the seeds.

Summary of Quarterly Results

The table below sets forth selected results of operations for the Company's eight most recently completed quarters (in United States dollars). All figures are in accordance with IFRS.

Period ending	Quarter ($)	Total Revenues ($)	Income (loss) ($)	Basic and fully diluted earnings/(loss) per share ($)	Total Assets ($)
September 30, 2020	Q3	17,870	(1,775,696)	(0.06)	4,076,798
June 30, 2020	Q2	296,550	(1,292,811)	(0.04)	5,280,815
March 31, 2020	Q1	148,094	(701,835)	(0.02)	6,131,156
December 31, 2019	Q4	238,478	(11,862,671)	(0.12)	6,359,580
September 30, 2019	Q3	237,073	(2,771,013)	(0.29)	13,800,902
June 30, 2019	Q2	578,227	6,281,781	0.71	14,910,226
March 31, 2019	Q1	1,263,360	(1,361,662)	(0.13)	5,969,878
December 31, 2018	Q4	101,567	(3,624,648)	(0.36)	6,000,983

- September 30, 2020: Revenue decreased by $278,680 from the prior quarter as sales consisted solely of online orders, whereas in the prior quarter revenue included a large order of products. Net loss increased from the prior quarter by $482,885, mainly due to several consulting and advisory contracts for which share-based payments were made in the quarter totaling $525,460.

- June 30, 2020: Revenue increased from the prior quarter as the Company continues its focus on the growth of CBD oil products and distribution of those products. Net loss increased from the prior quarter, mainly due to increases in salaries included in general and administrative fees and marketing and sales. The Company incurred a share-based payment expense of $260,362 related to options issued to directors, officers and consultants of the Company.
- March 31, 2020: Revenue decreased compared to the last quarter, as the Company focused on sales of CBD oil products. Net loss decreased significantly from prior quarter due to one time expenses incurred related to inventory write-down and listing expense in the prior period.
- December 31, 2019: Revenue was consistent compared to the last quarter, as sales of finished product remained consistent. Net loss increased significantly in the period due to the write-down of the Company's inventory of $1,975,512 and the listing expense of $3,168,139 the Company incurred upon the merger completion and public listing.
- September 30, 2019: Revenue decreased from $578,227 to $237,073 compared to the prior quarter. Sales decreased as the Company focused on finished product sales versus CBD oil sales. Net loss of $2,771,013 for the current period is significantly higher compared to a net income of $6,281,781 in the prior quarter. The decrease is due primarily to an unrealized loss on the change in fair value of biological assets of $1,871,258, and a realized fair value amounts included in inventory sold of $779,487 in the current quarter as compared to an unrealized gain of $9,408,700 offset by a realized fair value loss on amounts included in inventory sold of $1,017,123 in the prior quarter. The decrease relates crop loss of 62,000 plants in the field incurred in the three months ended September 30, 2019. Financing fees for the current quarter increased by $160,358 due primarily to fair value of warrants issued.
- June 30, 2019: Revenue decreased from $1,263,360 to $578,227 compared to the prior quarter. The Company had a large one time sale of biomass in the prior quarter. Net income for the period is significantly higher compared to a loss of $1,361,662 in the prior quarter. The increase is due to an unrealized gain on the change in fair value of biological assets of $9,408,700 as compared to an unrealized gain of $50,182 in the prior quarter. The increase relates to biological transformation of clones from March 2019 to June 2019. There were 345,535 additional plants in the field as compared to the prior quarter.
- March 31, 2019: Revenue increased by $1,161,793 from the prior quarter. The Company had a large sale of biomass of 20,000 pounds and secured a contract for its processing. Net loss decreased from the prior period as the Company realized losses on debt settlement in the prior period.
- December 31, 2018: Revenue decreased from the prior period as the Company focused on negotiations for sales of larger quantities of biomass. The Company incurred a net loss of $3,624,648 compared to net income of 441,517 the prior period. The Company incurred a loss on debt settlement of $1,914,134 related to the conversion of debentures. During Q4 of 2018, the Company issued the second tranche of convertible debt and incurred $394,846 in accretion expense.

Discussion of operations

The Company's primary source of income is from the production and sale of biomass and CBD products. The Company first plants seedlings each winter and harvests the following October. The Company continues to process batches of biomass into CBD distillate and is working towards performing all extraction and processing in-house. The Company has also expanded operations to include external processing services.

For the nine months ended September 30, 2020

Revenue for the nine months ended September 30, 2020 was $462,514 compared to $4,905,159 for the nine months ended September 30, 2019. Revenue from the nine months ended September 30, 2020 consists solely of CBD Oil products, an increase from September 30, 2019 where the Company sold $182,331 in CBD oil products. The nine months ended September 30, 2019 also included sales of $726,275 in CBD Oil and $234,053 in processing and extraction revenue, and $2,762,500 in biomass.

General and administrative costs for the nine months ended September 30, 2020 and 2019 can be summarized as follows:

For the nine months ended	September 30, 2020	September 30, 2019	Change $	Change %
Investor relations	$ 447,008	$ -	$ 447,008	100%
Office expenses	89,367	115,663	(26,296)	(23%)
Professional fees	212,130	211,907	223	0%
Rent	75,339	143,629	(68,290)	(49%)
Salaries	435,213	1,027,634	(592,421)	(58%)
Small tools and equipment	4,237	21,141	(16,904)	(80%)
Travel	21,152	40,431	(19,279)	(48%)
Utilities and services	35,758	118,839	(83,081)	(70%)
Total G&A	**$ 1,320,204**	**$ 1,679,244**	**$ (359,040)**	**(21%)**

- Office expense decreased by $26,296 as compared to the prior quarter. During the nine months, the Company reduced its office space and therefore office related expenses.
- Salaries decreased by $529,421 as the Company decreased the number of staff and focused efforts on its CBD oil product lines.
- Travel decreased by $19,279 as the Company was limited by the COVID-19 pandemic.
- Utilities and services and rent decreased by $83,081 and $56,341 respectively, as the Company reduced its office space in March 2020 and reduced operations related to the sale of farming land.

The Company also incurred $372,278 (September 30, 2019: $170,440) in share-based payments related to the issuance of 5,700,000 options and 250,000 cashless options. The Company also incurred investor relations and consulting fees of $525,260 related to the issuance of common shares in exchange for services.

The Company recorded accretion expense of $415,121 for the nine months ended September 30, 2020 (September 30, 2019 - $1,185,258). Accretion expense decreased from the prior period related to the issuance of convertible notes. The Company also recorded interest expense of $452,910 (September 30, 2019 - $426,970) in interest expense related to its convertible debentures and outstanding loans.

For the three months ended September 30, 2020

Revenue for the three months ended September 30, 2020 was $17,870 compared to $1,799,572 for the three months ended September 30, 2019. Revenue from the three months ended September 30, 2020 consists solely of CBD Oil products as compared to $69,797 in CBD oil product revenue in the prior period. During the three months ended September 30, 2019, the Company also recognized $167,275 in CBD Oil and $1,562,500 in hemp biomass sales.

General and administrative costs for the three months ended September 30, 2020 and 2019 can be summarized as follows:

For the three months ended	September 30, 2020	September 30, 2019	Change $	Change %
Investor relations	$ 446,022	$ -	$ 446,022	100%
Office expenses	29,484	20,399	9,085	45%
Professional fees	30,348	39,392	(9,044)	(23%)
Rent	28,419	83,312	(54,893)	(66%)
Salaries	122,216	170,456	(48,240)	(28%)
Small tools and equipment	2,057	6,096	(4,039)	(66%)
Travel	5,338	(11,885)	17,223	(145%)
Utilities and services	7,906	22,492	(14,586)	(65%)
Total G&A	**$ 671,790**	**$ 330,262**	**341,528**	**103%**

- Office expenses were relatively consistent with the prior period.
- Investor relations increased significantly due to an advisory contract for which the Company issued 2,666,667 common shares in exchange for services with a fair value of $400,000.
- Rent expense decreased by $54,893 from the prior period. The decrease relates to common expenses incurred on the Company's office lease that was discontinued in March of 2020.
- Salaries decreased by $48,240 as the Company reduced employees in the year as compared to September 30, 2019.
- Utilities and services decrease by $14,586 as the Company reduced its office space in March 2020 and reduced operations related to the sale of farming land.

The Company recorded accretion expense of $135,782 for the three months ended September 30, 2020 (September 30, 2019 - $382,662). Accretion expense decreased from the prior period due to the issuance of convertible notes. The Company also recorded interest expense of $146,185 (September 30, 2019 - $157,786) in interest expense related to its convertible debentures and outstanding loans.

Liquidity and Capital Resources

As at September 30, 2020 the Company had a working capital deficit of $3,440,180 as compared to $2,002,974 as at December 31, 2019, an increase of $1,437,207. Working capital decreased due to increases in trade payables and accrued liabilities and additional notes payable, as well as a decrease in equipment and inventory due to impairment

The Company intends to generate cash through the sale of distillate and finished goods products to fund current obligations and future expansion. The Company is currently evaluating projects including the following:

- Subject to available funds, the Company intends to commence construction of its 13,000 square foot facility to accommodate the drying and processing of hemp, commercial extraction, infusion and production of CBD oils, cannabis extracts, and CBD infused products

Cash flows

A summary of cash flows for the nine months ended September 30, 2020 and 2019 is as follows:

For the nine months ended	2020	2019	$ Change
Operating activities	(1,023,975)	(820,961)	(203,014)
Investing activities	55,272	(206,280)	261,552
Financing activities	997,936	694,448	303,488
Change in cash	29,233	(332,793)	362,026

The net cash used in operating activities related to continued operations of $1,023,975 was incurred for the nine months ended September 30, 2020 compared to cash inflows from operating activities of $820,961 for the nine months ended September 30, 2019. Operating outflows increased by $203,014 due to a decrease in sales during the nine months. Cash flows used in investing activities increased by $261,552 related to the acquisition of equipment in the prior period compared to cash inflows from the sale of land for proceeds of $55,272 during the three months ended September 30, 2020. In the nine months ended September 30, 2020, the Company's cash flows from financing activities increased by $303,488. The difference primarily relates to increases in proceeds from notes payable of $549,695, and proceeds from related party loans of $497,733, offset by loan repayments of $192,930.

Going concern

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through equity or debt financing. However, there is no assurance it will be able to continue to do so in the future. These combined financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying combined financial statements.

Related party disclosures

Related parties and related party transactions impacting the financial statements not disclosed elsewhere in these financial statements are summarized below.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

Remuneration attributed to key management personnel for the period ended September 30, 2020 and 2019 are summarized as follows:

		2020		2019
Management fees	$	225,000	$	229,316
Share based payments		225,757		249,335
	$	**450,757**	**$**	**478,651**

Other related party transactions and balances

a) As at September 30, 2020, a revolving promissory note due to Mac5 Mortgage, a company jointly controlled by the President of the Company, Brad Wyatt and the Chief Operating Officer of the Company, Glenn Dooley, had a balance of $481,219 (December 31, 2019 - $395,638) and was included in due to related parties. The note is unsecured and, bears interest at 5% per annum. The interest was due monthly with the principal balance due on demand. On January 1, 2019, the Company entered into a modification agreement to amend the maturity date of the principal balance to December 31, 2024.

   The Company recorded the promissory note at amortized cost using an effective interest rate of 20% which caused the carrying amount to be lower than the principal and accrued interest with the difference recognized in as a related party contribution in capital reserve. During the nine months ended September 30, 2020, the Company recognized an additional $36,974 as related party contributions pursuant to proceeds received during the period. The Company recorded accretion expense of $63,055. As at September 30, 2020, the note accrued interest of $46,453 (December 31, 2019 - $14,905) included in accounts payable and other liabilities.

b) On September 1, 2018, Mac5 Mortgage, a company jointly controlled by the President of the Company, Brad Wyatt and the Chief Operating Officer of the Company, Glenn Dooley, advanced $7,500 to the Company in exchange for a promissory note. The note is unsecured and bears interest at 6% per annum. Payments of interest only are due monthly on the first day of every calendar month starting January 1, 2018 with payment in full at maturity on December 31, 2019. Should the Company default on an interest payment, the interest rate shall increase to 12% per annum. On January 1, 2019, the Company entered into an agreement amending the maturity date of the note to December 31, 2021.

   As of September 30, 2020, the balance due on this note was $8,092 (December 31, 2019 - $7,838), the principal balance of $7,500 has been included in due to related parties, and accrued interest of $592 (December 31, 2019 - $338) has been included in accounts payable and other liabilities.

c) On April 1, 2019, the Company entered into an unsecured promissory note with Mac5 Mortgage, a company jointly controlled by the President of the Company, Brad Wyatt and the Chief Operating Officer of the Company, Glenn Dooley, (the "Related Entity") whereby the Related Entity loaned a balance up to $500,000 to the Company. As at September 30, 2020, the Company had a balance of $261,691 (December 31, 2019 - $4,999) and was included in due to related parties. The note is unsecured, bears interest at 8% per annum, has payments of interest only due monthly with the principal balance due on June 30, 2022.

The Company recorded the promissory note at amortized cost using an effective interest rate of 20% which caused the carrying amount to be lower than the principal and accrued interest with the difference recognized in as a related party contribution in capital reserve. During the nine months ended September 30, 2020, the Company recognized an additional $163,988 as related party contributions pursuant to proceeds received during the period and recorded accretion expense of $7,680. As at September 30, 2020, the note accrued interest of $9,340 (December 31, 2019 - $nil) included in accounts payable and other liabilities.

d) On December 31, 2018, the Company entered into an unsecured promissory note with TargetPath, a company controlled by Scott Hix, a director (the "Related Entity") whereby the Related Entity loaned $33,736 to the Company. As at September 30, 2020, the Company had a balance of $33,736 (December 31, 2019 - $33,736) and was included in due to related parties. The note is unsecured, bears interest at 6% per annum. Interest and principal are due and payable on the maturity date of December 31, 2020. As at September 30, 2020, there was accrued interest payable of $1,769 (December 31, 2019 - $1,011) included in accounts payable and accrued liabilities.

e) During the period ended September 30, 2020, the Company incurred $63,371 (2019 - $14,012) in professional fees to ACM Management Inc. controlled by Alex McAulay, Chief Financial Officer of the Company recorded in general and administrative expenses.

f) During the period ended September 30, 2020, the Company incurred $67,699 (2019 - $nil) in professional fees to Tingle Merrett LLP controlled by Scott Reeves, a director of the Company.

g) As at September 30, 2020 accounts payable and other liabilities included rental fees of $47,350 (December 31, 2019 - $48,469) due to a company jointly controlled by Brad Wyatt, President and Glenn Dooley, Chief Operating Officer.

h) As at September 30, 2020, accounts payable and other liabilities included salaries and wages of $168,452 (December 31, 2019- $66,048) due to Brad Wyatt, President of the Company.

i) As at September 30, 2020, accounts payable and other liabilities included professional fees of $68,914 (December 31, 2019 - $37,913) due to ACM Management Inc. controlled by Alex McAulay, Chief Financial Officer of the Company.

j) As at September 30, 2020, accounts payable and other liabilities included professional fees of $149,298 (December 31, 2019- $97,868) due to Tingle Merrett LLP.

k) As at September 30, 2020, accounts payable and other liabilities included consulting fees of $412,688 (December 31, 2019 - $411,930) due to TargetPath, a company controlled by Scott Hix, a director of the Company.

l) As at September 30, 2020, the Company was owed $8,662 (December 31, 2019 - $3,324) to a company jointly controlled by the Brad Wyatt and Glenn Dooley related to expense reimbursements included in due to related parties.

Subsequent events

On October 15, 2020, the Company issued 32,996 common shares for proceeds of $25,000 for the exercise of warrants.

On October 28, 2020, 100,000 warrants expired unexercised.

In November of 2020, the Company negotiated amendments on certain convertible debentures as follows:

a) Extended the maturity date from October 2, 2020 to October 2, 2022;
b) The face principal amount of the extended Notes was increased to $3,928,500;
c) The accrual of interest payable is scheduled to begin on January 1, 2022 with the first interest payment being due on March 1, 2022; and
d) The Company has issued an additional 3,233,333 purchase warrants at an exercise price of $0.30 per share expiring on October 2, 2023.

Outstanding Share Data

As of September 30, 2020, the Company had 34,244,254 common shares issued and outstanding, and 17,104,380 share purchase warrants and 5,700,000 options outstanding.

As at the date of this report, the Company had 34,277,250 common shares issued and outstanding and 20,237,713 share purchase warrants and 5,700,000 options outstanding.

Proposed Transactions

There are no proposed transactions as at the date of this MD&A.

The Company files annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at http://www.sedar.com and the Company's website https://aethics.com/.