

# Canbud Distribution Enters into Letter of Intent to Acquire Molecular Science Corp.

Toronto, Ontario--(Newsfile Corp. - May 27, 2021) - Canbud Distribution Corp. (CSE: CBDX) (FSE: CD0) (the "**Corporation**") is pleased to announce that, on May 25, 2021, it has entered into a non-binding Letter of Intent (the "**Letter of Intent**") with Molecular Science Corp. ("**MSC**") in respect of a proposed transaction (the "**Proposed Transaction**"), whereby the Corporation would acquire all of the issued and outstanding common shares of MSC by way of a three-cornered amalgamation. MSC is a privately held analytical science and services company, carrying on the business of testing cannabis and related pharmaceutical products.

## The Proposed Transaction

The Proposed Transaction is expected to be structured as a three-cornered amalgamation, pursuant to which a wholly-owned subsidiary to be incorporated by the Corporation under the laws of Ontario ("**Subco**") would amalgamate with MSC, with the entity resulting from such amalgamation becoming a wholly-owned subsidiary of the Corporation, and the holders of common shares of MSC immediately prior to the amalgamation would receive an aggregate of 70,600,000 common shares of the Corporation in exchange for their common shares of MSC. All outstanding options and warrants of MSC would be replaced or exchanged for options and warrants of the Corporation or otherwise dealt with such that they retain economically equivalent terms, having regard to the exchange ratio for the MSC common shares under the Proposed Transaction. Upon closing of the Proposed Transaction, the Corporation may also issue up to 1,765,000 common shares of the Corporation as a finder's fee (the "**Finder's Fee Shares**"). The Proposed Transaction is subject to receipt of all necessary regulatory approvals, including, as applicable, approval of the Canadian Securities Exchange ("**CSE**"), and certain other conditions as described below.

Upon closing of the Proposed Transaction, the outstanding capitalization of the Corporation is expected to consist of approximately 160,839,597 common shares and, options and warrants to purchase 11,600,000 and 49,630,600 common shares of the Corporation, respectively, excluding any Finder's Fee Shares issued. Current MSC shareholders are expected to own approximately 43.9% of the Corporation's common shares on a non-diluted basis, and 35.7% on a fully-diluted basis, before giving effect to the issuance of any Finder's Fee Shares.

The Corporation and MSC agreed to negotiate in good faith the terms of a definitive agreement with respect to the Proposed Transaction within 30 days following the date of the Letter of Intent. Following and conditional upon the execution of a definitive agreement the Corporation would make available to MSC a bridge loan (the "**Bridge Loan**") of up to \$500,000, to be used by MSC for the repayment of certain debt and for working capital purposes. The Bridge Loan would bear interest at 5% per annum, mature sixty days from the date of the Bridge Loan, and be secured against the shares and assets of each of MSC and its operating subsidiaries, as described further in the Letter of Intent. In the event that the Bridge Loan is advanced, in whole or in part, and the definitive agreement is terminated (other than as a result of any breach of its terms by the Corporation), then the principal amount advanced under the Bridge Loan and all accrued interest owing thereon would immediately become due and payable. In addition, MSC would be required to pay to the Corporation a break fee of \$150,000 if MSC breaches the binding provisions of the Letter of Intent, or terminates the binding provisions of the Letter of Intent and subsequently enters into an alternative transaction with a third party within 12 months of such breach or termination.

The common shares of the Corporation issued in exchange for MSC common shares would be subject to resale restrictions, such that the holders would be permitted to trade 20% of such shares only after three months from closing and a further 20% of such shares after each successive three-month period thereafter until the date that is 15 months from the closing date.

All of the existing directors and management of the Corporation are expected to remain following any completion of the Proposed Transaction. Upon closing, all directors and officers of MSC are expected to resign other than Mauro Aiello and Sherry Farsami, who would remain as Interim CEO and Director, Quality Assurance of the amalgamated entity carrying on the business of MSC.

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

- receipt of the required approval for the Proposed Transaction from the shareholders of MSC within 30 days of the signing of the definitive agreement between the parties;
- receipt of all regulatory approvals (including applicable CSE approvals for the listing of the common shares of the Corporation issuable to the securityholders of MSC);
- there having been no acquisitions or disposals (other than in the ordinary course of business), no debt or equity capital raisings (excepting for the Corporation), no new material contracts (excepting for the Corporation) or related party transactions and no loss of any material license;
- no shareholders of MSC have exercised dissent rights with respect to the amalgamation of MSC and Subco;
- no material adverse change affecting MSC or the Corporation; and
- such other conditions as the parties decide are reasonable in the context of the Proposed Transaction.

*Steve Singh, CEO of the Corporation stated: "We are extremely pleased to announce the Letter of Intent to acquire MSC, a leader within the Canadian analytical service sector. Analytical testing is a critical component of the seed-to-sale supply chain and MSC's ability to attract and retain marquee customers in a very competitive area is evidence of its technical capabilities. The Proposed Transaction is intended to enable the Corporation to expand its current focus and become more intricately connected within the supply chain in the cannabis and hemp sector as licensed producers refine and expand their cannabis 2.0 type product offerings, which require additional testing to conform to Health Canada regulations. The Corporation's management believes that there is an opportunity for MSC to expand its current service offerings into emerging markets such as testing for psychedelics, which makes this acquisition an exciting avenue for MSC and in-tune for the Corporation to drive revenue growth."*

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

### **About Molecular Science Corp.**

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

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

### **About Canbud Distribution Corp.**

Canbud Distribution Corp. is a science and technology company focused on the global hemp space inclusive of hemp cannabinoids (CBD). Currently the company, through its subsidiaries, holds three

industrial hemp licenses for the purposes of supplying the global market with medicinal and wellness cannabidiol and other cannabinoid-based products on leased lands located in McKellar, Ontario, Kettleby, Ontario and Lakefield, Ontario. Each hemp licence allows the growing and harvesting of hemp CBD flowers for processing into CBD and other cannabinoids extracts.

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**Notice Regarding Forward-Looking Information**

*The information in this news release includes certain information and statements about management's view of future events, expectations, plans and prospects that constitute forward-looking statements. These statements are based upon assumptions that are subject to significant risks and uncertainties, including assumptions that all conditions to the closing of the Proposed Transaction will be satisfied and that the Proposed Transaction will be completed on the terms set forth in the Letter of Intent. Although the Corporation considers these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect, and the forward-looking statements in this news release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking statements. Such risk factors may include, among others, the risk that required approvals and the satisfaction of material conditions are not obtained in connection with the Proposed Transaction, the risk that the Proposed Transaction is not approved or completed on the terms set out in the Letter of Intent or that a definitive agreement will be entered into in connection therewith. Although the Corporation's management believes that the expectations reflected in forward-looking statements are reasonable, the Corporation can give no assurances that the expectations of any forward-looking statements will prove to be correct. Except as required by law, the Corporation disclaims any intention and assume no obligation to update or revise any forward-looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise.*

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