

**FORM 51-102F3  
MATERIAL CHANGE  
REPORT**

**Item 1 Name and Address of Reporting Issuer:**

Canbud Distribution Corporation (the "**Company**")  
Suite 2500, 120 Adelaide Street West  
Toronto, Ontario M5H 1T1

**Item 2 Date of Material Change:**

June 17, 2021

**Item 3 News Release:**

A news release was issued by the Company on June 18, 2021, through the facilities of Newsfile Corp., which was subsequently filed on the Company's issuer profile on SEDAR.

**Item 4 Summary of Material Changes:**

On June 17, 2021, the Company entered into a definitive acquisition agreement (the "**Acquisition Agreement**") with Molecular Science Corp. ("**MSC**") and 2847719 Ontario Inc. ("**Subco**"), a wholly-owned subsidiary of the Company, pursuant to which it agreed to acquire all of the outstanding securities of MSC by way of a three-cornered amalgamation (the "**Transaction**"). The 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.

**Item 5 Full Description of Material Change:**

On June 17, 2021 the Company entered in the Acquisition Agreement with MSC and Subco.

Under the terms of the Acquisition Agreement, the parties agreed to complete the Transaction, pursuant to which Subco will amalgamate with MSC under the *Business Corporations Act* (Ontario) and continue as a new corporation, wholly-owned by the Company, and the holders of common shares of MSC (the "**MSC Shares**") immediately prior to the amalgamation will receive 3.313 common shares of the Company ("**Canbud Shares**") for each MSC Share, or an aggregate of approximately 68,941,595 Canbud Shares, in exchange for their MSC Shares. All outstanding common share purchase warrants of MSC will also be replaced for common share purchase warrants of the Company, entitling the holders thereof to purchase an aggregate of up to up to 3,975,707 Canbud Shares for a purchase price of \$0.30 per Canbud Share until the date that is three years following the date of the completion of the Transaction. In addition, upon closing of the Transaction, the Company will issue up to 1,765,000 Canbud Shares as an advisory fee (the "**Advisory Fee Shares**").

Upon closing of the Transaction, the holders of MSC Shares prior thereto are expected to

own approximately 44.7% of the outstanding Canbud Shares on a non-diluted basis and before giving effect to the issuance of any Advisory Fee Shares. The Canbud Shares issued in exchange for MSC Shares will be subject to resale restrictions, such that the holders thereof will be permitted to trade 25% of such Canbud Shares on the date that is four months from the closing date of the Transaction, and a further 25% of such Canbud Shares on the dates that are seven, 10 and 13 months after the closing date.

In accordance with the terms of the Acquisition Agreement, the Company advanced to MSC a bridge loan (the “**Bridge Loan**”) of \$500,000, to be used by MSC for the repayment of certain debt and for working capital purposes. The Bridge Loan bears interest at 5% per annum, matures sixty days from the date of the Bridge Loan, and is secured against the shares and assets of each of MSC and its main operating subsidiary. In the event that MSC breaches its obligations under the Acquisition Agreement or otherwise is in default of its obligations under the loan and security documents with respect to the Bridge Loan, then the principal amount advanced under the Bridge Loan and all accrued interest owing thereon will immediately become due and payable after any applicable notice or cure periods.

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

Completion of the Transaction is subject to a number of conditions, including, without limitation, the following:

- receipt of the required approval for the Transaction from the shareholders of MSC within 30 days of the signing of the Acquisition Agreement;
- receipt of all applicable regulatory approvals;
- there having been no acquisitions or disposals (other than in the ordinary course of business), no debt or equity capital raisings (excepting for the Company), no new material contracts (excepting for the Company) or related party transactions and no loss of any material license;
- if shareholders of MSC holding 5% or more of the MSC Shares have exercised dissent rights with respect to the amalgamation of MSC and Subco;
- no material adverse change affecting MSC or the Company;
- satisfaction of the Company and MSC of its respective due diligence investigation of the other part; and
- other customary closing conditions.

The Transaction is an arms-length transaction for the Company and, if completed, will not constitute a fundamental change or result in a change of control of the Company, within the meaning of the policies of the CSE.

**Item 6                    Reliance on subsection 7.1(2) of National Instrument 51-102:**

Not applicable.

**Item 7                    Omitted Information:**

Not applicable.

**Item 8            Executive Officer**

For further information, contact Robert Tjandra, President of the Company by telephone at (416) 847-7312.

**Item 9            Date of Report:**

24<sup>th</sup> day of June, 2021.

***Forward Looking Information***

*The information in this material change report includes certain information and statements about management's view of future events, expectations, plans and prospects that constitute forward looking statements. Forward looking statements in this material change report include, but are not limited to, management's expectations with respect to the potential of the Transaction to contribute to the Company's growth potential and its ability to generate revenue, management's goal of evaluating and pursuing other potential acquisitions and the completion of the Transaction. These statements are based upon assumptions that are subject to significant risks and uncertainties, including assumptions that all conditions to closing of the Transaction will be satisfied, that the Transaction will be completed and assumptions about the operations, financial condition and future performance of MSC and the Company. Although the Company 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 material change report 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 have not been obtained in connection with the Transaction, and the risk that the Transaction is not approved or completed on the terms set out in the definitive agreement between the parties. Although the Company's management believes that the expectations reflected in forward looking statements are reasonable, the Company can give no assurances that the expectations of any forward looking statements will prove to be correct. Except as required by law, the Company 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.*