sugarbud

SECOND QUARTER 2021 MANAGEMENT DISCUSSION & ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Sugarbud Craft Growers Corp. ("Sugarbud" or the "Company") (TSX-Venture Exchange: SUGR, SUGR.WT, SUGR.DB, SUGR.WS and SUGR.WR) (OTCQB: SBUDF) is dated August 25, 2021. The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021, together with the notes thereto ("financial statements"). Sugarbud's Board of Directors reviewed and approved the June 30, 2021 Financial Statements and MD&A on August 25, 2021.

Additional information about Sugarbud, including the Company's annual information form for the year ended December 31, 2020 is available on SEDAR at www.sedar.com and on the Company's website at www.sugarbud.ca.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company uses certain non-IFRS measures in this MD&A. Refer to pages 12 to 16 for important information related to Non-IFRS measures and forward-looking information.

OUR STRATEGIC FOCUS

WHO WE ARE | Sugarbud is an Alberta-based, consumer-driven, boutique craft cannabis company; focused on the cultivation and production of high-quality, genetically diverse, select-batch connoisseur cannabis products.

OUR VISION | To make a positive difference in people's lives and to be a well-respected brand; renowned for bringing superior craft cannabis products to legal markets.

OUR MISSION AND FOCUS | To delight the most discerning cannabis consumer and evolve the way people think about incorporating cannabis into their daily lives - to change the narrative on legal cannabis in Canada.

We recognize that we are producing exceptional, top-quality products for intelligent consumers with a wide variety of interests, diverse hobbies, busy jobs and who are pursuing numerous activities to make their lives fuller. We understand that we must work hard to find and earn a place in our consumers' day.

We have set a high bar for ourselves and spend a lot of time making sure that we produce cannabis products which exceed consumer expectations. For consumers, our brand is all about an authentic passion for great cannabis, which translates into exceptional products, and a relentless companywide commitment to consumer satisfaction. For investors the hallmarks of our brand are focus and operational discipline.

Sugarbud is a brand that chooses to compete based on total operating and product excellence.

ACCOMPLISHING OUR MISSION AND CORPORATE OBJECTIVES

SUGARBUD WILL DELIGHT THE TARGET CONSUMER AND IN TURN ACCELERATE SHAREHOLDER VALUE THROUGH:

A RELENTLESS COMMITMENT TO CONSUMER SATISFACTION AND QUALITY | Everything we do begins and ends with our consumers' needs and satisfaction in mind. There are zero barriers between our business and our consumer. Our products and services must reflect the needs and expectations of our consumers every step of the way. From product quality, to diversity, to presentation and delivery - we are focused on consumer satisfaction and a positive experience across the entire value chain.

GENETIC DIVERSITY AND INTEGRITY | The genetic diversity, reliability and integrity of our cultivars is a cornerstone of our high-quality premium cannabis value proposition and our product leadership strategy. We believe that a reliable consumer experience from batch-to-batch is an essential part of maintaining consumer confidence and trust. We utilize tissue culture and micropropagation to eliminate systemic disease - resulting in healthy, disease-free, and genetically identical plantlets that can be rapidly and consistently produced.

CULTIVATION AND POST-HARVEST PROCESSING/PRODUCTION | Sugarbud is a team of professionals that are passionate about great cannabis and consumer satisfaction. Everything we do is about getting the best out of our plants. Starting with exceptional genetics and the best nutrients and environmental conditions possible; our plants are diligently and expertly maintained and managed to maximize bud expression and the full potential of each cultivar. Sugarbud believes that larger-scale cannabis production can still embody and maintain the same fundamental growing principles that smaller micro and craft growers employ. Using proven indoor hydroponic and vertical cultivation methods, Sugarbud will become a leading producer of exceptionally high-quality premium cannabis. We pay close attention to the details and pride ourselves on taking our time to deliver a top-quality product experience each and every time.

The Sugarbud ***"House Style"*** – our approach to premium craft cannabis - places an emphasis on unique and well-researched genetics, dense sugary buds, exceptional chemo-expression, well-balanced terpene forward aromas and smooth flavors. This includes industry-leading post-harvest processing and production methods such as hand-harvesting, hang-drying, and cold barrel curing for up to 28 days, followed by hand-finishing and hand-packaging. We take pride in everything we do, and we take the time to get the best out of each batch - ensuring that we maximize the full potency and flavor rich terpenes and aromas in every product.

PRODUCT LEADERSHIP AND INITIATIVE | We put the consumers at the center of everything we do and work tirelessly to understand their definition of value. We use what we learn to differentiate our products and connect with our consumers. To become a premium cannabis-based brand, Sugarbud is initially focusing on three key market segments:

- Small-Batch Premium Craft Dry Flower
- Premium Craft Pre-Rolls
- Inhalable Extracts/Concentrates – Vape Pens, Live Resin, Hashish & Rosins

SUGARBUD OPERATING STRUCTURE

STAVELY OPERATING FACILITY

Sugarbud owns and operates a single, fully-licensed 29,800 sq. ft cultivation and production facility (the "Facility") in Stavely, Alberta - which houses a total maximum flowering canopy of approximately 24,576 sq. ft across 6 cultivation rooms and a maximum total production capacity of between 9,923 – 11,674 kilograms of dried cannabis per year.

Each cultivation room is comprised of up to a maximum of four layers of stacked vertical cultivation space (1,024 sq. ft. per layer) and can produce approximately 1,654 – 1,946 kilograms of premium cured craft cannabis flower per year, based on the following assumptions: a maximum of four layers per room; 1024 plants per layer; an average yield of between 85 - 100 grams per plant; and a growing cycle of 10 – 11 weeks per harvest, resulting in 4.75 harvests per year for each room.

Sugarbud currently has two active cultivation rooms in operation across two layers of cultivation and each can produce approximately 827 – 973 kilograms of premium cured craft cannabis flower per year, based on the following assumptions: a maximum of two layers per room; 1024 plants per layer; an average yield of between 85 - 100 grams per plant; and a growing cycle of 10 – 11 weeks per harvest, resulting in 4.75 harvests per year for each room.

As each room within the Facility can be developed individually, this provides the Company with tremendous flexibility and optionality. Future capacity expansion will continue to be phased and occur from time to time based upon market demand and available sources of capital.

The total budget for final fitting and equipping of each new cultivation room is $1.5 million, which is primarily associated with HVAC, lighting, irrigation systems and growing racks. The payback period for each new room is under 3 harvests (based on a total estimated production capacity of between 348,000 – 409,600g/harvest, an average blended net selling price of $4.85/g and a gross margin of 25%).

SUGARBUD'S OPERATING STRUCTURE IS COMPRISED OF FOUR PRIMARY OPERATING DIVISIONS:

CANNABIS PROPAGATION AND CULTIVATION | Based at our Facility, Sugarbud's Cannabis Propagation and Cultivation division owns the outcomes for all cannabis-related research and development, process improvement, quality control, propagation, cultivation and harvest activities.

CANNABIS PROCESSING AND PRODUCTION | Based at our Facility, Sugarbud's Cannabis Processing and Production division owns the outcomes for all cannabis-related post-harvest research and development, processing, quality control, production and supply chain activities.

COMMERCIAL OPERATIONS AND BRAND INNOVATION | Based at our Calgary, Alberta, corporate offices (the "Corporate Offices"), the Commercial Operations and Brand Innovation division comprises our Sales, Marketing, Brand Management, Market Research, Customer Care, e-Commerce and New Product Development functions.

CORPORATE ADMINISTRATION | Based at our Corporate Offices, the Corporate Administration division is comprised of Corporate, Finance, Human Resource, IT and Legal functions.

ACHIEVING OUR STRATEGIC INTENT

SUGARBUD WILL ACHIEVE ITS STRATEGIC INTENT BY FOCUSING ON THE FOLLOWING OPERATING PRINCIPLES:

PROFITABLE TOPLINE GROWTH

- Driving sustainable topline revenue through targeted and focused category/geographic expansion
- Maximizing profit through strategic pricing and product mix

PRODUCT LEADERSHIP AND INITIATIVE

- Playing to win - achieve/maintain the #1 or #2 position in identified product categories
- Consumer-driven products - developed through a deep and insightful understanding of consumers and their "use" environment (market/cannabis "IQ")
- A highly engaged and proactive "consumer first" service model

OPERATIONAL EXCELLENCE

- Investments in people and teams to strengthen critical competencies and capabilities
- Leading quality and compliance processes
- Leading cultivation and post-harvest practices, processes and outcomes
- Simplified, efficient and reliable cultivation, production and supply chain
- Industry-leading operating margins
- Strong financial and operating controls

Q2 2021 HIGHLIGHTS

EXPANDED DISTRIBUTION AND REACH | Sugarbud continued to invest in the expansion of the Company's distribution and market penetration during the quarter – initial orders shipped to key major markets, such as Ontario, were favorably received and the Company has received consistent replenishment orders in Q3 2021 – Sugarbud's Mule Fuel 3.5g dry flower immediately entered the top 10 sales in its price bracket[1] in July despite hitting shelves mid-month.

Management expects this positive trend heading into Q3 to continue as the Company expands its product offerings and reaches more consumers in key markets.

In addition, subsequent to Q2 2021, the Company established a clear route to market in Canada's second most populous province, Québec – via a Sales, Marketing and Distribution Agreement (the "Québec Supply Agreement") with ROSE LifeScience Inc. ("ROSE"). Under the terms of the Québec Supply Agreement, first shipments to ROSE occurred in July and August 2021. Sugarbud's launch of its dry flower products under ROSE's ELEKT Cannabis brand has been well received - with replenishment orders expected imminently. Sugarbud will continue to work with ROSE to establish a direct Sugarbud branded presence in early 2022.

Together with the Québec Supply Agreement, the Company has rapidly and effectively established a critical core distribution network from which to leverage future growth in under 12 months from the commencement of revenue-generating operations. Sugarbud products are now available to recreational consumers across 7 provinces and territories – encompassing over 95% of the established Canadian retail network – and to registered medical patients nationwide.

Management views the establishment of these clear routes to major Canadian markets and subsequent product portfolio expansion within each market as both critical and significant catalysts for future sustainable growth.

PRODUCT PORTFOLIO EXPANSION | The Company launched two new strains in Q2 2021 – Krypto Chronic #2 and Mule Fuel. These high-potency, high-terpene phenotypes deliver a total THC range of between 20-26% and terpene profiles of between 2-5%. Early adoption of these new strains has been swift – with Mule Fuel immediately

[1] +/-10% of Sugarbud Mule Fuel average sales price in Ontario

entering the top 10 sales in its price bracket[1] in Ontario - and positive consumer feedback on our products continues to grow. Management believes this is testament to the time and effort we put into delivering a quality product that truly delights the consumer.

The Company expanded its Craft Cannabis Collection late in the quarter with the launch of its first Cannabis 2.0 product – a 100% cannabis and additive-free, full-spectrum oil (FSO) 0.5g 510 vape cartridge. Sugarbud's vape cartridges are currently available to registered medical patients on Cannmart.com. This product launch marks Sugarbud's first Cannabis 2.0 product in collaboration with its sales and distribution partner CannMart Inc.

On March 8, 2021, Sugarbud entered into a contract manufacturing services agreement with Embark Delta Inc. ("Embark"), a wholly owned subsidiary of Embark Health Inc., for the development and supply of the Company's solventless cannabis extract products. Under the terms of the agreement, Embark will provide Sugarbud with extraction, formulation, and production services for the initial development and ongoing supply of the Company's solventless extraction products. The first product to be developed and launched under this agreement will be 0.5g pressed flower rosin.

Subsequent to Q2 2021, Sugarbud and Embark completed the development of the Company's first Flower Rosin product based upon the Company's successful Krypto Chronic #2 cultivar. The Company expects to launch its Krypto Chronic #2 Flower Rosin in early Q4 2021.

On March 17, 2021, the Company submitted an amended sales license application to permit the direct sale of cannabis extracts, edibles and topical products to authorized inter-provincial distributors/retailers and registered medical patients. The Company still expects to receive approval for its amended Cannabis 2.0 sales license in Q3 2021.

MAINTAINING HEALTHY GROSS PROFIT MARGIN | Despite continued industry-wide price compression, and lower than anticipated sales volume the Company was able to maintain a very robust 23% gross profit margin, which is testament to both product mix discipline and the agility of the underlying operating model Sugarbud has built.

HARVEST CONSISTENCY | During the three months ended June 30, 2021, the Company successfully completed two harvests resulting in a total of 212,682 grams harvested. Sugarbud's cultivation and processing operations continue to deliver exceptional terpene content (2-5%) and total potency (THC 20-24%) –testament to the Company's unwavering focus on exceptional genetics, plant health and best practice cultivation and post-harvest processing techniques.

FINANCING ACTIVITIES

TERM LOAN | Subsequent to the quarter, Sugarbud agreed to a modest increase in its Commercial Mortgage Loan (the "Term Loan") with Connect First Credit Union Ltd (formerly First Calgary Credit Union) ("Connect First"). The Term Loan increased the Company's Commercial Mortgage Loan to $5.72 million, has a five-year maturity from the closing date and borrowing costs were maintained at 4.15%.

OTCQB VENTURE MARKET | On April 13, 2021, the Company was approved by FINRA for quotation in the United States. The Company's Common Shares have been upgraded from the OTC® Pink Open Market to the OTCQB Venture Market, effective April 13, 2021, under the stock symbol "SBUDF" and remains listed on the TSX Venture Exchange under the ticker symbol "SUGR." The Company is also in the process of completing its application for eligibility with the Depository Trust Company ("DTC").

[1] +/-10% of Sugarbud Mule Fuel average sales price in Ontario

All currency is expressed in Canadian dollars unless otherwise noted.

HISTORICAL QUARTERLY INFORMATION

Market dynamics and the industry remained very challenging in Q2 2021. Longer than anticipated on-boarding of new provincial supply agreements combined with changes to the product call process in many provinces hampered the acceleration of top line revenue in the quarter.

However, despite the revenue shortfall and industry-wide price compression, Sugarbud was able to maintain a healthy gross profit margin of 23% (even before fair market adjustments) – testament to the Company's management of product mix and continued rigid cost containment.

Furthermore, with new markets now ordering on a regular basis and continued product portfolio expansion occurring in key markets the Company expects to see a significant rebound in revenue over the back half of 2021. Quarter to date incoming orders for Q3 2021 already surpass that of Q1 2021 record sales of $679,000 and grams shipped are expected to surpass 150,000 grams (a 100% increase over the Company's previous high of 78,626 grams sold).

Cash cost to grow[1] per gram increased quarter over quarter as a result of lower than forecast yields on certain new strains – yields which have since been demonstrated to be anomalously low. Management forecasts a full year cash cost to grow per gram of approximately $1.22 – a greater than 50% reduction year over year.

The increase in SG&A in Q2 vs Q1 2021 was primarily due to significant investments made in sales and marketing to drive market penetration and consumer adoption in new and existing markets.

	2021	2021	2020	2020
	Q2	Q1	Q4	Q3
Gross revenue	$ 317,080	$ 679,755	$ 454,819	$ 80,937
Net revenue	$ 252,177	$ 518,016	$ 346,058	$ 66,906
Gross profit	$ 57,397	$ 122,341	$ 68,509	$ 19,553
Gross profit % of net revenue	23%	24%	20%	29%
SG&A	$ 1,418,532	$ 1,111,666	$ 1,136,404	$ 896,508
EBITDA[1]	$ (993,391)	$ 232,922	$ 89,988	$ (394,711)
Loss and comprehensive loss	$ (1,174,676)	$ (349,375)	$ (283,393)	$ (775,651)
Comprehensive loss per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Capital expenditures	$ 252,541	$ 57,614	$ 84,554	$ 751,099
Harvest volumes (grams)	212,682	288,384	271,130	215,197
Yields (grams per plant)	61.75	90.50	103.04	94.11
Sales volumes (grams)	51,929	78,626	52,896	8,340
Average net price per gram[2]	$ 4.86	$ 6.59	$ 6.54	$ 8.02
Cash cost to grow per gram[1]	$ 1.51	$ 1.09	1.55	2.19
Total assets	$ 21,723,766	$ 22,722,932	$ 19,031,564	$ 18,107,365
Working capital[1]	$ 4,532,374	$ 5,764,580	$ 1,172,409	$ 939,483
Shareholders' equity	$ 13,618,479	$ 14,658,899	$ 10,023,070	$ 9,968,631
Shares outstanding	558,421,273	558,182,257	462,209,841	462,062,944

[1] Cash cost to grow, EBITDA, and working capital do not have a standardized meaning by IFRS. See "Non-IFRS Measures" below.
[2] Average net price per gram is defined as gross price per gram less sales commissions, early payment discounts and excise taxes.

All currency is expressed in Canadian dollars unless otherwise noted.

	2020 Q2	2020 Q1	2019 Q4	2019 Q3
Gross revenue	$ -	$ -	$ -	$ -
Net revenue	$ -	$ -	$ -	$ -
Gross profit	$ -	$ -	$ -	$ -
SG&A	$ 811,951	$ 1,263,447	$ 1,960,756	$ 1,361,036
EBITDA[1]	$ (908,012)	$ (1,530,431)	$ (2,432,793)	$ (1,768,959)
Loss and comprehensive loss	$ (2,060,515)	$ (1,846,385)	$ (2,674,428)	$ (1,926,202)
Comprehensive loss per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Capital expenditures	$ 122,760	$ 54,641	$ (1,281,000)	$ 773,192
Harvest volumes (grams)	-	61,577	-	-
Yields (grams per plant)	-	55.00	-	-
Sales volumes (grams)	-	-	-	-
Cash cost to grow per gram[2]	$ 2.74	$ 4.89	$ -	$ -
Total assets	$ 18,734,651	$ 14,731,402	$ 16,497,425	$ 16,651,735
Working capital (deficiency)[3]	$ 2,001,735	$ (3,582,215)	$ (2,060,164)	$ (2,605,142)
Shareholders' equity	$ 10,309,718	$ 9,865,527	$ 11,552,659	$ 12,329,807
Shares outstanding	441,768,532	393,768,532	393,768,532	358,896,457

[1]Earnings before interest, tax, depreciation, and amortization (EBITDA) does not have a standardized meaning prescribed by IFRS. See "Non-IFRS Measures" below.
[2]Cash cost to grow per gram does not have a standardized meaning prescribed by IFRS. See "Non-IFRS Measures" below.
[3]Working capital does not have a standardized meaning prescribed by IFRS. See "Non-IFRS Measures" below.

LIQUIDITY AND CAPITAL RESOURCES

GOING CONCERN ASSUMPTION

The financial statements for the three and six months ended June 30, 2021 have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is an early-stage company with limited cannabis operating history, a history of losses and negative cash flows from operating activities.

During the three and six months ended June 30, 2021, the Company incurred a loss of $1,174,676 and $1,524,049, respectively, as well as negative cash flows from operations of $2,023,396 and $3,734,440, respectively. The Company expects to comply with the financial covenants applicable to the commercial mortgage loan for at least the next twelve months. A decrease or sustained period of materially reduced demand for products may result in non-compliance with the financial covenants and reduced liquidity related to changes in the commercial mortgage loan. Non-compliance with the financial covenants in the commercial mortgage loan could result in the debt becoming due and payable on demand.

The ability of the Company to continue as a going concern depends on the Company maintaining its Health Canada Cultivation and Sales Licenses ("Licenses"), the continued support of its lenders, its ability to achieve profitable operations and its ability to raise additional financing to fund current and future operating and investing activities. There is no assurance that the Company will be able to accomplish any of the foregoing objectives.

There can be no guarantee that the Company will be able to raise additional capital on terms acceptable to it or at all. Any delay or failure to complete any additional financing would have a significant negative impact on the Company's business, results of operations and financial condition, and the Company may be forced to curtail or cease operations or seek relief under the applicable bankruptcy or insolvency laws.

As a result, these events, combined with the accumulated losses to date, indicate the existence of a material uncertainty that may result in significant doubt as to the Company's ability to continue as a going concern, and therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

All currency is expressed in Canadian dollars unless otherwise noted.

The consolidated financial statements do not reflect adjustments that may be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the statement of financial position classification used.

WORKING CAPITAL

As at June 30, 2021, the Company had working capital (see "Non-IFRS Measures") of $4,532,374 compared to working capital of $1,172,409 as at December 31, 2020. Funds expended during the quarter primarily relate to the Company's commercial harvest activities as well as associated sales and marketing costs.

FINANCIAL AND OPERATING RESULTS

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Cash used in operating activities	$ (2,023,396)	$ (1,803,994)	$ (3,734,440)	$ (2,980,665)
Loss and comprehensive loss	(1,174,676)	(2,060,515)	(1,524,049)	(4,053,226)
Loss per share – basic and diluted	(0.00)	(0.01)	(0.00)	(0.01)
Capital expenditures	252,540	122,760	310,155	177,401
EBITDA[1]	(993,391)	(908,012)	(760,467)	(2,584,770)

[1]Earnings before interest, tax, depreciation, and amortization (EBITDA) does not have a standardized meaning prescribed by IFRS. See "Non-IFRS Measures" below).

During the three and six months ended June 30, 2021, cash used in operating activities was $2,023,396 and $3,734,440, respectively, and comprehensive loss was $1,174,676 and $1,524,049, respectively. Expenditures incurred primarily relate to the Company's commercial harvesting activities as well as associated sales and marketing costs. These expenditures include general and administrative expenses primarily due to salaries and wages and professional fees.

As at June 30, 2021, the Company had a total of 558,421,273 Common Shares, 52,466,667 stock options, 350,085,943 warrants outstanding and 1,380,000 Common Shares issuable on the conversion of outstanding debentures. As at August 25, 2021, the Company had a total of 558,454,606 Common Shares, 52,366,667 stock options, and 350,085,943 warrants outstanding and 1,380,000 common shares issuable on the conversion of outstanding debentures.

REVENUE

Three months ended	June 30, 2021	June 30, 2020
Gross revenue	$ 317,080	$ –
Excise tax	(64,903)	–
Net revenue	252,177	–

During the three months ended June 30, 2021, net revenues were $252,177 related to the sale of dried flower cannabis and pre-roll cannabis in the Provinces of Alberta, Ontario, and British Columbia, and the Yukon Territory as well as medical sales through CannMart.

Six months ended	June 30, 2021	June 30, 2020
Gross revenue	$ 996,835	$ –
Excise tax	(226,641)	–
Net revenue	770,194	–

During the six months ended June 30, 2021, net revenues were $770,194 related to the sale of dried flower cannabis and pre-roll cannabis in the Provinces of Alberta, Saskatchewan, Ontario, and British Columbia, and the Yukon Territory as well as medical sales through CannMart.

All currency is expressed in Canadian dollars unless otherwise noted.

COST OF GOODS SOLD

Three months ended	June 30, 2021	June, 2020
Cost of goods sold	$ 194,780	$ -

During the three months ended June 30, 2021, cost of goods sold were $194,780 related to the sale of dried flower cannabis and pre-roll cannabis in the Provinces of Alberta, Ontario, and British Columbia, and the Yukon Territory as well as medical sales through CannMart.

Six months ended	June 30, 2021	June, 2020
Cost of goods sold	$ 590,454	$ -

During the six months ended June 30, 2021, cost of goods sold were $590,454 related to the sale of dried flower cannabis and pre-roll cannabis in the Provinces of Alberta, Saskatchewan, Ontario, and British Columbia, and the Yukon Territory as well as medical sales through CannMart.

GENERAL AND ADMINISTRATIVE EXPENSES

Three months ended	June 30, 2021	June 30, 2020
General and administrative expenses	$ 1,418,532	$ 811,951

During the three months ended June 30, 2021, general and administrative expenses were $1,418,532. General and administrative expenses is primarily made up of salaries, wages and benefits of approximately $700,000, consulting expenditures of approximately $80,000, professional fees of approximately $190,000, sales and marketing expenditures of approximately $184,000 and other overhead costs. During the three months ended June 30, 2020, general and administrative expenses were $811,951.

Six months ended	June 30, 2021	June 30, 2020
General and administrative expenses	$ 2,530,197	$ 2,221,722

During the six months ended June 30, 2021, general and administrative expenses were $2,530,197. General and administrative expenses is primarily made up of salaries, wages and benefits of approximately $1,318,000, consulting expenditures of approximately $150,000, professional fees of approximately $274,000, sales and marketing expenditures of approximately $189,000 and other start-up costs. During the three months ended June 30, 2020, general and administrative expenses were $2,221,722.

STOCK BASED COMPENSATION

Three months ended	June 30, 2021	June 30, 2020
Stock based compensation	$ 122,868	$ 121,247

Stock-based compensation expense recognized during the three months ended June 30, 2021 was $122,868 related to the grant of 12,800,000 stock options to directors, officers, and advisors of the Company. Comparatively, stock-based compensation expense recognized during the three months ended June 30, 2020 was $121,247 related to prior period stock options grants.

Six months ended	June 30, 2021	June 30, 2020
Stock based compensation	$ 213,969	$ 280,500

Stock-based compensation expense recognized during the six months ended June 30, 2021 was $213,969 related to the grant 10,660,000 stock options to employees of the Company and the grant of 12,800,000 stock options to directors, officers, and advisors of the Company. Comparatively, stock-based compensation expense recognized during the six months ended June 30, 2020 was $280,500 related to prior period stock options grants.

All currency is expressed in Canadian dollars unless otherwise noted.

EBITDA[1]

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Loss and comprehensive loss	$ **(1,174,676)**	$ (2,060,515)	$ (1,524,049)	$ (4,053,226)
Depreciation and amortization	**176,305**	182,728	350,586	385,320
Finance costs	**4,980**	969,775	412,996	1,083,136
EBITDA[1]	$ **(993,391)**	$ (908,012)	$ (760,467)	$ 2,584,770

[1]Earnings before interest, tax, depreciation, and amortization (EBITDA) does not have a standardized meaning prescribed by IFRS. See "Non-IFRS Measures" below.

WORKING CAPITAL[2]

	June 30, 2021	December 31, 2020
Cash	$ 235,949	$ 21,274
Accounts receivable	319,970	286,945
Prepaid expenses and deposits	176,216	469,271
Inventory	6,189,433	3,105,423
Biological asset	731,053	923,284
Accounts payable and accrued liabilities	(2,344,400)	(3,057,896)
Current portion of lease obligations	(156,837)	(156,837)
Current portion of commercial mortgage loan	(619,010)	(419,055)
Working capital	**$ 4,532,374**	**$ 1,172,409**

[2]Working capital does not have a standardized meaning prescribed by IFRS. See "Non-IFRS Measures" below.

As at June 30, 2021, the Company had a working capital of $4,532,374, compared to working capital of $1,172,409 as at December 31, 2020, representing an increase of $3,365,837. The improvements were primarily due to the proceeds of the Company's Public Offering and the sale of retail cannabis products.

COMMERCIAL MORTGAGE LOAN

On May 28, 2020, Sugarbud entered into a new secured commercial mortgage loan with Connect First Credit Union (formerly First Calgary Credit Union) ("Connect First") for $5.03 million (the "commercial mortgage loan"). The commercial mortgage loan replaced the Company's former credit facility. On January 13, 2021, the Company restructured the commercial mortgage loan – increasing it to $5.22 million and extending the maturity until five years from the closing date. The committed 5-year fixed interest rate under the commercial mortgage loan is 4.15%; a reduction from the previous variable rate floor of 4.25%, with an amortization period of 10 years.

The commercial mortgage loan is guaranteed by Sugarbud and its wholly owned subsidiaries Trichome and 1800905 Alberta Ltd. and has general security executed by the Company, pursuant to which the Company grants Connect First a first charge security interest over all present and after acquired personal property of the Company.

Further on January 13, 2021, the Company closed a revolving operating line of credit with Connect First (the "credit facility") for an amount up to 75% of the Company's good quality accounts receivable, up to a maximum of $500,000. The committed rate is Connect First's lending rate plus 1.50% per annum, calculated daily, payable monthly in arrears.

	June 30, 2021	December 31, 2020
Beginning balance	**$ 4,724,402**	**$ -**
Proceeds from commercial mortgage loan	398,674	5,030,000
Proceeds from credit facility	188,879	-
Commercial mortgage loan repayment	(105,480)	(202,816)
Debt issuance costs	-	(109,149)
Accretion	5,457	6,367
Ending balance	**$ 5,211,932**	**$ 4,724,402**
Current portion	**619,010**	**419,055**
Long-term portion	**4,592,922**	**4,305,347**
Total	**$ 5,211,932**	**$ 4,724,402**

All currency is expressed in Canadian dollars unless otherwise noted.

CONVERTIBLE DEBENTURES

On June 24, 2020 ("Closing Date"), Sugarbud completed a fully subscribed public offering of Debenture Units at a price of $1,000 per debenture unit for proceeds of $4 million. Each Debenture Unit consists of: (i) one 12.0% secured Convertible Debenture; and (ii) 20,000 Debenture Warrants. Each Debenture Warrant entitles the holder to purchase one common share in the capital of the Company at an exercise price of $0.05, at any time up to June 24, 2023.

The Convertible Debentures bear interest at a rate of 12.0% per annum from June 24, 2020, payable semi-annually in arrears, in cash, on the last day of June and December of each year with the first payment having occurred on June 30, 2020 and matures on June 24, 2023. Interest is computed on the basis of a 360-day year composed of twelve 30-day months.

The Company issued, to the agent who led the public offering, 12,800,000 compensation warrants ("Compensation Warrants"). Each Compensation Warrant is exercisable for one Common Share at an exercise price of $0.05 until June 24, 2023.

During the six months ended June 30, 2021, $755,000 principal amount of Debenture units were converted into 15,100,000 Common Shares of the Company at an average exercise price of $0.042. In connection with the Debenture Units that were converted, as part of the make whole provision, 3,835,932 Common Shares of the Company were issued.

	June 30, 2021	December 31, 2020
Beginning balance	**$ 621,202**	**$ -**
Additions	-	4,000,000
Equity portion of convertible debt, before taxes	-	(656,996)
Transaction costs allocated to the debenture	-	(638,270)
Conversion of convertible debenture	(636,635)	(2,138,967)
Accretion of host contract	46,077	73,111
Change in fair value recognized in profit or loss	(9,819)	(17,676)
Ending balance	**$ 20,825**	**$ 621,202**

CAPITAL EXPENDITURES

Three months ended	June 30, 2021	June 30, 2020
Facility, net of disposals	$ 248,103	$ 122,760
Office equipment	4,437	-
Total	**$ 252,540**	**$ 122,760**

During the three months ended June 30, 2021, the Company added $252,540 of property, plant and equipment ("PP&E") related to its cannabis operations at the Facility.

Six months ended	June 30, 2021	June 30, 2020
Facility, net of disposals	$ 305,717	$ 177,401
Office equipment	4,438	-
Total	**$ 310,155**	**$ 177,401**

During the six months ended June 30, 2021, the Company added $310,155 of property, plant and equipment ("PP&E") related to its cannabis operations at the Facility.

All currency is expressed in Canadian dollars unless otherwise noted.

CONTRACTUAL OBLIGATIONS

The following represents a maturity analysis of the Company undiscounted contractual obligations as at June 30, 2021:

	2021	2022	2023	2024	2025	Thereafter	Total
Accounts payable and accrued liabilities	2,344,400	-	-	-	-	-	**2,344,400**
Lease obligations	102,188	197,586	151,489	103,209	90,189	-	**644,661**
Commercial mortgage loan	319,337	638,675	638,675	638,675	638,675	3,193,373	**6,067,410**
Convertible debentures[1]	8,280	16,560	146,007	-	-	-	**170,847**
Total	**2,774,205**	**852,821**	**936,171**	**741,884**	**728,864**	**3,193,373**	**9,227,318**

[1]Assumes the principal balance of the debentures outstanding as at June 30, 2021 remains unconverted and includes the interest payments until the maturity date.

COMMITMENTS AND CONTINGENCIES

Periodically, the Company may become involved in various claims and legal actions which occurred in the ordinary course of operations. The results of such legal proceedings or related matters cannot be determine with certainty.

In 2019, the Company entered into a commitment to purchase land adjacent to its Facility, which was scheduled to close in 2020. The land purchase was not completed, and the Company has reached a final settlement of $465,000 payable in instalments.

IFRS - This MD&A and the financial statements and comparative information have been prepared in accordance with IFRS.

APPLICABLE REGULATIONS

In October 2018, the Cannabis Act (Canada), together with its accompanying regulations, came into force, legalizing the sale and use of cannabis for adult, recreational use in Canada. The Cannabis Act and Cannabis Regulations, among other things, establish the rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis in Canada, including the various classes of licenses that can be granted, and the quality standards for cannabis products. Pursuant to the regulatory framework, each province and territory in Canada is permitted to adopt its own laws governing the distribution, sale and consumption of cannabis products and accessories within the province or territory. For further information regarding the regulatory environment of cannabis in Canada, refer to the annual information form for the year ended December 31, 2020.

ADDITIONAL INFORMATION

NON-IFRS MEASURES | This MD&A provides certain financial measures that do not have a standardized meaning prescribed by IFRS. These non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Working capital, cash cost to grow (meaning capitalization of certain production costs including direct labour and overhead), and EBITDA (meaning earnings before interest, taxes, depreciation and amortization) are not recognized measures under IFRS. Management uses certain industry benchmarks, such as working capital, EBITDA, and adjusted general and administrative expenses to analyze financial and operating performance. These metrics are useful to investors and research securities analysts in evaluating operating performance. These benchmarks do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. Management believes that in addition to net income (loss), working capital is a useful supplemental measure that demonstrates the Company's overall debt position and assess the Company's overall leverage position necessary to repay debt or fund future capital investment. Sugarbud's method of calculating this measure may differ from other companies and accordingly, may not be comparable to measures used by other companies. Working capital is the total of cash, accounts receivable, prepaids and deposits, inventory, biological assets, less accounts payable and accrued liabilities, current portion of commercial mortgage loan, and current portion of lease obligations. The calculation of the Company's working capital can be seen on page 9 under the table titled "Working Capital". The Company's calculation of the Company's EBITDA can be seen on page 9 under the table titled "EBITDA".

READER ADVISORY REGARDING FORWARD LOOKING INFORMATION | Certain statements contained within this MD&A constitute forward-looking statements within the meaning of applicable Canadian securities legislation. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", "budget, "outlook", "forecast" and similar expressions. The Company believes that the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.
Without limitation, this MD&A contains forward-looking statements pertaining to:

- the Company's ability to continue as a going concern in the future;
- the Company's expected revenue and EBITDA;
- the Company's projections regarding replenishment orders in Q3 2021, and on a go-forward basis;
- the Company's expectations of expanding its product offerings and reaching more consumers in key markets;
- the receipt of an amended sales license from Health Canada and the timing thereof;
- the intentions of management and the Company;
- expectations as to future operations of the Company, including the scale-up of the Facility and costs thereof;
- expected cultivation capacity, yield and frequency at the Facility;
- construction of additional flower rooms and the scale thereof;
- harvest consistency
- product quality;
- cultivation equipment and technologies, including vertical growing;
- cost of construction and sources and availability of funds;

- expectations as to future cannabis production and sales by the Company, including selling its products in ten provinces and territories and expanding to other provinces;
- expectations as to the size and value of the medical cannabis and recreational cannabis markets in Canada;
- the Company's anticipated financial performance;
- the Company's future development and growth prospects;
- the Company's expected operating costs, general and administrative costs, costs of services and other costs and expenses;
- the Company's ability to be profitable and generate positive cash flow from operations in 2021;
- the Company's ability to meet current and future obligations;
- future equipment financings;
- the Company's ability to obtain equipment, services and supplies in a timely manner;
- the Company's supply agreements and partnerships, including the Québec Supply Agreement;
- the Company's expectations to establish a direct Sugarbud branded presence in Québec ;
- the expected date for the launch of the Company's Kryto Chronic #2 Flower Rosin product;
- the Term Loan, and the use of proceeds thereof;
- cannabis cultivation in Sugarbud's newly licensed grow rooms;
- future expanded product offerings, including solventless extraction products, full-spectrum vape cartridges and flower rosin and the timing thereof;
- total shareholder return; and
- future acquisitions.

Forward-looking statements and other information contained herein concerning the cannabis industry and the Company's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of these industries which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors. With respect to the forward-looking statements contained in this MD&A, Sugarbud has made assumptions regarding, among other things:

- the global public health crises in respect of the outbreak of a novel strain of coronavirus ("COVID-19") and the spread of new variant strains of the virus, including volatility and disruptions in global supply chains and financial markets, declining trade and market sentiment and reduced mobility of people, domestic and global vaccination rates, and the ability of business to resume regular operations;
- the impact of increasing competition;
- availability of skilled labour, services and equipment;
- timing and amount of capital expenditures;
- the use of proceeds from completed and proposed financings;
- product quality;
- the legislative and regulatory environments of the jurisdictions where the Company carries on business, has operations or plans to have operations and the continuation of the current tax and regulatory regime;
- availability of cannabis products from licensed producers and the distribution thereof by governmental entities;
- the ability of the Company to enter into contracts with target companies;
- the current relationships with suppliers, service providers and other third parties will be maintained;
- the ability of the Company to obtain qualified staff and services in a timely and cost-efficient manner;
- conditions in general economic and financial markets; and
- the Company's ability to obtain additional financing on satisfactory terms.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include:

- the material uncertainties and risks described under the headings "Non-IFRS Measures", "Critical Accounting Estimates" and "Risk Factors";

- the material assumptions and observations described under the headings "Our Strategic Focus", "Accomplishing Our Mission and Corporate Objectives", "Sugarbud Operating Structure", "Achieving Our Strategic Intent", "Q2 2021 Highlights", "Financing Activities", "Historical Quarterly Information", "Liquidity and Capital Resources", "Financial and Operating Results", and "Applicable Regulations"
- failure to realize the anticipated benefits of acquisitions, investments and dispositions;
- success of the operations of the Company;
- the ability of management to continue to execute its business plan, including its cannabis-focused investment strategy;
- legislative and regulatory environments of the jurisdictions where the Company carries on business or has operations;
- the effect consumer perception of the medical-use and adult-use of cannabis will have on the market price of cannabis-related products;
- impact of competition and the competitive response to the Company's business strategy;
- the risks of the cannabis industry, such as regulatory risks and increasing competition;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;
- risks inherent in marketing operations, including credit risk;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- timing and amount of capital and other expenditures; and
- conditions in financial markets and the economy generally, including the global public health crises in respect of the outbreak of COVID-19 and the spread of new variant strains of the virus.

Readers are cautioned that the foregoing list of risk factors is not exhaustive. The risk factors above should be considered in the context of current economic conditions, the attitude of lenders and investors towards corporations in the cannabis industry, potential changes to royalty and taxation regimes and to environmental and other government regulations, the condition of financial markets generally, as well as the stability of joint venture and other business partners, all of which are outside the control of the Company. Also, to be considered are increased levels of political uncertainty and possible changes to existing international trading agreements and relationships. Additional information on these and other factors that could affect the business, operations or financial results of Sugarbud are included in reports on file with applicable securities regulatory authorities, including, but not limited to, Sugarbud's annual information form for the year ended December 31, 2020, which may be accessed on Sugarbud's SEDAR profile at www.sedar.com or on the Company's website at www.sugarbud.ca.

The forward-looking statements contained in this MD&A are made as of the date hereof and Sugarbud undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Sugarbud's future financings, operations, future cannabis production capacity, revenue, profitability, balance sheet, payback period, price per gram, cash cost to grow, working capital, EBITDA, cash flow, expenses, profit and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this MD&A was approved by management as of the date of this MD&A and was provided for the purpose of providing further information about Sugarbud's anticipated future business operations. Sugarbud disclaims any intention or obligation to update or revise any FOFI contained in this MD&A, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

For purposes of certain Canadian securities regulations, Sugarbud is a venture issuer. As such, it is exempt from certain of the requirements of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. The Chief Executive Officer and Chief Financial Officer have reviewed the annual information form, annual consolidated financial statements and annual MD&A, for the quarter ended June 30, 2021. Based on their knowledge and exercise of reasonable diligence, they have concluded that these documents fairly present in all material respects the financial condition, results of operations and cash flows of the Company for the periods presented.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if revision affects current and future periods.

Significant judgments, estimates, and assumptions that have the most significant impact on the amounts recognized in the Financial Statements are consistent with those applied in the annual consolidated financial statements.

RISK FACTORS

Many factors could cause the Company's results of operations, performance and financial condition to differ materially from those expressed or implied by the forward-looking statements and forward-looking information contained in this MD&A, including the factors listed above under the heading "Reader Advisory Regarding Forward Looking Information", which are discussed in greater detail under the heading "Risk Factors" in the Company's most recent annual information form filed with securities regulators and available on www.sedar.com, which risk factors are incorporated by reference into this document and should be reviewed in detail by all readers.

In addition, the Company highlights the following risk factors:
Ongoing Impact of COVID-19 - The development and operation of the Company's business is dependent on labour inputs which could be adversely disrupted by the ongoing impact of COVID-19 and the spread of new variant strains of the virus. While it is difficult to predict the impact of the coronavirus pandemic on the Company's business, measures taken by the Canadian and Alberta governments and voluntary measures undertaken by the Company with a view to the safety of the Company's employees, may adversely impact the Company's business, for instance by impeding the labour required to cultivate, process, market and distribute the Company's products and disrupting the Company's critical supply chains. In addition, while cannabis retail has been declared an essential service in many provinces, sales volumes of cannabis may be adversely impacted by consumer "social distancing" behaviours. All Company office staff had transitioned to working remotely from home offices, with business continuing to be conducted by telephonic and electronic means. The Company reopened its head office on a voluntary and limited basis for its employees. The Company's Facility has implemented precautionary measures to ensure the safety of the staff and product, including limiting visits to the site to essential personnel only, ensuring proper protocols around sanitation, mask usage and physical distancing, and placing potentially exposed employees in self-quarantine for the appropriate period. These measures and similar measures taken by other employers may adversely impact the Company's ability to successfully market its new key product lines, for instance by precluding in-store visits and budtender engagement programs. In the short term, the Company is seeking to mitigate these impacts through technology-mediated engagement with retailers. The Company continues to dynamically monitor developments in order to adapt and respond in order to protect the health and safety of the Company's employees and the best interests of the Company and is in the process of developing return to work protocols for the anticipated easing of provincial pandemic restrictions over the coming months.

Assumptions related to cash flows and future sales of the Company's product lines - The Company expects to be required to fund negative Canadian operating cash flows prior to achieving positive operating cash flows and expects that the Company's financial resources and expected revenues, lease financing utilizing its existing equipment, equipment sale and leaseback financing, other financing alternatives, including debt financing or further additional amounts under the Credit Facility, will be sufficient to pay its obligations and fund its operations for the coming 12 months. Achieving positive operating cash flows and funding operations for the coming 12 months is reliant on revenues and working capital requirements being in line with expectations, which is in turn reliant on, among other things, future sales of the Company's product lines over the coming 12 months. The Company's expectations of positive Canadian operating cash flows and of achieving sufficient revenues to fund, when taken together with its other financial resources, its operations over the coming 12 months is based on a variety of assumptions relating to production and production capacity, growth in the number of product offerings and store locations in which the Company's products are sold, growth in total sales, consumer demand for the Company's products, market pricing of cannabis products, cost of sales, sales and marketing expenses, the pace of opening of, and increase in, the total number of recreational cannabis retail stores across Canada, and the total size of the Canadian recreational and medical cannabis markets over the coming 12 months. Actual results may vary materially from the Company's expectations if any of the Company's assumptions are inaccurate. Accordingly, readers should not place undue reliance on forward-looking statements, including the Company's expectations relating to future Canadian operating cash flows and sales of its products. The Company does not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada. See "Reader Advisory Regarding Forward Looking Information". Actual results may also be impacted by all of the risk factors in this MD&A and in the Company's most recently filed annual information form.

NOTE: In this report all currency values are in Canadian dollars (unless otherwise noted). Figures, ratios and percentages in this MD&A may not add due to rounding.

OFFICERS AND DIRECTORS

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President and Chief Executive Officer/Director
Calgary, Alberta

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VP Finance and Chief Financial Officer
Calgary, Alberta

Daniel T. Wilson(1,2,3)
Chairman
Calgary, Alberta

Janice Comeau(1,2,3)
Director
Vancouver, British Columbia

Stephen Martin(1,2,3)
Director
Denver, Colorado

Joseph Dietrich(2)
Director
Calgary, Alberta

Ian Miller
Special Advisor
Denver, Colorado

[1]Member of the Audit Committee
[2]Member of the Compensation Committee
[3]Member of the Corporate Governance and Compliance Committees

CORPORATE INFORMATION

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For: SUGR:DB, SUGR:WT and SUGR:WS
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Stock Listing
TSX Venture Exchange
Trading Symbols: SUGR, SUGR.DB, SUGR.WR, SUGR.WS, SUGR.WT

OTCQB Venture Market
Trading Symbol: SBUDF