

CBD Global Sciences Inc.
Management Discussion and Analysis
For the six months ended June 30, 2022 and 2021
(expressed in United States Dollars)

October 12, 2022

The following discussion and analysis of the Company's financial condition and results of operations for the six months ended June 30, 2022 should be read in conjunction with the condensed interim consolidated 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.

Forward-looking statements

Certain statements in this Management Discussion and Analysis ("MD&A") are forward-looking statements which reflect management's expectations regarding future growth, results of operations, performance, business prospects and opportunities, 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, including but not limited to:

- the Company has a limited history of operations and has incurred losses since inception;
- there is no certainty that the Company will continue as a going concern;
- the Company may not be able to service its debt or meet other cash requirements;
- the need for additional financing;
- the acquisition of Resinosa, LLC involves the integration of companies that previously operated independently and the integration of the businesses may result in unanticipated operational challenges and/or interruptions, expenses and liabilities;
- the asset purchase agreement with New Age Beverage Corporation and NABC Properties, LLC may be terminated in certain circumstances prior to closing, and there is no assurance that a material adverse effect will not occur before the closing date where either party could elect to terminate the asset purchase agreement and the transaction would not proceed (refer to "Subsequent Events");

- the completion of the asset purchase agreement with New Age Beverage Corporation and NABC Properties, LLC is subject to a number of conditions precedent, certain of which are outside the control of the Company and the sellers, and there is no assurance that these conditions will be satisfied or, if satisfied, when they will be satisfied (refer to “Subsequent Events”);
- Federal laws concerning cannabis currently conflict with state laws in states that have legalized cannabis or possession of cannabis;
- State cannabis laws are not uniform from state to state and can, and do, change constantly;
- there remain several considerations and uncertainties regarding the cultivation, sourcing, production and distribution of Industrial Hemp and products containing hemp derivatives, and applicable laws remain subject to change as there are different interpretations among federal, state and local regulatory agencies;
- significant economic disruptions caused by global health risks (such as COVID-19);
- changes in product costs and supply channels, including disruption of the Company’s supply chain resulting from COVID-19;
- heightened competition, whether from current competitors or new entrants, to the marketplace;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies associated with the Company’s major initiatives;
- claims by others that the Company has infringed upon intellectual property rights that could increase the Company’s expenses and delay the development of the Company’s business;
- the Company’s operations are subject to environmental regulation, including the maintenance of air and water quality standards and land reclamation; and
- the Company relies heavily on key personnel and advisors.

This is not an exhaustive list of the factors that may affect the Company’s forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company’s materials filed with the Canadian securities regulatory authorities from time to time. The reader should not place undue reliance on any forward-looking statements included herein. 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. (the “Company”) is in the business of producing and selling industrial hemp derived cannabidiol (“CBD”) infused consumable and topical products, including but not limited to CBD oil tincture drops, CBD hydration beverages, and CBD topicals.

The Company markets and sells 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 continue to expand its range of CBD oil and byproducts; refer

to “Outlook” below. The Company, through its wholly owned subsidiaries, delivers CBD products both in retail and e-commerce formats nationwide.

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.

Refer to the Company’s Final Prospectus dated October 17, 2019 for a comprehensive discussion of the Company’s regulatory environment in the United States with respect to hemp and CBD.

Outlook

During the year ended December 31, 2021, two of the Company’s subsidiaries, Global NV Corp. (“Global NV”) and Strasburg Pharms, LLC (“Strasburg”), filed for protection under the *Bankruptcy Code* as a result of claims against Global NV by a former landlord. The subsidiaries initially filed for protection under Chapter 11 of the *Bankruptcy Code* and subsequently converted the case to Chapter 7 of the *Bankruptcy Code*. In connection with the bankruptcy, a trustee was appointed to liquidate assets and make distributions on account of the outstanding liabilities of Global NV and Strasburg. This process is ongoing.

Once the bankruptcy proceedings converted to Chapter 7 of the *Bankruptcy Code* and the court appointed trustee obtained control of Global NV and Strasburg, the Company lost control of the entities. Global NV, Strasburg, SMBT, LLC, CannaOil, Inc., and Global Sciences IP, LLC were deconsolidated from the consolidated financial statements during the year ended December 31, 2021 and the Company recorded a gain on deconsolidation of \$3,946,960 representing the net liabilities of subsidiaries of which the Company lost control.

The bankruptcy process allowed the Company to implement operational and commercial plans to reposition the Company for future growth. These plans included the incorporation of the following wholly-owned subsidiaries during fiscal 2021: Global Sciences Holdings Inc., Dog Unleashed CBD, LLC, Legacy Distribution Group LLC, Energy Unleashed LLC, and Bam Bam Productions LLC. Through these new subsidiaries, the Company is expanding its distribution and adding new CBD and non-CBD products to enhance diversity of product offerings. The Company also added a manufacturing division with the acquisition of Resinosa, LLC, a vertically integrated company located in Silver Cliff, Colorado with expertise in hemp genetics, cloning, farming, harvesting, processing and manufacturing of finished products. Refer to “Acquisition of Resinosa, LLC” for additional details of the acquisition. In addition, subsequent to the period, the Company entered into an asset purchase agreement for a direct store distribution operation, as further discussed below in “Subsequent Events”.

Acquisition of Resinosa, LLC

On October 15, 2021, the Company, through its wholly-owned subsidiary, Global Sciences Holdings, Inc., closed an acquisition pursuant to an Asset and Limited Liability Company Interest Purchase Agreement (the “Purchase Agreement”) dated September 29, 2021 (the “Acquisition”). The Acquisition included real property and 100% interest in Resinosa, LLC (“Resinosa”). Resinosa is a vertically integrated company with expertise in hemp genetics, cloning, farming, harvesting, processing and manufacturing of CBD-based finished goods.

The Purchase Agreement provided for consideration as follows:

- 5,378,657 common shares of the Company with a fair value of \$875,860 determined based on the closing price of the Company’s common shares on October 15, 2021 (\$0.245 per common share) less a discount for lack of marketability of \$441,911 to reflect that the common shares are restricted and not freely tradeable immediately upon issuance. The discount for lack of marketability was calculated based on commonly used option price models for each restriction period applicable to the common shares issued.
- 99,889 preferred shares of the Company with a fair value of \$2,447,290 determined based on the closing price of the Company’s common shares on October 15, 2021 (\$0.245 per common share) and the conversion ratio of one preferred share to 100 common shares.
- A secured convertible promissory note in the principal amount of \$1,500,000 which bears interest at 8% per annum on the outstanding principal amount (the “Resinosa Note”). Accrued interest is payable annually and the principal becomes due at maturity on October 15, 2023. The Resinosa Note is convertible into units of the Company (“Units”), with each Unit consisting of 0.35 common shares and 0.0065 preferred shares, at a conversion price of \$0.228 per Unit. The Resinosa Note is secured by the real property purchased in the Acquisition and a general security agreement. The fair value of the Resinosa Note was determined as \$2,342,000 on initial recognition and comprised of the debt component of \$1,329,300 and the conversion feature of \$1,012,700.
- Contingent consideration:
 - If greater than \$500,000 of earnings before interest, taxes, depreciation, and amortization (“EBITDA”) is achieved by Resinosa in the year ending December 31, 2022, 4,388,906 shares of the Company will be issued no later than April 30, 2023;
 - If greater than \$1,000,000 of EBITDA is achieved by Resinosa in the year ending December 31, 2023, 4,388,906 shares of the Company will be issued no later than April 30, 2024;
 - Both performance incentives above can achieve 50% of the 4,388,906 shares if EBITDA is greater than \$250,000 but less than \$375,000; and,
 - Both performance incentives above can achieve 75% of the 4,388,906 shares if EBITDA is greater than \$375,000 but less than \$500,000 (collectively the “Contingent Consideration”).

The fair value of the Contingent Consideration was determined as \$10,000 based on probability weighted expected future cash flows and is recorded in the balance of derivative liability on the statement of financial position.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Resinosa are inputs (manufacturing and processing facilities, technology, inventories and customer relationships), production processes and an organized workforce. The Company determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Acquisition was determined to be

a business combination as substantive processes and assets were acquired as part of the transaction. The Company also retained the services of Resinosa's former employees and management.

Consideration paid:	
99,889 preferred shares of the Company at \$24.50 per preferred share	\$ 2,447,290
5,378,657 common shares of the Company at \$0.245 per common share	1,317,772
Less: discount for lack of marketability	(441,911)
Fair value of equity consideration	3,323,151
Fair value of convertible debt	2,342,000
Fair value of contingent consideration	10,000
	\$ 5,675,151
Net identifiable assets acquired:	
Goodwill	\$ 3,824,207
Intellectual property	347,000
Land and building	678,000
Equipment	519,953
Cash	143,545
Inventory	142,549
Amounts receivable	64,472
Prepaid expenses	14,577
Amounts payable	(538)
Notes payable	(58,614)
	\$ 5,675,151

The unallocated consideration of \$3,824,207 was recognized as goodwill. Goodwill is comprised of synergies that are expected to be achieved from integrating Resinosa into the Company, including the Company's distribution and marketing and achieving new contracts, the elimination of redundant costs, achieving economies of scale and access to financing to grow the operations. These benefits were not recognized separately from goodwill on the basis that they do not meet the recognition criteria for identifiable intangible assets.

Further to the Company's impairment assessment as at December 31, 2021, the Company recognized an impairment of \$3,824,207 on goodwill during the year ended December 31, 2021, resulting in a carrying value of goodwill of \$Nil as at December 31, 2021 and June 30, 2022.

Summary of Quarterly Results

Historical quarterly results of operations and loss per share data do not reflect any recurring expenditure patterns or predictable trends. The Company's expenditures are driven by availability of financing to fund continued operations.

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

Three months ended,	Quarter	Revenue – continuing operations	Net income (loss) from continuing operations	Net income (loss)	Basic and diluted income (loss) per share – continuing operations	Basic and diluted income (loss) per share
June 30, 2022	Q2	\$181,189	\$(587,546)	\$(587,546)	\$(0.01)	\$(0.01)
March 31, 2022	Q1	\$209,587	\$(516,136)	\$(516,136)	\$(0.01)	\$(0.01)
December 31, 2021	Q4	\$72,823	\$(6,755,650)	\$(6,755,650)	\$(0.17)	\$(0.17)
September 30, 2021	Q3	\$38,361	\$3,403,412	\$3,403,412	\$0.10	\$0.10
June 30, 2021	Q2	\$40,378	\$(659,183)	\$(669,200)	\$(0.02)	\$(0.02)
March 31, 2021	Q1	\$15,385	\$(1,189,727)	\$(1,231,263)	\$(0.03)	\$(0.04)
December 31, 2020	Q4	\$(173,033)	\$(2,089,226)	\$(5,157,358)	\$(0.06)	\$(0.15)
September 30, 2020	Q3	\$17,870	\$(1,375,958)	\$(1,775,696)	\$(0.04)	\$(0.06)

Sales

The fluctuations in sales reflect the negative impact of the global pandemic on the US economy, retailers and the Company. Due to the global pandemic and economic shutdown, the Company experienced a cancelation of a \$2.4M purchase order for its CBD infused finished products that was set to go into production in the second quarter of fiscal 2020. Its largest and fastest growing retailer in airports saw the loss of 96% of its foot traffic due to the travel restrictions enforced at all major US airports. Most stores remained closed and ceased all orders for new product in fiscal 2020. Sales were further negatively impacted during the first three quarters ended in fiscal 2021 while the Company navigated the bankruptcy proceedings. The increased sales for the fourth quarter of fiscal 2021 and thereafter were a result of the completion of the Acquisition and the added revenue stream of Resinosa.

Income (loss)

The fluctuations in income (loss) result from non-cash items, including loss from the settlement of debt, unrealized gains and losses on the derivative liability, gain from deconsolidation of subsidiaries, impairment of property and equipment and share-based payments.

Discussion of operations

For the six months ended June 30, 2022

Sales for the six months ended June 30, 2022 were \$390,776 compared to \$55,763 for the same period of the prior year. The increase in sales of \$335,013 is explained by the completion of the Acquisition and the added revenue stream of Resinosa. During the six months ended June 30, 2021, sales reflected continued economic disruptions in the CBD market caused by the COVID-19 pandemic and the implications of the bankruptcy proceedings.

The Company incurred cost of sales of \$115,312 (June 30, 2021 - \$70,303) which increased by \$45,009 compared to the same period of the prior year as a result of increased production volumes.

General and administrative costs for the six months ended June 30, 2022 and 2021 are summarized below.

For the six months ended	June 30, 2022 (\$)	June 30, 2021 (\$)	Change (\$)	Change (%)
Bad debt expense (recovery)	(31,086)	-	(31,086)	--
Investor relations	3,521	202,895	(199,374)	(98%)
Office expenses	135,000	110,174	24,826	23%
Professional fees	119,704	104,350	15,354	15%
Salaries	494,139	248,514	245,625	99%
Repairs and maintenance	8,144	224	7,920	3,536%
Travel	2,444	3,915	(1,471)	(38%)
Total general and administrative	731,866	670,072	61,794	9%

- The Company recorded a recovery of bad debt expense of \$31,086 during the six months ended June 30, 2022 to revise previous estimates of collectability.
- Investor relations decreased by \$199,374 due to service contracts entered into during fiscal 2020 with service periods that terminated during fiscal 2021.
- Office expenses increased by \$24,826 due to increased overall corporate activity.
- Professional fees increased by \$15,354 and fluctuate due to the nature and timing of corporate transactions.
- Salaries increased by \$245,625 which is explained by the addition of Resinosa's workforce since the fourth quarter of fiscal 2021 and changes in the composition of executive management during fiscal 2022.
- For the six months ended June 30, 2022, repairs and maintenance of \$8,144 were incurred and are attributable to Resinosa and its facilities acquired by the Company in the fourth quarter of fiscal 2021.

The Company recorded accretion expense for the six months ended June 30, 2022 of \$42,495 (June 30, 2021 - \$357,356) related to the carrying value of outstanding convertible debt and notes payable. The Company also recorded interest expense of \$147,276 (June 30, 2021 - \$121,724) related to these debt instruments and lease liabilities. Accretion decreased by \$314,861 during the six months ended June 30, 2022 compared to the same period of the previous year due to debt settlements completed during the year ended December 31, 2021. Interest expense increased by \$25,552 during the six months ended June 30, 2022 compared to the same period of the previous year due to the Resinosa Note which was executed in the fourth quarter of fiscal 2021.

During the six months ended June 30, 2022, the Company recorded an unrealized gain of \$Nil (June 30, 2021 - \$132,616) related to the change in fair value of derivative liabilities on the basis that the derivative liabilities were extinguished during the year ended December 31, 2021. Prior to extinguishment, the derivative liabilities were remeasured at fair value through profit and loss at each reporting period end using the Black-Scholes Option Pricing Model.

The Company incurred consulting fees during the six months ended June 30, 2022 of \$1,114 (June 30, 2021 - \$241,421), representing a decrease of \$240,307. The decrease in consulting fees for the six months

ended June 30, 2022 is explained by service contracts entered into during fiscal 2020 with service periods that terminated during fiscal 2021.

Depreciation recorded for the six months ended June 30, 2022 was \$147,037 and related to property and equipment purchased in the Acquisition and leased assets in connection with the Company launching its distribution division in fiscal 2021. During the six months ended June 30, 2021, the Company recorded no depreciation expense on the basis that property and equipment were previously impaired to a net book value of \$Nil as at December 31, 2020.

The Company recorded finance fees for the six months ended June 30, 2022 of \$21,258 (June 30, 2021 - \$31,068) which relate to costs incurred for amending financing terms. The amount and timing of finance fees fluctuates based on the fair value of equity instruments issued and the underlying vesting and maturity terms of the instruments.

Marketing, sales and distribution expenses for the six months ended June 30, 2022 amounted to \$249,424 (June 30, 2021 - \$404,634). The decrease of \$155,210 is a result of service agreements entered into in the previous periods which were not renewed in the current period.

Share-based payments expense for the six months ended June 30, 2022 of \$37,848 (June 30, 2021 - \$134,587) related to the fair value of stock options vesting in the period.

During the six months ended June 30, 2022, the Company incurred farming and processing related expenses of \$Nil (June 30, 2021 - \$51,553) which have been presented as discontinued operations.

For the three months ended June 30, 2022

Sales for the three months ended June 30, 2022 were \$181,189 compared to \$40,378 for the same period of the prior year. The increase in sales of \$140,811 is explained by the completion of the Acquisition and the added revenue stream of Resinosa. During the three months ended June 30, 2021, sales reflected continued economic disruptions in the CBD market caused by the COVID-19 pandemic and the implications of the bankruptcy proceedings.

The Company incurred cost of sales of \$52,891 (June 30, 2021 - \$26,140) which increased by \$26,751 compared to the same period of the prior year as a result of increased production volumes.

General and administrative costs for the three months ended June 30, 2022 and 2021 are summarized below.

For the three months ended	June 30, 2022 (\$)	June 30, 2021 (\$)	Change (\$)	Change (%)
Bad debt expense (recovery)	(31,086)	-	(31,086)	--
Investor relations	2,310	102,000	(99,690)	(98%)
Office expenses	83,423	30,841	52,582	170%
Professional fees	83,174	47,037	36,137	77%
Salaries	253,002	124,313	128,689	104%
Repairs and maintenance	2,744	224	2,520	1,125%
Travel	650	2,926	(2,276)	(78%)
Total general and administrative	394,217	307,341	86,876	28%

- The Company recorded a recovery of bad debt expense of \$31,086 during the six months ended June 30, 2022 to revise previous estimates of collectability.
- Investor relations decreased by \$99,690 due to service contracts entered into during fiscal 2020 with service periods that terminated during fiscal 2021.
- Office expenses increased by \$52,582 due to increased overall corporate activity.
- Professional fees increased by \$36,137 and fluctuate due to the nature and timing of corporate transactions.
- Salaries increased by \$128,689 which is explained by the addition of Resinosa's workforce since the fourth quarter of fiscal 2021 and changes in the composition of executive management during fiscal 2022.
- For the three months ended June 30, 2022, repairs and maintenance of \$2,744 were incurred and are attributable to Resinosa and its facilities acquired by the Company in the fourth quarter of fiscal 2021.

The Company recorded accretion expense for the three months ended June 30, 2022 of \$21,731 (June 30, 2021 - \$186,344) related to the carrying value of outstanding convertible debt and notes payable. The Company also recorded interest expense of \$78,310 (June 30, 2021 - \$43,644) related to these debt instruments and lease liabilities. Accretion decreased by \$164,613 during the three months ended June 30, 2022 compared to the same period of the previous year due to debt settlements completed during the year ended December 31, 2021. Interest expense increased by \$34,666 during the three months ended June 30, 2022 compared to the same period of the previous year due to the Resinosa Note which was executed in the fourth quarter of fiscal 2021.

During the three months ended June 30, 2022, the Company recorded an unrealized gain of \$Nil (June 30, 2021 - \$265,648) related to the change in fair value of derivative liabilities on the basis that the derivative liabilities were extinguished during the year ended December 31, 2021. Prior to extinguishment, the derivative liabilities were remeasured at fair value through profit and loss at each reporting period end using the Black-Scholes Option Pricing Model.

The Company incurred consulting fees during the three months ended June 30, 2022 of \$Nil (June 30, 2021 - \$104,062), representing a decrease of \$104,062. The decrease in consulting fees for the three

months ended June 30, 2022 is explained by service contracts entered into during fiscal 2020 with service periods that terminated during fiscal 2021.

Depreciation recorded for the three months ended June 30, 2022 was \$75,854 and related to property and equipment purchased in the Acquisition and leased assets in connection with the Company launching its distribution division in fiscal 2021. During the three months ended June 30, 2021, the Company recorded no depreciation expense on the basis that property and equipment were previously impaired to a net book value of \$Nil as at December 31, 2020.

The Company recorded finance fees for the three months ended June 30, 2022 of \$10,688 (June 30, 2021 - \$15,315) which relate to costs incurred for amending financing terms. The amount and timing of finance fees fluctuates based on the fair value of equity instruments issued and the underlying vesting and maturity terms of the instruments.

Marketing, sales and distribution expenses for the three months ended June 30, 2022 amounted to \$122,038 (June 30, 2021 - \$228,577). The decrease of \$106,539 is a result of service agreements entered into in the previous periods which were not renewed in the current period.

Share-based payments expense for the three months ended June 30, 2022 of \$12,617 (June 30, 2021 - \$54,014) related to the fair value of stock options vesting in the period.

During the three months ended June 30, 2022, the Company incurred farming and processing related expenses of \$Nil (June 30, 2021 - \$10,017) which have been presented as discontinued operations.

Liquidity and capital resources

As at June 30, 2022, the Company had a working capital deficit of \$2,392,342 as compared to \$1,735,711 as at December 31, 2021, a decrease in working capital of \$656,631. The decrease in working capital is explained by the decrease in inventory of \$29,673 as sales increased, the decrease in cash of \$33,479 detailed in "Cash flows" below, the decrease in amounts receivable of \$6,956 due to the timing of receipts from customers, the increase in accounts payable and accrued liabilities of \$447,297 due to the timing of payments to suppliers and deferral of salaries and benefits, the increase in amounts due from related parties of \$156,125 from advances received to fund ongoing operations, and the increase in lease liabilities of \$55,961 due to accrued interest. These decreases to working capital were partially offset by the decrease in obligation to issue shares of \$80,000 due to common shares issued in the period.

The Company's ability to continue its operations 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 and/or debt financing. However, there is no assurance it will be able to continue to do so in the future.

These factors, including the Company's financial position, liquidity and the uncertain outcome of the matters arising from the bankruptcy proceedings, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Cash flows

The table below provides a summary of cash flows for the six months ended June 30, 2022 and 2021.

For the six months ended June 30,	2022 (\$)	2021 (\$)
Cash used in operating activities	(144,416)	(672,385)
Cash provided by (used in) investing activities	(36,006)	80,000
Cash provided by financing activities	146,943	609,056
Change in cash	(33,479)	16,671
Cash, beginning	93,400	541
Cash, end	59,921	17,212

Operating activities

Cash used in operating activities adjusts loss for the period for non-cash items including, but not limited to accretion of loans and notes payable, change in fair value of derivative liability, depreciation of property and equipment, accrued interest, and share-based payments. Cash used in operating activities also reflects changes in working capital items, such as amounts receivable, prepaid expenses, inventory and amounts payable, which fluctuate in a manner that does not necessarily reflect predictable patterns for the overall use of cash, the generation of which depends almost entirely on sources of external financing to fund operations.

Investing activities

During the six months ended June 30, 2022, cash used in investing activities relates to the purchase of machinery and equipment for manufacturing purposes.

During the six months ended June 30, 2021, cash provided by investing activities consisted of proceeds received from the sale of assets under construction of \$80,000.

Financing activities

During the six months ended June 30, 2022, the Company received net cash of \$146,943 (June 30, 2021 - \$609,056) from financing activities which included advances from related parties of \$156,125 (June 30, 2021 - \$473,800), proceeds from the issuance of shares or shares to be issued of \$Nil (June 30, 2021 - \$55,000) and government assistance received of \$Nil (June 30, 2021 - \$135,095). Proceeds received were partially offset by the repayment of notes payable of \$Nil (June 30, 2021 - \$40,587) and lease payments of \$9,182 (June 30, 2021 - \$14,252).

Related party disclosures

Related parties and related party transactions impacting the accompanying condensed interim consolidated 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 six months ended June 30, 2022 and 2021 are summarized as follows:

For the six months ended June 30,	2022 (\$)	2021 (\$)
Salaries ⁽¹⁾	348,973	150,000
Share-based payments	25,444	88,544
Total remuneration	374,417	238,544

(1) Brad Wyatt, President, CEO and Director - \$150,000 (June 30, 2021 - \$150,000); Jeffrey Hays, Director - \$75,000 (June 30, 2021 - \$Nil); Kath Hays, spouse of a director - \$75,000 (June 30, 2021 - \$Nil); Glenn Dooley, CFO and Director - \$48,973 (June 30, 2021 - \$Nil)

Other related party transactions and balances

- a) Strasburg had 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, Glen Dooley ("Mac5"). The note was 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 note had a carrying value of \$548,588, principal balance of \$876,565 and accrued interest balance of \$68,649 as at May 7, 2021 on which date these balances were deconsolidated.

- b) On September 1, 2018, Mac5 advanced \$7,500 to Strasburg in exchange for a promissory note. The note was unsecured and bears interest at 6% per annum. Payments of interest only were 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 Strasburg default on an interest payment, the interest rate shall increase to 12% per annum. On January 1, 2019, Strasburg entered into an agreement amending the maturity date of the note to December 31, 2021.

The balance due on this note was \$8,260, including principal balance of \$7,500 and accrued interest of \$760 on the date on which date these balances were deconsolidated.

- c) On April 1, 2019, Global NV entered into an unsecured promissory note with Mac5, whereby Mac5 loaned a balance up to \$500,000 to Global NV. The note was unsecured, bears interest at 8% per annum, had payments of interest only due monthly with the principal balance due on June 30, 2022.

As at May 7, 2021, the carrying value of \$921,898, accrued interest of \$40,277, and deferred financing fees of \$64,747 related to this promissory note were deconsolidated.

- d) On December 31, 2018, Global NV entered into an unsecured promissory note with TargetPath, a company controlled by Scott Hix, a former director ("TargetPath"), in the amount of \$33,736. The note was unsecured and bore interest at 6% per annum. Interest and principal were due and payable on the maturity date of December 31, 2020. The loan was in default; and as a result of the default the outstanding principal balance accrued interest at a rate of 12% per annum effective January 1, 2021.

As at May 7, 2021, the carrying value and accrued interest balances of \$33,736 and \$3,036, respectively, were deconsolidated on the basis that the borrower is Global NV.

- e) As at June 30, 2022, a revolving promissory note due to Mac5 had a carrying value and principal balance of \$197,611 (December 31, 2021 - \$42,611) which is included in amounts due to related parties. The balance of accrued interest of \$34,991 (December 31, 2021 - \$27,940) is included in accounts payable and accrued liabilities.

During the six months ended June 30, 2022, the Company recognized an additional \$155,000 received from Mac 5 as related party contributions pursuant to proceeds received during the period.

During the year ended December 31, 2021, the Company issued 5,767,155 common shares with a fair value of \$947,951 to settle \$710,963 of this note, resulting in a loss on debt settlement of \$236,988.

The note is unsecured and bears interest at 12% per annum. The principal and interest are due on or before June 30, 2023. The Company was charged a loan fee of \$10,000 and is obligated to issue 500,000 warrants of the Company. The loan fee of \$10,000 and fair value of the warrants of \$86,307 were capitalized as deferred financing fees and will be amortized over the life of the promissory loan. As at June 30, 2022, the balance of deferred financing fees was \$42,868 (December 31, 2021 - \$64,126).

- f) During the six months ended June 30, 2022, the Company incurred \$61,021 (June 30, 2021 - \$14,418) in professional fees to Treewalk Consulting Inc. (formerly ACM Management Inc.), a company controlled by Alex McAulay, the former Chief Financial Officer of the Company ("Treewalk"), recorded in general and administrative expenses.
- g) During the six months ended June 30, 2022, the Company incurred \$16,405 (June 30, 2021 - \$14,133) in professional fees to a Tingle Merrett LLP, a company controlled by Scott Reeves ("Tingle Merrett"), a director of the Company recorded in general and administrative expenses.
- h) As at June 30, 2022, accounts payable and accrued liabilities and amounts due to related parties include \$25,680 (December 31, 2021 - \$11,790) and \$329 (December 31, 2021 - \$329), respectively, due to W2D Holdings, a company jointly controlled by the President of the Company, Brad Wyatt, and the Chief Operating Officer of the Company, Glen Dooley ("W2D"), for expense reimbursement.
- i) As at June 30, 2022, accounts payable and accrued liabilities include \$350,170 (December 31, 2021 - \$200,170) due to Brad Wyatt, President, CEO and Director of the Company for salaries and wages and expense reimbursement.
- j) As at June 30, 2022, accounts payable and accrued liabilities and amounts due to related parties include \$108,552 (December 31, 2021 - \$45,423) and \$1,350 (December 31, 2021 - \$225), respectively, due to Jeffrey Hays, a director of the Company, and his spouse, Kath Hays, for salaries and wages and expense reimbursement.

- k) As at June 30, 2022, accounts payable and other liabilities includes \$64,990 (December 31, 2021 - \$864) payable to Treewalk for professional fees. During the year ended December 31, 2021, the Company issued 2,086,800 common shares to Treewalk with a fair value of \$343,009 to settle accounts payable in the amount of \$177,978, resulting in a loss on debt settlement of \$165,031.
- l) As at June 30, 2022, accounts payable and other liabilities includes \$120,020 (December 31, 2021 - \$98,539) for professional fees to Tingle Merrett. During the year ended December 31, 2021, the Company issued 634,921 common shares to Tingle Merrett with a fair value of \$104,362 to settle accounts payable in the amount of \$78,272, resulting in a loss on debt settlement of \$26,090.
- m) During the year ended December 31, 2021, the Company entered into vehicle and equipment leases with W2D. As at June 30, 2022, the balances of lease liabilities and accounts payable and accrued liabilities include \$468,128 (December 31, 2021 - \$434,507) and \$5,551 (December 31, 2021 - \$1,575), respectively, payable to this related party. The lease liabilities includes \$85,135 of unpaid lease payments owing and on demand as at June 30, 2022.
- n) During the year ended December 31, 2021, the Company issued the Resinosa Note to Jeffry Hays, a director of the Company, and his spouse, Kath Hays, in connection with the Acquisition. As at June 30, 2022, the Resinosa Note had a carrying value of \$1,471,474 (December 31, 2021 - \$1,371,129). During the six months ended June 30, 2022, the Company accrued interest and recorded accretion expense of \$59,507 (June 30, 2021 - \$Nil) and \$40,839 (June 30, 2021 - \$Nil), respectively, related to the Resinosa Note.

All transactions with related parties were intended to be carried on the same basis as they would have occurred if the transaction was with an arm's length party.

Outstanding share data

The Company is authorized to issue an unlimited number of shares of common stock and preferred shares without par value.

The Company has securities outstanding as follows:

Security Description	June 30, 2022	Date of this MD&A
Common shares	49,456,624	49,456,624
Preferred shares	735,361	735,361
Stock options	4,955,000	4,955,000
Cashless options	250,000	250,000
Warrants	11,683,763	4,050,000
Fully diluted shares	67,080,748	59,446,985

Subsequent events

On September 8, 2022, the Company entered into an asset purchase agreement with New Age Beverage Corporation and NABC Properties, LLC to acquire a direct store distribution (“DSD”) operation, including the acquisition of certain specified tangible and intangible assets used in the DSD operation and the assumption of certain specified liabilities. The Company is required to secure a debt facility to finance the purchase price of \$4,500,000.

Completion of the transaction is subject to a number of conditions customary for a transaction of this nature. These conditions include but are not limited to: fulfilling all exchange as well as any other necessary regulatory or shareholder approvals; securing sufficient financing on terms acceptable to the Company; completing due diligence procedures by all parties; and obtaining required court approvals. There can be no assurance that the transaction will be completed as proposed or at all.

Critical accounting policies and estimates

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The accompanying condensed interim consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, related to, but are not limited to, the following:

Useful life of property and equipment

Property and equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence and regulations.

Incremental borrowing rate

Under IFRS 16, the Company assesses whether a contract contains a lease and, if so, recognizes a lease liability by discounting the future lease payments over the non-cancelable term of the lease, using the Company’s estimated incremental borrowing rate. Differences in the estimated incremental borrowing rate could result in materially different lease liabilities and right-of-use assets.

Fair value adjustments for business combinations

In accordance with IFRS 3, Business Combinations, the Company remeasures the assets, liabilities and contingent liabilities acquired through a business combination relative to fair value. Similarly, consideration given, including shares issued, is also measured at fair value. Where possible, fair value adjustments are based on external appraisals or valuation models (e.g. where intangible assets were not

recognized by an acquirer). These valuation methods rely on various assumptions such as estimated future cash flows, remaining useful economic life, etc.

Intangible assets - impairment

The application of the Company's accounting policy for intangible assets requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Goodwill - impairment

Management conducts an annual test for impairment of goodwill in the fourth quarter of each fiscal year and at any other time of the year if an indicator of impairment is identified. Calculating the estimated recoverable amount (fair value less cost to dispose) of CGUs for non-current asset impairment tests and CGUs or groups of CGUs for goodwill impairment tests requires management to make estimates and assumptions with respect to discount rates, future revenue and gross margin, operating and capital costs, working capital requirements and income taxes. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis.

Share-based payments

Estimating fair value for share-based payment transactions, including stock options and compensatory warrants, requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, risk-free interest rate, expected forfeiture rate and dividend yield of the equity instruments.

Inventory

In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value. The valuation of cannabidiol oil and products also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased or inventory has spoiled or has otherwise been damaged.

Carrying value and recoverability of property and equipment

The Company has determined that property and equipment that are capitalized may have future economic benefits and may be economically recoverable. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and useful lives of the assets.

Judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are as follows:

Business combinations

From time to time, the Company acquires subsidiaries. At the time of acquisition, the Company considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Going concern

The Company's ability to execute its strategy by funding future working capital requirements requires significant judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

Determining non-cancellable lease term

The non-cancellable lease term depends on the terms of the lease agreement and management's plans for the leased asset in question. The management must evaluate whether or not the Company shall exercise renewal options, the result of which could extend the non-cancellable term of the lease. Extending the lease term can have a material impact on the recorded value of lease liabilities and right-of-use assets.

Recoverability of trade account receivables

The Company's assessment of collectability of its trade receivable requires judgement. In assessing whether an allowance is necessary, the Company uses historical trends to determine the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Adoption of new standards and interpretations and recent accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and has determined that there are no new standards that are relevant to the Company.

Financial and other instruments

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company uses judgement to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgement and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The Company's financial instruments consist of cash, trade and other receivables, accounts payable and other liabilities, due to related parties, notes payable, convertible debt, lease liabilities, derivative liabilities and long-term debt. With the exception of convertible debt, lease liabilities and notes payable, the carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities. The fair value of convertible debt and notes payable approximate their carrying value, excluding discounts, due to minimal changes in interest rates and the Company's credit risk since issuance of the instruments. Cash is measured at fair value on a recurring basis using level 1 inputs. Derivative liabilities are measured at fair value at each reporting period end using level 2 inputs.

The Company is exposed to risks that arise from its use of financial instruments.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign currency exchange, interest rates and equity price risk.

Foreign currency risk:

The Company's functional and reporting currency is the United States dollar and major purchases are transacted in United States dollars. As a result, the Company's exposure to the foreign currency risk is minimal.

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant and the Company does not rely on interest income to fund its operations. The Company has significant debt facilities, including convertible debt and promissory notes payable. As the debt facilities are incurring a fixed rate of interest, the Company is not significantly exposed to interest rate risk.

Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company does not hold equity investments in other entities and therefore is not exposed to a significant risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and accounts receivable. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable.

Liquidity risk

Liquidity risk arises from the Company's general and capital financing needs. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities, when feasible.

The table below summarizes the maturity profile of the Company's undiscounted contractual cash flows with respect to financial liabilities.

As at June 30, 2022	On demand	Less than 1 year	1 -2 years	Later than 2 years	Total
Trade payables	\$ 381,792	\$ -	\$ -	\$ -	\$ 381,792
Loans payable to related parties and accrued interest	7,230	-	232,602	-	239,832
Lease liabilities	85,135	133,008	90,168	437,513	745,824
Notes payable and accrued interest	268,303	8,772	8,772	228,406	514,253
Convertible debt and accrued interest	300,959	115,068	1,624,932	-	2,040,959
Obligation to issue shares	193,515	-	-	-	193,515
Total liabilities	\$ 1,236,934	\$ 256,848	\$ 1,956,474	\$ 665,919	\$ 4,116,175

Company documents

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://www.cbdglobalsciences.com>.

Approval

The Board of Directors of the Company has approved the disclosure contained in this MD&A.