

Hollister Biosciences Inc.
(formerly 1205600 B.C. Ltd.)

Management's Discussion & Analysis
For the three and six months ended June 30, 2020 and 2019
Expressed in United States Dollars

Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

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Management's Discussion & Analysis

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This Management's Discussion & Analysis ("MD&A") of the financial condition and results of operations of Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019, and the accompanying notes therein. This MD&A is dated August 21, 2020, which is the date that the Board of Directors of the Company (the "Board") approved the disclosure contained in this MD&A.

The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Except as otherwise indicated, all financial data in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. Periods for the six months ended June 30, 2020 and 2019 are referred to as "YTD 2020" and "YTD 2019".

All dollar amounts in this MD&A are expressed in United States Dollars except where otherwise indicated.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors in the "Risk Factors" and "Additional Risk Disclosure for Issuers with U.S. Cannabis Operations" section below. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its anticipated results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

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CORPORATE OVERVIEW

Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) was incorporated on April 17, 2019 under the laws of the Province of British Columbia, Canada. On August 29, 2019, 1205600 B.C. Ltd. changed its name to Hollister Biosciences Inc. (collectively herein referred to as the "Company", "Hollister"). The Company's registered and records office is located at 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, British Columbia, Canada, V6E 4N7. The Company was incorporated for the sole purpose of completing financings in anticipation of completing the acquisition of Weldon Manor, LLC, ("Weldon") and concurrently applying for a listing on the Canadian Securities Exchange (the "CSE") as described below. Weldon is a private licensed manufacturer and distributor of cannabis pre-roll and extract products in the State of California. On March 24, 2020, the Company acquired a 100% interest in Labtronix, Inc. doing business as Venom Extracts ("Venom Extracts") which is a leading Arizona cannabis extract brand and one of the state's largest producers of award-winning medical cannabis distillate and related products. On April 30, 2020, the Company acquired a 100% interest in AlphaMind Brands Inc. a growth stage company that is developing a portfolio of certified legal mushroom based natural health products. The Company is listed on the CSE under the symbol "HOLL".

The Company operates as a licensed manufacturer and distributor of recreational cannabis and cannabis products, and distributes its products through an arrangement with a cannabis distributor to licensed cannabis vendors in California and Arizona. The Company commenced revenue generating activity during the year ended December 31, 2018. Continuance of operations is dependent upon maintaining the necessary licensing under California state law, and the ability to obtain the necessary financing to perform its operating activities and meet ongoing obligations.

CORPORATE OUTLOOK

Corporate Outlook

In March of 2017, the Company commenced construction of a large legal cannabis company. The Company has a 35,000 sq. ft. facility that is being developed in phases. In August 2017, the Company was approved to have cannabis in the building, and operate on December 29, 2017 just in time for *Adult-Use* legalization to take effect on January 1, 2018.

Weldon is the management company for Hollister Holistics 1 and Hollister Holistics 2 (collectively "Hollister Cannabis Company"), which both operate in the legal cannabis industry in California. Hollister Cannabis Company manufactures hash, tinctures, hash infused products, crumble infused products, pre-rolls, and other cannabis products under their brands HashBones, Purity Petibles, Hollister Cannabis Co., and as contract manufacturing white label products for other companies.

Currently, the most widely distributed product manufactured at Hollister Cannabis Company is the HashBone which is a 25% hash 75% flower pre-roll which is made in small batches with only premium flower and artisanal bubble hash. Hollister Cannabis Company Bubble Hash is made with purified water and ice in hash wash machines. It is dried in state of the art freeze dryers and strained and grammed in concentrate jars. There are several white label products manufactured at Hollister Cannabis Co including crumble infused pre-rolls, 1/8th and grammed flower, and pre-rolls. The Company uses an automated process that fills vape cartridges, capsules, tincture bottles and more. There are potential white label projects for this equipment. Most products are packaged, labeled, and prepared for distribution prior to leaving Hollister Cannabis Company. The Company employs an extremely efficient Auto Labe labeling machine for any round vessel, and a blister pack machine.

Hollister Cannabis Company is currently operating in 2,800 sq. ft. of the 35,000 sq. ft. facility. The available space will house several projects that are currently under development including automated pre-roll manufacturing, NanoPure, nano emulsified cannabis concentrate which will be sold both wholesale as an ingredient for other companies and power products for Hollister Cannabis Company and an extraction lab for Venom Extracts to commence operations in the state of California. The first product to be launched is a fast acting sublingual spray. Beverages, edibles, and capsules will soon be produced.

Hollister Cannabis Company is licensed by the city of Hollister and the State of California for Manufacturing and Distribution.

The Company has a very close relationship with Indus Distribution (CSE:INDS). Indus handles all sales and branded product fulfillment efforts to California dispensaries.

Venom Extracts is one of Arizona's premier extract brands and one of the state's largest producers of award-winning medical cannabis distillate and related products. With an experienced management team and unparalleled reputation for quality, Venom Extracts prides itself as a differentiated extraction company by producing legal Marijuana products at a price point that allows retailers to generate higher profits. Focused on proprietary efficiencies, the Company is able to produce more product per square foot than its competition, maintaining lower costs and risks than a typical extraction company. The company's expansion strategy is centered on entering new markets/states that are approved for medical cannabis use and/or approved or have a reasonable expectation to be approved for recreational use in the near future.

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In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. Covid-19 has created a new set of challenges for Hollister and we have risen to that challenge. All of our employees have been able to continue to stay working in California during this time as Hollister was deemed an essential service. We have a full Covid-19 sanitization protocol in place to keep our employees safe. When the COVID-19 shutdowns started to happen Hollister jumped into action by manufacturing hand sanitizer to donate to the city, county and the local community. Hollister was awarded a certificate of appreciation from San Benito County for donating the hand sanitizer.

Hollister has been experiencing some delays in product packaging and delivery of raw materials that have extended our normal turnaround times to manufacture products for distribution. The Company foresees further supply constraints that may cause delays in the two to four week range, and is working to mitigate these delays. In the meantime, Covid-19 has accelerated the direct to consumer delivery plan, the brand will be called Dreamy Delivery and the first delivery hub is expected to launch in Q4 2020 with statewide service by the end of 2021. Hollister has also been busy designing and planning the buildout of its Venom brand in the Hollister California facility. Covid-19 has impacted the construction industry and it may take longer than expected to complete. COVID-19 has also delayed product development with Tactical Relief and the launching of initial products for AlphaMind Brands Inc., both are progressing. Tommy Chongs's Full Spectrum Elixir is now being distributed into California dispensaries by our distribution partner Indus. The Elixir is being sold in 20 California dispensaries and that number is expected to grow every month.

Securities Exchange Agreement with 1205600 B.C. Ltd.

On July 9, 2019, the Company entered into a Securities Exchange Agreement with Weldon, between the Company, Weldon, and Weldon's members, whereby Weldon's members would receive 40,000,000 common shares of the Company in consideration of all the issued and outstanding membership units in Weldon (the "Transaction").

Effective November 8, 2019, the Transaction closed whereby the Company acquired all of the issued and outstanding membership interests of Weldon by the issuance of 40,000,000 common shares of the Company to Weldon's members (of which 8,580,000 were issued to the Company in respect of its membership interest in Weldon which were subsequently returned to treasury). Additionally, the Company issued 800,000 common shares as "Finder Fee Shares" to an arm's length Finder that facilitated the Transaction.

Concurrent with closing of the Transaction, the Company's common shares were listed on the CSE on November 22, 2019. All issued and outstanding common shares of the Company were consolidated on a 1.5:1 basis immediately prior to listing on the CSE. All references to share and per share amounts have been retroactively restated to reflect the share consolidation.

Management determined that the Transaction constituted a reverse acquisition for accounting purposes whereby Weldon acquired the Company. For accounting purposes, Weldon is treated as the accounting acquirer (legal subsidiary), and the Company is treated as the accounting acquiree (legal parent) in the Company's consolidated financial statements. As Weldon was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in the Company's consolidated financial statements at their historical carrying values. The Company's results of operations are included from the transaction date, November 8, 2019. The comparative figures are those of Weldon prior to the reverse acquisition.

Acquisition of Venom Extracts

On March 24, 2020, the Company closed its acquisition of Venom Extracts, an Arizona cannabis extract brand (the "Venom Acquisition").

Pursuant to the terms of the Venom Acquisition, the Company has acquired Venom Extracts for consideration of CDN\$20,000,145 which was satisfied by the issuance of 70,390,672 Hollister common shares at a deemed value of CDN\$0.20 per share pro rata to the shareholders of Venom Extracts and an additional 29,610,054 common shares (the "Venom Earn-Out Shares") at a deemed value of CDN\$0.20 per share to certain former shareholders of Venom Extracts on the earlier of (i) Venom Extracts reaching certain revenue milestones (detailed below), or (ii) December 31, 2021.

- 19,740,036 Venom Earn-Out Shares will be issued when revenue of Venom Extracts exceeds CDN\$30,000,000 (calculated in accordance with IFRS from January 1, 2020); and
- An additional 9,870,018 Venom Earn-Out Shares will be issued when revenue of Venom Extracts exceeds CDN\$40,000,000 (calculated in accordance with IFRS from January 1, 2020).

In connection with the Venom Acquisition, the Company issued 6,000,000 common shares (the "Finder Shares") to an arm's length third party finder at a deemed price of CDN\$0.20 per Finder Share.

The Company is in the process of obtaining a valuation of the underlying assets of Venom Extracts including its property and equipment, intangibles, the Venom Extracts brand, customers list and goodwill, and is also determining Venom Extracts' final working capital balances.

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Acquisition of AlphaMind Brands Inc.

On April 30, 2020, the Company closed its acquisition of AlphaMind Brands Inc (AlphaMind"), a Canada and US based growth stage company, which is developing certified legal mushroom based natural health products (the "AlphaMind Acquisition").

Pursuant to the terms of the AlphaMind Acquisition, the Company has acquired AlphaMind for consideration of CDN\$1,200,000 which was satisfied by the issuance of 4,200,000 Hollister common shares at a deemed value of CDN\$0.20 per share pro rata to the shareholders of AlphaMind and an additional 1,800,000 common shares at a deemed value of CDN\$0.20 per share to certain former shareholders of AlphaMind on the earlier of (i) AlphaMind's first production run or its first sales of product, or (ii) December 31, 2021.

The Company is in the process of obtaining a valuation of the underlying assets of AlphaMind including its property and equipment, intangibles, the AlphaMind brand, customers list and goodwill, and is also determining AlphaMind's final working capital balances.

OVERALL PERFORMANCE

Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgment in order to ensure that our consolidated financial statements are presented fairly and in accordance with IFRS.

For information in regarding the Company's total assets and liabilities, refer to "Liquidity and Capital Resources" below.

Mighty Meds Purchase Price Revision

On December 7, 2017, the Company completed an Asset Purchase Agreement (the "Agreement") with certain sellers (the "Sellers"), to acquire specified assets from the Sellers, including but not limited to Mighty Meds branded inventory, marketing materials, domain names/websites, and product formulations.

In accordance with the Agreement, and prior to the amendment discussed below, the Company was required to make cash payments totaling \$550,000 (amended to \$200,000) as follows:

- \$30,000 from January 2018 to June 2018 (a minimum of \$5,000 per month) – completed; and
- \$520,000 from July 2018 to October 2022 (a minimum of \$10,000 per month) (\$20,000 completed prior to the amendment on April 25, 2019 below).

On April 25, 2019, the Company and the Sellers amended the Agreement to reduce the purchase price payable to \$200,000, of which \$50,000 was paid during the year ended December 31, 2018. In accordance with the amendment, the Company is required to make payments as follows:

- \$3,000 from May 2019 to July 2019 (\$1,000 per month - completed);
- \$20,000 from August 2019 to November 2019 (\$5,000 per month) (completed \$20,000 as at December 31, 2019);
- \$132,000 from December 2019 to December 2020 (\$10,000 per month until the balance is paid in full - \$10,000 completed as at December 31, 2019).

As a result of the amendment, the Company recognized a gain on modification of long-term debt during the year ended December 31, 2019, in the amount of \$256,076.

During the three and six months ended June 30, 2020, the Company made cash payments of \$5,000 and \$15,000, respectively (2019 - \$nil and \$nil, respectively) towards the purchase price consideration payable which was applied against long-term debt.

As at June 30, 2020, the undiscounted amount of the balance payable to the Sellers was \$102,000 (December 31, 2019 - \$117,000). The balance payable by the Company is personally guaranteed by the Company's CEO.

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SELECTED FINANCIAL INFORMATION - RESULTS OF OPERATIONS

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
	\$	\$	\$	\$
Gross revenue	8,476,202	221,826	9,425,100	428,227
Gross margin (loss)	1,511,586	(121,410)	1,226,717	(133,342)
Operating expenses	(1,204,182)	(136,005)	(2,997,079)	(305,773)
Income (loss) for the period	305,377	(1,979)	(1,848,102)	(183,679)
Total assets	22,708,931	2,250,464	22,708,931	2,250,464
Current liabilities	4,262,542	1,295,929	4,262,542	1,295,929

Gross revenue for Q2 2020 increased by \$8,254,376 compared to the prior year comparative period (YTD 2020: \$8,996,873 compared to YTD 2019), as the Company increased sales of existing products (pre-rolls and vape cartridges) and realized the revenues from Venom Extracts from the date of acquisition which resulted in the company recognizing \$667,513 revenue from March 24, 2020 to March 31, 2020 and \$8,102,862 during Q2 2020.

The composition of revenue included the following:

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
	\$	\$	\$	\$
Concentrates	8,424,200	19,959	9,117,075	19,959
Hash Bone (as described in "Corporate Outlook" above)	298,408	96,262	457,011	171,209
Contract manufacturing services	80,536	70,151	167,383	70,151
Other product sales (discounts and allowances)	(326,941)	35,454	(316,368)	166,908
Gross revenue	8,476,202	221,826	9,425,100	428,227

Gross margin was \$1,511,586 for Q2 2020, compared to the negative margin of \$121,410 for Q2 2019 (YTD 2020: \$1,226,717 compared to negative margin of \$133,342 for YTD 2019). This change is primarily driven by increased sales of Hollister Cannabis Company and the newly acquired Venom Extracts, which was supplemented by a one-time increased rent charge of \$245,928 recorded within cost of sales. Gross margin for the current year periods was also impacted by increases in most other cost components of inventory.

The portion of cost of sales that related specifically to inventory (product, labour, testing, and supplies) amounted to \$7,524,195 and \$7,874,174 during Q2 2020 and YTD 2020, respectively (2019 - \$154,648 and \$211,850, respectively). Key drivers in fluctuations in cost of sales relative to revenue are fluctuating market prices of biomass inputs (product), as well as the addition of new production employees during the quarter and the acquisition of Venom Extracts.

Operating expenses for Q2 2020 and YTD 2020 were \$1,204,182 and \$2,997,079, respectively, compared to \$136,005 and \$305,773 during the prior year comparable periods. These increases over the prior year were driven by increases in all components of operating expenses except accretion expense, licenses and permits, management fees and travel and meals. The increase in expenses represented the continual evolution of the Company's activities and expansion of sales efforts including its increasing its sales mix and customer acquisition efforts. The most significant changes in operating expenses and other expenses were as follows:

- The Company realized \$828,100 in a one-time non-cash transaction cost which resulted from the acquisition of Venom Extracts
- Marketing costs increased to \$378,730 during Q2 2020 from \$8,301 during Q2 2019 (YTD 2020: \$849,862 compared to \$16,181 during Q2 2019) as a result of the Company's increased focus and efforts on increasing brand awareness as the Company continues to execute its growth strategy.
- Administrative expense increased to \$182,362 during Q2 2020 from \$5,617 during Q2 2019 (YTD 2020: \$275,526 compared to \$9,454 during Q2 2019) as a result of the Company's acquisition of Venom Extracts on March 24, 2020.
- Salaries and wages increased to \$179,431 during Q2 2020 from \$nil during Q2 2019 (YTD 2020: \$179,431 compared to \$nil during Q2 2019) as a result of the Company's acquisition of Venom Extracts on March 24, 2020, which has various full and part-time staff as part of its operation.
- Professional fees and consulting increased to \$238,540 during Q2 2020 from \$9,190 during Q2 2019 (YTD 2020: \$374,111 compared to \$42,279 during Q2 2019) as a result of the Company's acquisition of Venom Extracts on March 24, 2020 and additional costs associated with the Company's continued growth.

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SUMMARY OF QUARTERLY RESULTS

	Revenue	Income (loss) and comprehensive income (loss)	Income (loss) per share
	\$	\$	\$
June 30, 2020	8,476,202	305,377	0.00
March 31, 2020	948,898	(2,153,479)	(0.01)
December 31, 2019	347,362	(1,317,771)	(0.05)
September 30, 2019	236,603	(362,450)	(0.02)
June 30, 2019	221,826	(1,979)	(0.00)
March 31, 2019	206,401	(181,700)	(0.04)
December 31, 2018	167,033	(912,097)	(0.20)
September 30, 2018	200,132	(179,004)	(0.04)

Quarter to quarter fluctuations in revenue have been driven by fluctuations in the normal course of business, the Company's overall growth efforts, significant customer acquisitions in recent periods, and the seasonality of product sales particularly in the third and fourth quarters. Moreover, the Company's sales mix has expanded since the beginning of fiscal 2019, which is driving an upward trend in quarter-by-quarter revenue.

During the period ended March 31, 2018, the Company commenced generating revenues through the sale of Mighty Meds cannabis oil-filled vape cartridges and accessories, as well as pre-rolls which are manufactured by the Company. On March 24, 2020, as a result of the acquisition of Venom Extracts, the Company is including 100% of the revenues and expenses of Venom Extracts from the date of acquisition into the Company's consolidated financial statements for the three and six months ended June 30, 2020, which equated to \$8,102,862 and \$8,773,238 of gross revenues, respectively, being generated by Venom Extracts.

LIQUIDITY AND CAPITAL RESOURCES**Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors which comprises members of management, does not establish quantitative return on capital criteria, but rather relies on their expertise to sustain future development of the business. The Company defines capital that it manages as shareholders' equity.

The Company has historically relied on financing from the issuance of Units, other arm's length financing arrangements, and the contributions of its officers to fund its activities. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three and six months ended June 30, 2020.

Liquidity and Financial Condition

	June 30, 2020	December 31, 2019
	\$	\$
Cash	1,050,445	1,456,149
Receivables	1,268,979	243,400
Prepaid expenses	200,336	13,698
Inventory	1,737,335	405,470
Current assets	4,257,095	2,118,717
Property and equipment	4,120,054	3,661,441
Current liabilities	4,262,542	1,422,928
Non-current liabilities	7,980,813	3,471,693
Working capital	(5,447)	695,789
Shareholders' equity	10,465,576	990,037

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The Company's current assets increased by \$2,138,378 in major part due to an increase in receivables and inventory, which were partially offset by increases in accounts payable and accrued liabilities, deferred compensation payable, accounts payable to related parties and promissory notes. The Company had a net working capital deficit of \$5,447 at June 30, 2020 (December 31, 2019: net working capital surplus \$695,789).

The Company is in a deficit position due to the loss and comprehensive loss incurred during the period and the adoption of IFRS 16 which caused an downward adjustment to deficit to give effect to the modified retrospective adoption of this standard. Details of which are discussed in Note 2 to the Company's audited annual consolidated financial statements for the year ended December 31, 2019. Fluctuations in cash are discussed below under "Cash flows".

Cash flows

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
	\$	\$	\$	\$
Net cash provided by (used in) operating activities	79,699	138,394	(565,986)	235,384
Net cash (used in) provided by investing activities	(174,841)	(5,010)	600,137	(5,010)
Net cash used in financing activities	(177,505)	(152,586)	(406,465)	(259,769)
Impact of exchange rate changes on cash	42,322	-	(33,390)	-
Net (decrease) increase in cash	(230,325)	(19,202)	(405,704)	(29,395)
Cash, beginning of period	1,280,770	36,483	1,456,149	46,676
Cash, end of period	1,050,445	17,281	1,050,445	17,281

Q2 2020 versus Q2 2019

- Cash flows provided by operating activities of \$76,699 (Q2 2019 - \$138,394) were the result of net cash inflows from revenue activity, partially offset by cash spent on inventory, deposits and paying down accounts payable. During the prior year comparable period, the Company generated net cash outflows from revenue activity, which were fully offset by the Company conserving cash through utilizing available credit on accounts payable and accrued liabilities causing such balance to increase. Similarly, a significant portion of management fees were accrued and unpaid during the period to conserve cash.
- Cash flows used in investing activities comprised the purchase of equipment totaling \$174,841 (Q2 2019 - \$5,010).
- Cash flows used in financing activities totaled \$177,505 (Q2 2019 - \$152,586) which was primarily driven by repayments of lease liabilities which includes payments on the Company's facility lease, as well as repayments on long-term debt and promissory notes, which were partially offset by proceeds from exercises of stock options and warrants.

YTD 2020 versus YTD 2019

- Cash flows used in operating activities of \$565,986 (YTD 2019 - cash provided of \$235,384) were the result of net cash outflows from revenue activity, supplemented by increased spend on inventory of \$280,884.
- Cash flows provided by investing activities comprised the purchase of equipment totaling \$241,082 (YTD 2019 - \$5,010), offset by the cash acquired on the acquisition of Venom Extracts of \$2,091,219 (YTD 2019 - \$nil), along with the payment of \$1,250,000 in deferred compensation to Venom Extracts owners and staff as part of the Venom Extracts acquisition.
- Cash flows used in financing activities totaled \$406,465 (YTD 2019 - \$259,769) which was primarily driven by repayments of lease liabilities which includes payments on the Company's facility lease, as well as repayments on long-term debt and promissory notes, partially offset by proceeds from exercises of stock options and warrants.

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OUTSTANDING SHARE DATA

Summary of outstanding share data as of date of this MD&A:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 191,554,994 common shares.

Stock options: 7,516,666

Warrants: 2,706,647

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Fair value of financial instruments**

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The carrying values of cash, receivables, accounts payable and accrued liabilities, and accounts payable to related parties approximate their respective fair values due to the short-term nature of these instruments. Long-term debt and lease obligations also approximate their respective fair values as these instruments are either discounted using market rates of interest or bear a market rate of interest.

The Company's potential sources of cash flow in the upcoming year will be from possible equity or debt financings, and/or contributions from key management and Members.

Economic dependence

During Q2 2020 and YTD 2020 and the respective prior year comparable periods, the Company sold its products to a variety of customers. The percentage breakdown of gross revenues by customer is as follows:

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
	%	%	%	%
Customer 1	14	-	16	-
Customer 2	7	-	7	-
Customer 3	6	-	6	-
Customer 4	1	12	2	11
Customer 5	-	19	-	10
Customer 6	-	8	-	8
All others	73	61	69	71
	100	100	100	100

Due to the nature of the market for the Company's finished goods, the Company is not dependent on any customers to sell finished goods.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at June 30, 2020 and December 31, 2019, and as at the date hereof.

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RELATED PARTY TRANSACTIONS

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors of the Company. The remuneration of the Company's key management personnel during the three and six months ended June 30, 2020 and 2019 are as follows:

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
	\$	\$	\$	\$
Management fees	20,833	37,500	83,333	87,500
Professional and consulting fees	19,518	-	39,036	-

As at June 30, 2020, accounts payable to related parties totalled \$122,695 (December 31, 2019 - \$122,695). These amounts are unsecured, non-interest bearing and are due on demand.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities.

Details of the areas which require management to make critical estimates and judgments are disclosed in note 2 of the unaudited condensed interim financial statements for the three and six months ended June 30, 2020.

ACCOUNTING STANDARDS AND INTERPRETATIONS

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of June 30, 2020. The Company's significant accounting policies are described in note 2 of the Company's consolidated financial statements for the years ended December 31, 2019 and 2018.

LEGAL AND REGULATORY MATTERS

For a detailed listing of the legal and regulatory considerations impacting the Company, please refer to the Company's MD&A for the year ended December 31, 2019.

RISKS AND UNCERTAINTIES

For a detailed listing of the risk factors faced by the Company, please refer to the Company's MD&A for the year ended December 31, 2019.

ADDITIONAL RISK DISCLOSURE FOR ISSUERS WITH U.S. CANNABIS OPERATIONS**Unfavourable Publicity or Consumer Perception**

Proposed management of the Company believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or the Company's proposed products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

For the three and six months ended June 30, 2020 and 2019

Management's Discussion & Analysis

Expressed in United States Dollars

A CAUTIONARY NOTE

The information provided in this MD&A, including information incorporated by reference, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- (a) the regulation of the recreational cannabis industry in the State of California;
- (b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and
- (c) other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

With respect to the forward-looking statements contained herein, although the Company believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required licenses, risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential transaction and legal risks; risks relating to regulations applicable to the production and sale of marijuana; and other factors beyond the Company's control, as more particularly described elsewhere in this MD&A.

Consequently, all forward-looking statements made in this MD&A and other documents of the Company, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

Respectfully submitted on behalf of the Board of Directors,

"Carl Saling"

CEO and Founder