

CBD MED RESEARCH CORP.  
(formerly Exchequer Resource Corp.)

Condensed Interim Financial Statements

Six months ended June 30, 2014

As expressed in Canadian dollars

[Unaudited – prepared by Management]

**CBD MED RESEARCH CORP.**  
(formerly Exchequer Resource Corp.)

916 Plain Road, Castlegar, BC, V1N 4P7.  
Telephone (604) 802-7551

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

***“Kenneth C. Phillippe”***

Kenneth C. Phillippe

Chief Financial Officer

**CBD MED RESEARCH CORP.**  
(formerly Exchequer Resource Corp.)

Condensed Interim Statements of Financial Position  
As expressed in Canadian dollars  
[Unaudited – prepared by management]

	June 30 2014	December 31 2013
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	83,097	2,236
Sales tax receivable	1,524	4,144
<b>Total current assets</b>	84,621	6,380
<b>Total assets</b>	84,621	6,380
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	37,411	81,884
<b>Total current liabilities</b>	37,411	81,884
<b>Convertible loans (Note 4)</b>	150,000	-
<b>Total liabilities</b>	187,411	81,884
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital	8,801,962	8,801,962
Reserves	147,828	118,380
Deficit	(9,052,580)	(8,995,846)
<b>Total shareholders' equity (deficiency)</b>	(102,790)	(75,504)
<b>Total liabilities and shareholders' equity</b>	84,621	6,380

On behalf of the Board:

"GARY F ZAK"  
Director

"KENNETH C PHILLIPPE"  
Director

The accompanying notes are an integral part of these condensed financial statements

**CBD MED RESEARCH CORP.**  
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Condensed Interim Statements of Cash Flows  
As expressed in Canadian dollars  
[Unaudited – prepared by management]

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>General and Administrative Expenses</b>				
Administration	-	5,000	-	20,000
Filing and transfer agent fees	8,892	4,308	9,731	7,319
Interest	2,150	-	5,812	-
Management	9,000	7,500	9,000	15,000
Office and miscellaneous	191	1,105	230	2,935
Professional fees	29,458	23,256	29,458	23,256
Rent	-	8,381	-	19,901
Travel and promotion	2,503	-	2,503	1,939
	52,194	49,550	56,734	90,350
<b>Net loss and comprehensive loss for the period</b>	(52,194)	(49,550)	(56,734)	(90,350)
<b>Basic and diluted loss per share</b>	(0.02)	(0.02)	(0.02)	(0.03)
<b>Weighted average number of common shares - Basic and diluted</b>	2,801,632	2,801,632	2,801,632	2,801,632

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**CBD MED RESEARCH CORP.**  
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Condensed Interim Statements of Cash Flows  
As expressed in Canadian dollars  
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	Six months ended June 30	
	2014	2013
	\$	\$
<b>Cash flows from (used in)</b>		
<b>Operating activities</b>		
Loss for the period	(56,734)	(90,350)
Less: Items not involving cash:		
Assignment of debt to a related party Note 5)	3,662	1,214
Changes in non-cash working capital:		
Sales tax receivable	2,620	(284)
Prepaid expenses	-	3,374
Accounts payable	(20,187)	42,660
	(70,640)	(13,022)
<b>Financing activities</b>		
<b>Issuance of convertible promissory notes</b>	150,000	-
	150,000	-
<b>Increase (decrease) in cash and cash equivalents</b>	80,861	(26,619)
<b>Cash and cash equivalents, beginning of period</b>	2,236	46,210
<b>Cash and cash equivalents, end of period</b>	83,097	19,591

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**CBD MED RESEARCH CORP.**  
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Condensed Interim Statement of Changes in Equity  
As expressed in Canadian dollars  
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	<u>Common shares</u>		<u>Reserves</u>			<u>Total</u>
	<u>Number</u>	<u>Amount</u>	<u>Equity Settled Employee Benefits</u>	<u>Warrants</u>	<u>Deficit</u>	
		\$	\$	\$	\$	\$
Balance, December 31, 2012	2,801,632	8,801,962	83,380	12,500	(8,851,704)	46,138
Net loss and comprehensive loss	-	-	-	-	(90,350)	(33,408)
Balance, June 30, 2013	2,801,632	8,801,962	83,380	12,500	(8,942,054)	(44,212)
Forgiveness of amount due to a related party (Note 5)	-	-	22,500	-	-	22,500
Net loss and comprehensive loss	-	-	-	-	(53,792)	(53,792)
Balance, December 31, 2013	2,801,632	8,801,962	105,880	12,500	(8,995,846)	(75,504)
Forgiveness of amount due to a related party (Note 5)	-	-	29,448	-	-	29,448
Net loss and comprehensive loss	-	-	-	-	(56,734)	(56,734)
Balance, June 30, 2014	2,801,632	8,801,962	135,328	12,500	(9,052,580)	(102,790)

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**CBD MED RESEARCH CORP.**  
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Notes to Condensed Interim Financial Statements  
For the six months ended June 30, 2014  
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**1. Nature and Continuance of Operations**

The Company was in the development stage relating to exploration and development of petroleum, natural gas and mineral properties and had not generated any revenues from its planned operations. The deficit has been accumulated during these development stages. On October 24, 2002, the Company continued from Alberta to British Columbia. During the year and on September 18, 2009 the Company was granted the exclusive right to negotiate for the acquisition of a business which is in the process of completing a new environment for broadcasting digital video content over the internet using Internet Protocol. The exclusive right takes effect following a due diligence period of up to six months, and consequently during the fiscal year ended December 31, 2009 the Company expanded its scope of operations to the research and development of technologies related to broadcasting digital video content over the internet using Internet Protocol. On December 31, 2010, management terminated any and all agreements and/or contract with regard to this project. On June 25, 2014 the Company received shareholder approval for the consolidation of its shares on the basis of 1 new share for each 10 old shares. On July 18, 2014 the Company's shares commenced trading on a 1:10 basis on the TSX Venture Exchange under the name of CBD Med Research Corp. The total issued and outstanding share capital post-consolidation is 2,801,632 common shares. The Company is currently looking for new projects.

The head office and principal address of the Company is located at 916 Plain Road, Castlegar, BC, V1N 4P7.

These condensed financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The recoverability of capitalized costs is uncertain and dependent upon projects achieving commercial production or sale. The ability of the Company to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties, to obtain public equity financing, or to generate profitable operations in the future.

	<b>June 30 2014</b>	<b>December 31 2013</b>
Deficit	\$ (9,052,580)	\$ (8,995,846)
Working capital (deficiency)	\$ 47,210	\$ (75,504)

There can be no assurance that a viable business opportunity that can be adequately financed will be identified and available to the Company. Additional equity and/or debt financing is subject to the global financial markets and prevailing economic conditions, which have recently been volatile and distressed. These factors will likely make it more challenging to obtain financing for the Company going forward. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as going concern.

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**2. Significant Accounting Policies**

**Statement of Compliance**

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Reporting Interpretations Committee (IFRIC). They do not include all of the information required for full annual financial statements.

The preparation of condensed interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

The financial statements were approved by the Board of Directors of the Company on August 25, 2014.

**Basis of Presentation**

These condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these interim financial statements have been prepared using the accrual basis of accounting except cash flow information.

**Cash and cash equivalents**

Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. There were no cash equivalents as at June 30, 2014 and December 31, 2013.

**Marketable securities**

Marketable securities are classified as fair value through profit or loss (FVTPL) because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities. Unrealized holding gains and losses related to FVTPL securities are included in the statement of income and comprehensive income in each period.

**Impairment of non-financial assets**

The Company reviews and evaluates its property, including exploration and evaluation assets, property and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.



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**2. Significant Accounting Policies (cont'd...)**

**Impairment of non-financial assets (cont'd...)**

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset.

Impairment losses reducing the carrying value to the recoverable amount are recognized in profit and loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**Financial Instruments**

Financial assets

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities. Cash and cash equivalents is classified as fair value through profit or loss and recorded at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and cash equivalents, accounts payable and accrued liabilities are equal to their carrying value due to their short-term maturity.

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

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**2. Significant Accounting Policies (cont'd...)**

**Financial Instruments (cont'd...)**

*Loans and receivables* – These assets are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations and comprehensive loss.

*Available-for-sale* – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the income statement.

All financial assets, except those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria are applied for each category of financial assets described above to determine impairment.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

*Other financial liabilities* – This category includes notes payable, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

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**2. Significant Accounting Policies (cont'd...)**

**Financial Instruments (cont'd...)**

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- a) significant financial difficulty of the issuer or counterparty; or
- b) default or delinquency in interest or principal payments; or
- c) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**Foreign Currencies**

The presentation currency and the functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the relevant transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Translation gains and losses are included in income or expense of the period in which they occur. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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**2. Significant Accounting Policies (cont'd...)**

**Share Based Payments**

The Company has a stock option plan whereby it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of issued and outstanding shares of the Company.

The Company's Stock Option Plan allows directors, officers and consultants to acquire shares of the Company in exchange for the options exercised. The fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

**Loss per Share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

**Critical Accounting Estimate, Judgments and Assumptions**

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

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**2. Significant Accounting Policies (cont'd...)**

**Critical Accounting Estimate, Judgments and Assumptions (cont'd...)**

*Share-based payments*

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes option pricing model.

*Deferred tax liabilities and assets*

Deferred tax liabilities and assets are measured at tax rates expected in the period during which the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantively enacted at the end of the reporting period of the financial information. The measurement of liabilities and deferred tax assets reflects the tax consequences that result from the manner in which the Company expects, at the end of the reporting period of the financial information, to recover or settle the carrying amount of its assets and liabilities.

*Measurement of financial instruments at fair value*

The Company measures certain of its financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When no readily available data is available, management is required to estimate the fair value of the instrument using various inputs that are either, directly or indirectly observable, or not based on observable market data.

Significant areas of critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the statements of financial position are:

*Going concern*

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the six months ended June 30, 2014 and for the fiscal years ended December 31, 2013 and 2012. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded there are significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

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**2. Significant Accounting Policies (cont'd...)**

**Critical Accounting Estimate, Judgments and Assumptions (cont'd...)**

**Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred income tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred taxes are recorded using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the substantive enactment or enactment occurs. Deferred tax assets are recognized only to the extent it is probable that future taxable profits will be available against which the asset can be utilized.

**Segment information**

The Company currently conducts substantially all of its operations in Canada in one business segment.

**Comprehensive income/loss**

Comprehensive income/loss is the change in the Company's shareholders' equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments. Certain gains and losses are presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings.

**Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties

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**2. Significant Accounting Policies (cont'd...)**

**New accounting standards and interpretations not yet adopted**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material.

*IFRS 2 Share-based payment*

The amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

*IAS 16 Property, plant and equipment and IAS 38 Intangible assets*

The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. The amendments are effective for annual periods beginning on or after July 1, 2014.

*IAS 24 Related party disclosures*

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

**New accounting standards and interpretations adopted as of January 1, 2014**

The following amendments will only affect disclosure and are effective for annual periods beginning with the Company's current fiscal year commencing on January 1, 2014.

*IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation*

Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

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**2. Significant Accounting Policies (cont'd...)**

**New accounting standards and interpretations not yet adopted (cont'd...)**

*IAS 36 Impairment of assets*

The amendments to IAS 36, issued in May 2013, require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

*IAS 39 Financial Instruments: Recognition and measurement*

The amendments to IAS 39, issued in June 2013, clarify that innovation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations, does not terminate hedge accounting. The amendments are effective for annual periods beginning on or after January 1, 2014.

**3. Marketable Securities**

During the fiscal year ended December 31, 2010 the Company disposed of its Georgia River Mineral Property to Auramex Resource Corp. ("Auramex"), a company listed on the TSX Venture Exchange. As consideration, on August 26, 2010 the Company received 2,500,000 Auramex common shares. The shares were recorded at fair value of \$0.06 per share for a total of \$150,000. The shares were reverse split on a 1 for 10 basis, resulting in 250,000 Auramex common shares being held after the split. The market value of the shares held by the Company, as at December 31, 2012 was \$15,000). During the fiscal years ended December 31 2010 to December 31, 2012 the cumulative loss in market value in the amount of \$135,000 has been recorded in the statements of operations and comprehensive loss in accordance with the Company's designation of the marketable securities as fair value through profit or loss. During the fiscal year ending December 31, 2013 the shares were disposed for \$6,877, resulting in a loss of \$ 8,123.

**4. Convertible loans**

Between May 1, 2014 and June 19, 2014 the Company issued an aggregate total of \$150,000 of Convertible Loans due not less than 12 months after payment, convertible into common shares at \$0.05 per shares and bearing interest at 20% per annum, payable semi-annually. Included in accounts payable as at June 30, 2014 is \$2,150 of interest accrued with respect to these loans.

**5. Commitments**

On April 1, 2014, the Company entered into a contract for service agreement with an officer and director of the Company to provide management services for \$3,000 per month.



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**6. Share Capital**

a. Authorized:

Unlimited number of common shares with no par value.

b. Issued and outstanding:

During the six months ended June 30, 2014 there are no share transactions and the total issued and outstanding share capital is 28,016,632 common shares (December 31, 2013: 28,016,632). On June 25, 2014 the Company received shareholder approval for the consolidation of its shares on the basis of 1 new share for each 10 old shares. On July 18, 2014 the Company's shares commenced trading on a 1:10 basis on the TSX Venture Exchange under the name of CBD Med Research Corp. The total issued and outstanding share capital post-consolidation is 2,801,632 common shares.

c. Warrants

As at June 30, 2014 and December 31, 2014 there were no warrants issued and outstanding.

d. Stock Options

The Company has a stock option plan whereby it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company.

As at June 30, 2014 and December 31, 2013 there were no stock options granted nor outstanding.

**7. Related Party Transactions**

During the six months ended June 30, 2014, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$Nil (2013: \$15,000) to a Director and former Chief Executive Officer of the Company. On February 24, 2014, it is agreed that the \$51,948 debt owing to Anfield Sujir Kennedy and Durno LLP ("ASKD") by the Company to be assigned to Barry Hemsworth in exchange for 200,000 common shares of OnBase DB system Inc. and a warrant entitling ASKD to purchase an additional 200,000 common shares of OnBase DB System Inc. at a price of \$0.10 each for a period of two years. On February 25, 2014, Barry Hemsworth signed a release, whereby, Barry Hemsworth release, remise and forever discharged the amount assigned to him, in consideration of \$1.00 paid by the Company. Included within accounts payable and accrued liabilities as at June 30, 2014 is \$Nil (December 31, 2013: \$2,971) owing thereto for out of pocket expenditures incurred on behalf of the Company.

**CBD MED RESEARCH CORP.**  
(formerly Exchequer Resource Corp.)

Notes to Condensed Interim Financial Statements  
For the six months ended June 30, 2014  
As expressed in Canadian dollars  
[Unaudited – prepared by management]

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**7. Related Party Transactions (cont'd...)**

- b) Paid or accrued management fees of \$9,000 (2013: \$Nil) to a Director and the Chief Executive Officer of the Company. Included within accounts payables as at June 30, 2014 was \$9,450 (December 31, 2013: \$Nil) owed to the CEO for management fees and related sales taxes incurred on behalf of the Company. Also included in accounts payables was \$2,553 owing thereto for out of pocket expenses incurred on behalf of the Company.
- c) Paid or accrued professional fees of \$7,500 (2013: \$6,000) to a Director and the Company's Chief Financial Officer for providing accounting services. Included within accounts payables as at June 30, 2014 was \$7,875 (December 31, 2013: \$12,075) owed to the CFO for professional fees and related sales taxes incurred on behalf of the Company.
- d) Included in accounts payable is \$1,280 of interest accrued with respect to an aggregate total of \$77,500 of convertible loans payable to directors and officers (Note 4).

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related party

**8. Financial Instruments**

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and commodity price risk.

*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable. The Company believes it has no significant credit risk.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2014, the Company had a cash and cash equivalents balance of \$83,097 (December 31, 2013 - \$2,236) to settle current liabilities of \$37,411 (December 31, 2013 - \$81,884). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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**8. Financial Instruments (cont'd...)**

*Market risk*

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

(a) Interest rate risk

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company believes it has no significant interest rate risk.

(b) Foreign currency risk

As at June 30, 2014, the Company's expenditures are in Canadian dollars, any future equity raised is expected to be predominantly in Canadian dollars. The Company believes it has no significant foreign exchange rate risk.

The Company does not hold balances in foreign currencies which would give rise to exposure to foreign exchange risk.

*Fair value hierarchy*

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at June 30, 2014, cash and cash equivalents are assessed to be Level 1 instruments.

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**9. Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. As at June 30, 2014, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

**10. Subsequent events**

Subsequent to June 30, 2014, the Company announced a private placement of up to \$300,000. The Company will issue up to of 5,000,000 units composed of one share and a four year share purchase warrant ("Warrant") at a deemed unit price of \$0.06. The Warrant is convertible into one share at a price of \$0.07 in year one, \$0.10 in year two, \$0.15 in year three and \$0.20 in year four. The shares and any shares issued upon exercise of the Warrants will be subject to a four-month hold period from the date of issue. The private placement is subject to the acceptance of the TSX-V. Finder's fees may be paid. The proceeds shall be used for general corporate working capital purposes and to seek business opportunities.