

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

Financial Statements

Years ended December 31, 2014 and 2013

Expressed in Canadian Dollars

Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are not employees of CBD Med Research Corp. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of CBD Med Research Corp.'s external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

April 28, 2015

(signed)

"Gary F. Zak"

Chief Executive Officer

(signed)

"Kenneth C. Phillippe"

Chief Financial Officer



INDEPENDENT AUDITORS' REPORT

To the Shareholders of CBD Med Research Corp.:

We have audited the financial statements of CBD Med Research Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2014 and 2013, the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, BC, Canada
April 28, 2015

MNP LLP
Chartered Accountants



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CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

**Statements of Financial Position
(Expressed in Canadian Dollars)**

As at	December 31 2014	December 31 2013
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	57,350	2,236
Goods and services tax receivable	2,383	4,144
Prepaid expenses	6,000	-
Total assets	65,733	6,380
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	4,774	81,884
Loan payable (Note 3)	167,280	-
Total liabilities	172,054	81,884
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital	8,801,962	8,801,962
Reserves	147,828	118,380
Share subscriptions received in advance (Note 10)	68,200	-
Deficit	(9,124,311)	(8,995,846)
Total shareholders' equity (deficiency)	(106,321)	(75,504)
Total liabilities and shareholders' equity	65,733	6,380

The financial statements were approved on April 28, 2015 on behalf of the Board:

"Gary F. Zak"

Director

"Kenneth C. Phillippe"

Director

The accompanying notes are an integral part of these financial statements

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

**Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)**

	Year ended December 31 2014	Year ended December 31 2013
	\$	\$
General and Administrative Expenses		
Administration	3,000	20,000
Advisory board fees	1,000	-
Filing and transfer agent fees	21,834	14,616
Interest charges	20,943	21,930
Management fee	27,000	22,500
Office expenses	3,763	3,014
Professional fees	43,854	32,119
Rent	-	19,901
Travel and promotion	7,071	1,939
	128,465	136,019
Other item		
Loss on marketable securities	-	(8,123)
Net (loss) and comprehensive (loss) for the year	(128,465)	(144,142)
Basic and diluted loss per share	(0.05)	(0.05)
Weighted average number of common shares -		
Basic and diluted	2,801,665	2,801,665

The accompanying notes are an integral part of these financial statements

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

**Statements of Cash Flows
(Expressed in Canadian dollars)**

	Year ended December 31 2014	Year ended December 31 2013
	\$	\$
Cash flows from (used in)		
Operating activities		
(Loss) for the year	(128,465)	(144,142)
Less: Items not involving cash:		
Loss on marketable securities	-	8,123
Forgiveness of amount due to related party (Note 6)	-	22,500
Interest assignment of debt to a related party (Note 6)	3,662	-
Changes in non-cash working capital:		
Goods and services tax receivable	1,761	(349)
Prepaid expenses	(6,000)	3,374
Accounts payable and accrued liabilities	(34,044)	59,643
	(163,086)	(50,851)
Investing activities		
Proceeds from disposition of marketable securities	-	6,877
Financing activities		
Issuance of short term loan	150,000	-
Share subscriptions received in advance	68,200	-
	218,200	-
Increase (decrease) in cash and cash equivalents	55,114	(43,974)
Cash and cash equivalents, beginning of year	2,236	46,210
Cash and cash equivalents, end of year	57,350	2,236

The accompanying notes are an integral part of these financial statements

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

Statements of Changes in Equity
(Expressed in Canadian dollars)

	<u>Common shares</u>			<u>Reserves</u>			<u>Total</u>
	<u>Number</u>	<u>Amount</u>	<u>Share</u> <u>subscription</u>	<u>Equity Settled</u> <u>Employee</u> <u>Benefits</u>	<u>Warrants</u>	<u>Deficit</u>	
		\$	\$	\$	\$	\$	\$
Balance, December 31, 2012	2,801,665	8,801,962	-	83,380	12,500	(8,851,704)	46,138
Forgiveness of amount due to a related party (Note 6)	-	-	-	22,500	-	-	22,500
Net loss and comprehensive loss	-	-	-	-	-	(144,142)	(144,142)
Balance, December 31, 2013	2,801,665	8,801,962	-	105,880	12,500	(8,995,846)	(75,504)
Forgiveness of amount due to a related party (Note 6)	-	-	-	29,448	-	-	29,448
Share subscriptions received in advance (Note 10)	-	-	68,200	-	-	-	68,200
Net loss and comprehensive loss	-	-	-	-	-	(128,465)	(128,465)
Balance, December 31, 2014	2,801,665	8,801,962	68,200	135,328	12,500	(9,124,311)	(106,321)

The accompanying notes are an integral part of these financial statements

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

Notes to Financial Statements

December 31, 2014

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. 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 took 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 2,801,665 common shares. The Company is currently looking for new projects.

The head office and principal address of the Company is located at #810 – 675 W. Hasting Street, Vancouver, BC, V6B 1N2.

These 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 ability of the Company to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties and to obtain public equity financing and to identify, evaluate and negotiate an acquisition of, a participation in, or an investment of an interest and to generate profitable operations in the future. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the statement of operations and comprehensive loss and financial position classifications that would be necessary were the going concern assumption not appropriate.

	December 31 2014	December 31 2013
Deficit	\$ (9,124,311)	\$ (8,995,846)
Working capital (deficiency)	\$ (106,321)	\$ (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.

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

Notes to Financial Statements

December 31, 2014

2. Significant Accounting Policies

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were approved by the Board of Directors of the Company on April 28, 2015.

Basis of Presentation

These 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 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 December 31, 2014 and 2013.

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.

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.

CBD MED RESEARCH CORP.

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(Expressed in Canadian Dollars)

Notes to Financial Statements

December 31, 2014

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

Financial Instruments

Financial assets

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities and loan payable. Cash and cash equivalents is classified as fair value through profit or loss and recorded at fair value. Accounts payable and accrued liabilities and loan payable 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 and loan payable 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 statements of operations and comprehensive loss.

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 statements 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 statements of operations and comprehensive loss.

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:

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

Notes to Financial Statements

December 31, 2014

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

Financial Instruments (cont'd...)

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 statements of operations and comprehensive loss.

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

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.

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

Notes to Financial Statements

December 31, 2014

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.

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.

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

Notes to Financial Statements

December 31, 2014

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

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

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 years ended December 31, 2014 and 2013. 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.

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.

CBD MED RESEARCH CORP.

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(Expressed in Canadian Dollars)

Notes to Financial Statements

December 31, 2014

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

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.

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.

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.

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

Notes to Financial Statements

December 31, 2014

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

New accounting standards and interpretations adopted as of January 1, 2014 (cont'd...)

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. The adoption of this amendment does not have a material impact on the Company’s financial statements.

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 adoption of this amendment does not have a material impact on the Company’s financial statements.

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 adoption of this amendment does not have a material impact on the Company’s financial statements.

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 adoption of this amendment does not have a material impact on the Company’s financial statements.

3. Loan Payable

During the year 2014, the Company received an aggregate total of \$150,000 as short term loan payable, bearing interest at 20% per annum and due on demand. This loan was converted into a convertible loan subsequent to the year end on February 5, 2015, where the convertible loan is due by February 4, 2016. The holders of the convertible loan can convert into shares on or before February 4, 2016 at a price of \$0.05 per share. Any shares issued on conversion before June 6, 2015 will be restricted from trading until June 6, 2015. As at December 31, 2014, \$17,281 of interest has been accrued with respect to these loans.

4. Commitments

On April 1, 2014, the Company entered into a contract for service agreement with the Company’s Chief Executive Officer to provide management services for \$3,000 per month. See Note 6.

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

Notes to Financial Statements

December 31, 2014

5. Share Capital

a. Authorized:

Unlimited number of common shares with no par value.

b. Issued and outstanding:

During the fiscal years ended December 31, 2014 and 2013 there are no share transactions. 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 2,801,665 common shares.

See "Events after reporting date", Note 10.

c. Warrants

As at December 31, 2014 and 2013, 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 December 31, 2014 and 2013, there were no stock options granted or outstanding.

6. Related Party Transactions

During the years ended December 31, 2014 and 2013, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$Nil (2013: \$22,500) 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 was 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 of \$29,448 to him, in consideration of \$1 paid by the Company. Included within accounts payable and accrued liabilities as at December 31, 2014 is \$Nil (2013: \$2,971) owing thereto for out-of-pocket expenditures incurred on behalf of the Company.
- b) Paid or accrued management fees of \$27,000 (2013: \$Nil) to a Director and the current Chief Executive Officer of the Company. Included within accounts payables as at December 31, 2014 was \$3,614 (2013: \$Nil) owed to the current CEO for management fees, related sales taxes and other expenditures incurred on behalf of the Company.
- c) During the fiscal year ended December 31, 2014, the Company paid rent expenses to a company controlled by the former CEO in an amount of \$Nil (2013: \$19,901).

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

Notes to Financial Statements

December 31, 2014

6. Related Party Transactions (cont'd...)

- d) During the fiscal year ended December 31, 2014, the Company paid \$3,000 (2013:\$Nil) administrative service fee to CEO's spouse.
- e) Paid or accrued professional fees of \$16,500 (2013: \$11,500) to the Company's Chief Financial Officer for providing accounting services. Included within accounts payables was \$Nil (December 31, 2013: \$12,075) owed to the CFO for professional fees and related sales taxes incurred on behalf of the Company.
- f) Included in loan payable is \$9,085 (2013: \$Nil) of interest accrued with respect to an aggregate total of \$77,500 of convertible loans payable to directors and officers (Note 3).

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.

7. 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 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 December 31, 2014, the Company had a cash and cash equivalents balance of \$57,350 (2013 - \$2,236) to settle current liabilities of \$172,054 (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.

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 is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The interest rate risk on bank deposits is insignificant as the deposits are short term. The Company is not exposed to interest rate risk in respect of its loan payable which is subject to a fixed rate of interest.

(b) Foreign currency risk

As at December 31, 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.

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

Notes to Financial Statements

December 31, 2014

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

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 December 31, 2014 and 2013, cash and cash equivalents is assessed to be Level 1 instruments.

8. 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 December 31, 2014, the Company has obtained amount of \$150,000 through debt financing and has received share subscriptions totalling \$68,200.

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.

9. Income Taxes

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended December 31, 2014 and 2013:

CBD MED RESEARCH CORP.

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)**Notes to Financial Statements****December 31, 2014****9. Income Taxes (Cont'd...)**

	<u>2014</u>	<u>2013</u>
Canadian basic statutory rate	26.00%	25.75%
Net income (Loss) before income taxes	\$ (128,466)	\$ (144,142)
Expected income tax (recovery)	(33,401)	(37,117)
Non-deductible items	166	7,083
Change in estimate	(5,850)	(20,678)
Change in tax rates	-	(62,822)
Loss expired	55,394	-
Change in deferred tax assets not recognized	(16,309)	113,534
Total income taxes recovery	\$ -	\$ -

The British Columbia corporate tax rate has increased effective April 1, 2013, resulting in an increase in the Company's combined statutory tax rate.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax values. Deferred tax assets (liabilities) at December 31, 2014 and 2013 were comprised of the following:

	<u>2014</u>	<u>2013</u>
Non-capital loss carry forwards	\$ 488,040	\$ 504,349
Capital losses	1,141,664	1,141,664
Cumulative eligible capital	10,102	10,102
	1,639,806	1,656,115
Deferred tax assets not recognized	1,639,806	1,656,115
Net Deferred tax assets (liabilities)	\$ -	\$ -

The Company has non capital loss carryforwards of approximately \$1,877,078 (2013: 1,939,805) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry Year	Total \$
2015	118,534
2026	115,393
2027	132,810
2028	112,197
2029	115,495
2030	764,903
2031	114,626
2032	140,219
2033	135,075
2034	127,826
TOTAL	1,877,078

CBD MED RESEARCH CORP.
(Formerly Exchequer Resource Corp.)
(Expressed in Canadian Dollars)

Notes to Financial Statements
December 31, 2014

10. Events after reporting date

The Company completed a partial closing of \$124,000 of the private placement and issued 2,066,666 common shares and 2,066,666 share purchase warrants exercisable on or before February 3, 2016 at a price of \$0.08 per share. The shares and any warrants that may be exercised are restricted from trading until June 5, 2015. \$68,200 of the funds raised had been received pursuant to share subscriptions received in advance as of December 31, 2014.

Also see Note 3.