

# CBD MED RESEARCH CORP.

Financial Statements

Years ended December 31, 2015 and 2014

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 Professional 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 27, 2016

(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, 2015 and 2014, 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, 2015 and 2014, 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 27, 2016



Chartered Professional Accountants

## CBD MED RESEARCH CORP.

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

As at	December 31 2015	December 31 2014
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	141,006	57,350
Goods and services tax receivable	4,361	2,383
Prepaid expenses	1,100	6,000
	146,467	65,733
Convertible notes receivable (Note 4)	35,998	-
Computer equipment, net (Note 5)	2,221	-
<b>Total assets</b>	<b>184,686</b>	<b>65,733</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	16,809	4,774
<b>Total current liabilities</b>	<b>16,809</b>	<b>4,774</b>
<b>Loan Payable (Note 6)</b>	<b>197,281</b>	<b>167,280</b>
	214,090	172,054
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital	8,914,285	8,801,962
Reserves	158,161	147,828
Share subscriptions received in advance (Note 13)	224,936	68,200
Deficit	(9,326,786)	(9,124,311)
<b>Total shareholders' equity (deficiency)</b>	<b>(29,404)</b>	<b>(106,321)</b>
<b>Total liabilities and shareholders' equity</b>	<b>184,686</b>	<b>65,733</b>

The financial statements were approved on April 27, 2016 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 2015	Year ended December 31 2014
	\$	\$
<b>General and Administrative Expenses</b>		
Administration	9,000	3,000
Advisory board fees	26,000	1,000
Amortization	842	-
Filing and transfer agent fees	15,791	21,834
Interest charges	30,000	20,943
Management fee	49,500	27,000
Office expenses	5,894	3,763
Professional fees	43,642	43,854
Travel and promotion	24,416	7,071
	(205,085)	(128,465)
<b>Other items</b>		
Foreign Exchange Gain	1,161	-
Interest Income	1,449	-
	(202,475)	(128,465)
<b>Net (loss) and comprehensive (loss) for the year</b>	(202,475)	(128,465)
<b>Basic and diluted loss per share</b>	(0.04)	(0.05)
<b>Weighted average number of common shares -</b>		
Basic and diluted	4,681,482	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 2015	Year ended December 31 2014
	\$	\$
<b>Cash flows from (used in)</b>		
<b>Operating activities</b>		
(Loss) for the year	(202,475)	(128,465)
Less: Items not involving cash:		
Amortization	842	-
Interest assignment of debt to a related party	30,000	20,943
Foreign exchange gain	(1,161)	-
Interest income	(1,449)	-
Changes in non-cash working capital:		
Goods and services tax receivable	(1,977)	1,761
Prepaid expenses	4,900	(6,000)
Accounts payable and accrued liabilities	12,035	(51,325)
	(159,285)	(163,086)
<b>Investing activities</b>		
Convertible Notes Receivable (Note 3)	(33,388)	-
Purchase of computer equipment	(3,063)	-
	(36,451)	-
<b>Financing activities</b>		
Issuance of short term loan	-	150,000
Issuance of common shares, net of share issue costs	54,456	-
Share subscriptions received in advance	224,936	68,200
	279,392	218,200
<b>Increase (decrease) in cash and cash equivalents</b>	<b>83,656</b>	<b>55,114</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>57,350</b>	<b>2,236</b>
<b>Cash and cash equivalents, end of year</b>	<b>141,006</b>	<b>57,350</b>

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>Equity Settled</u>	<u>Warrants</u>	<u>Deficit</u>	
		\$	\$	\$	\$	\$	\$
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	-	-	-	29,448	-	-	29,448
Share subscriptions received in advance	-	-	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)
Shares issued for cash pursuant to private placement							
- at a price of \$0.06 per unit (Note 8)	2,066,666	124,000	(68,200)	-	-	-	55,800
- attributed to warrants	-	(10,333)	-	-	10,333	-	-
- cash commission paid	-	(1,344)	-	-	-	-	(1,344)
Share subscriptions received in advance (Note 8)	-	-	224,936	-	-	-	224,936
- at a price of \$0.06 per unit							
Net loss and comprehensive loss	-	-	-	-	-	(202,475)	(202,475)
Balance, December 31, 2015	4,868,331	8,914,285	224,936	135,328	22,833	(9,326,786)	(29,404)

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, 2015**

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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. 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 was 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.

	<b>December 31 2015</b>	<b>December 31 2014</b>
Deficit	\$ (9,326,786)	\$ (9,124,311)
Working capital	\$ 129,658	\$ 60,959

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, 2015**

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## **2. Basis of Preparation**

### **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 27, 2016.

### **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.

### **Functional and presentation currency**

This financial statements are presented in Canadian dollars, unless otherwise noted, which the functional currency and presentation currency of the Company is the Canadian dollar.

### **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.

#### *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.

## **CBD MED RESEARCH CORP.**

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

### **Notes to Financial Statements**

**December 31, 2015**

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#### **2. Basis of Preparation (cont'd...)**

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

###### *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, 2015 and 2014. 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.

#### **3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Company did not adopt any new accounting standard changes or amendments effective January 1, 2015 that had a material impact on these consolidated financial statements.

##### **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, 2015 and 2014.

##### **Financial Instruments**

###### Financial assets

The Company's financial instruments consist of cash and cash equivalents, convertible note receivable, 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. Convertible note receivable is classified as loans and receivables. 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, convertible note receivable, accounts payable and accrued liabilities and loan payable are equal to their carrying value due to their short-term maturity.

## **CBD MED RESEARCH CORP.**

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

### **Notes to Financial Statements**

**December 31, 2015**

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#### **3. Significant Accounting Policies (cont'd...)**

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

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 statements 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:

*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.

## **CBD MED RESEARCH CORP.**

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

### **Notes to Financial Statements**

**December 31, 2015**

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#### **3. 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**

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.

##### **Convertible note receivable**

The note receivable consists of a note receivable component and a separate equity conversion feature component. The note receivable is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. Subsequent measurements are at amortized cost using the effective interest rate method. Interest income based on the rate of the note and the accretion of the additional interest to the amount that will be receivable on maturity are recognized through profit and loss as interest income. The equity conversion option is an embedded derivative that has been separated from the note receivable.

## **CBD MED RESEARCH CORP.**

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(Expressed in Canadian Dollars)

### **Notes to Financial Statements**

**December 31, 2015**

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#### **3. Significant Accounting Policies (cont'd...)**

##### **Property, plant and equipment**

Property, plant and equipment is stated at cost which includes the acquisition price and any direct costs to bring the asset into productive use at its intended location.

Depreciation of property, plant and equipment is calculated using the declining balance method at a rate of 55%, with a half year rule applied for the year of addition.

##### **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.

##### **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.**

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

### **Notes to Financial Statements**

**December 31, 2015**

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#### **3. Significant Accounting Policies (cont'd...)**

##### **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.

##### **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.

##### *New accounting standards effective January 1, 2016*

##### *IAS 1 – Presentation of Financial Statements*

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

## **CBD MED RESEARCH CORP.**

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(Expressed in Canadian Dollars)

### **Notes to Financial Statements**

**December 31, 2015**

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#### **3. Significant Accounting Policies (cont'd...)**

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

Standard effective for annual periods beginning on or after January 1, 2018

##### *IFRS 9 Financial Instruments*

This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of IFRS 9 has not yet been determined.

##### *IFRS 16 Leases*

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2019. The extent of the impact of adoption of IFRS 16 has not yet been determined.

## **CBD MED RESEARCH CORP.**

(Formerly Exchequer Resource Corp.)

(Expressed in Canadian Dollars)

### **Notes to Financial Statements**

**December 31, 2015**

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#### **4. Convertible notes receivable**

During the year, the Company entered into a definitive agreement (the "Agreement") with Medipacs Inc., based in San Diego, California. Medipacs has developed technology configured into a small (hand-size) infusion pump that can be easily attached to animals and humans to deliver precise pain medication of both standard and large molecule liquids.

The Company will acquire the exclusive sales and distribution rights to the Medipacs, Mini-Infuser CRI pump for:

- Veterinary and animal health care applications
- The Company will acquire the Canadian exclusive sales and distribution rights to the Mini-Infuser PRN pump in development for Human pain relief applications.
  - The Company shall be responsible to market the device in Canada by way of distribution agreements and direct sales.
  - The Company to represent Medipacs on an exclusive basis for the Middle East countries to develop business fits, license agreements and product distribution. (The Company and Medipacs to share and negotiate industry compensation agreements based on success)

In consideration, the Company will deliver to Medipacs following:

- US \$112,000 pursuant to Medipacs Convertible Debt Financing (US \$25,000 (CAD \$33,388) has been received by Medipacs as of December 31, 2015)
- Signed Distributorship Agreement
- Evidence of CSE Exchange acceptance of Listing Application and CBD's Form 2A and CBD shareholder approval
- A total of 2,761,333 common, voting shares of CBD at a deemed price of Cdn\$0.08 per share

The Company also need deliver 200,000 common shares as payment of the finder's fee.

In exchange, on closing Medipacs will deliver to CBD the following:

- Senior Convertible Promissory Notes (the "Notes") valued at US \$112,000.
- Signed Distributorship Agreement

If closing does not occur on or before February 29, 2016, either party may terminate this Agreement, Medipacs may retain the funds advanced by CBD as an investment in the Medipacs Convertible Debt Financing and neither party shall have any rights or obligations pursuant to the Agreement, other than the Company's rights as a holder of Medipacs Convertible Debt for the amount the Company advanced.

For a period of 120 days from the Closing Date, the Company has the right to expand the Investment up to an additional USD\$400,000 on the same terms as the Medipacs Convertible Debt Financing or such other terms as are agreed by the parties.

During the year Medipacs issued US\$25,000 Senior Convertible Promissory notes to the Company. The note bears interest at 6% per annum and matured on February 12, 2016. The fair value of the debt component of the Notes of was estimated at \$31,482. The fair value of the convertible component of the Notes was estimated at \$1,906. During the year ended December 31, 2015, the Company recorded interest income of \$360, an additional \$1,088 in accreted interest income and foreign exchange gain of \$1,162 in relation to the convertible note (2014-\$Nil).



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#### **4. Convertible notes receivable (cont'd)**

Subsequent to year end, Medipacs has elected to convert the entire outstanding principle balance of US\$25,000 and all unpaid accrued interest of the convertible promissory notes into 63,900 Medipacs' Series B Convertible Preferred Stock.

Subsequent to year end, the Company and Medipacs has entered an amendment agreement and both parties agreed that the closing date of February 29, 2016 has been changed to such time as the CSE Stock Exchange approves the pending transaction, subject to the following terms:

The Company will advance a further US\$25,000 as part of the Agreement to Medipacs; CBD also agrees to advance US\$25,000 each 30 days to Medipacs to be applied to the CBD Investment in Medipacs, while CSE approval is pending. Advance to be wired on the first day of each month. In return, Medipacs will issue the promissory note with a simple interest of 6% per annum to CBD. Subsequent to year ended December 31, 2015, the Company has advanced US\$50,000 (C\$67,308) to Medipacs.

#### **5. Computer equipment**

	Cost	Amortization	Carrying amount
December 31, 2014	-	-	-
Additions	3,063	842	2,221
December 31, 2015	\$ 3,063	842	2,221

#### **6. Loan Payable**

During the fiscal year ended December 31, 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 on February 5, 2015, where the convertible loan is due by February 4, 2016 (extended to June 30, 2016). The holders of the convertible loan agree to convert both the principle amount due at \$0.05 per common share and interest amount due calculated to April 1st, 2016 at \$0.06 per common share. The lender agreed to February 15, 2016 as the effective conversion date without further notice to the loan holder. As at December 31, 2015, \$47,281 (2014 - \$17,281) of interest has been accrued with respect to these loans.

Upon issuance of the convertible loan, the liability component of the convertible loan was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The fair value of the conversion feature was determined at the time of issuance as the difference between the principal value of the convertible loan and the present value of contractually determined stream of future cash flows discounted at the rate of interest of 20% based on the estimated rate for debt with comparable terms, but without the conversion option.

The liability component of the convertible loan was valued at \$150,000 using an implicit rate of 20%. The difference between the principal value of the debt and the fair value of the liability component of \$Nil has been recorded as equity upon initial recognition.

Subsequent to year ended December 31, 2015, the holders of the convertible loan has elected to convert the entire outstanding principle balance of \$150,000 and all unpaid accrued interest of the convertible loan into 3,914,038 of the Company's common shares.

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#### **7. 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. (Increased to \$3,500 per month effective October 1, 2015). See Notes 4.

#### **8. Share Capital**

a. Authorized:

Unlimited number of common shares with no par value.

b. Issued and outstanding:

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.

During the fiscal year ended December 31, 2015 the Company completed the partial closing of \$124,000 of a private placement and issued 2,066,666 units, with each unit being comprised of one common share and one share purchase warrant, at a price of \$0.06 per unit. Each warrant is exercisable on or before February 3, 2016 (extended to June 30, 2016) at a price of \$0.08 per share. \$68,200 of the funds raised had been received pursuant to share subscriptions received in advance as of December 31, 2014.

As of December 31, 2015 an additional \$224,936 of funds was received pursuant to share subscriptions received in advance of a second tranche of the private placement.

c. Warrants

2,066,666 warrants were issued during the fiscal year ended December 31, 2015 and remain outstanding. The remaining life of such warrant is 0.5 years. See Note 8b. As at 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 December 31, 2015 and 2014, there were no stock options granted or outstanding.

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#### **9. Related Party Transactions**

During the years ended December 31, 2015 and 2014, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$49,500 (2014: \$27,000) to a Director and the current Chief Executive Officer of the Company. Included within accounts payables as at December 31, 2015 was \$600 (2013: \$3,614) owed to the current CEO for management fees, related sales taxes and other expenditures incurred on behalf of the Company.
- b) During the fiscal year ended December 31, 2015, the Company paid \$9,000 (2014:\$3,000) administrative service fee to CEO's spouse.
- c) Paid or accrued professional fees of \$16,500 (2014: \$16,500) to the Company's Chief Financial Officer for providing accounting services. Included within accounts payables was \$8,925 (December 31, 2014: \$Nil) owed to the CFO for professional fees and related sales taxes incurred on behalf of the Company.
- d) Included in loan payable is \$24,595 (2014: \$9,085) of interest accrued with respect to an aggregate total of \$77,500 of convertible loans payable to directors and officers (Note 6).

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.

#### **10. 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, 2015, the Company had a cash and cash equivalents balance of \$141,006 (2014 - \$57,350) to settle current liabilities of \$16,809 (2014 - \$4,774). 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.

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

##### (b) Foreign currency risk

As at December 31, 2015, 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 December 31, 2015 and 2014, cash and cash equivalents is assessed to be Level 1 instruments.

As at December 31, 2015, the fair value of the convertible notes is assessed to be level 3 as there is no active market to be able to observe the fair market value to determine the fair values used for the financial instrument.

#### **11. 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, 2015, the Company has obtained an amount of \$150,000 (2014 -\$150,000) through debt financing, \$54,456 (2014 - \$Nil) through the issuance of common shares and has received share subscriptions totalling \$224,936 (2014 -\$68,000).

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.

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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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Net income (Loss) before income taxes	\$ (202,474)	\$ (128,466)
Canadian basic statutory rate	26.00%	26.00%
Expected income tax (recovery)	(52,643)	(33,401)
Non-deductible items	589	166
Change in estimate	-	(5,850)
Change in tax rates	-	-
Loss expired	30,819	55,394
Change in deferred tax assets not recognized	21,235	(16,309)
<b>Total income taxes recovery</b>	<b>\$ -</b>	<b>\$ -</b>

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, 2015 and 2014 were comprised of the following:

	<u>2015</u>	<u>2014</u>
Non-capital loss carry forwards	\$ 509,056	\$ 488,040
Capital losses	1,141,664	1,141,664
Property and equipment	219	-
Cumulative eligible capital	10,102	10,102
	1,661,041	1,639,806
<b>Deferred tax assets not recognized</b>	<b>1,661,041</b>	<b>1,639,806</b>
<b>Net Deferred tax assets (liabilities)</b>	<b>\$ -</b>	<b>\$ -</b>

The Company has capital loss carryforwards of \$ 1,141,664 (2014: \$1,141,664) which may be carried forward to apply against future year capital gain for Canadian income tax purposes, subject to the final determination by taxation authorities.

The Company has non capital loss carryforwards of approximately \$1,957,909 (2014: 1,877,078) 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:

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**12. Income Taxes (cont'd...)**

<u>Expiry Year</u>	<u>Total \$</u>
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
2035	199,365
<u>TOTAL</u>	<u>1,957,909</u>

**13. Events after reporting date**

Subsequent to the fiscal year end the Company received an additional \$37,000 of subscriptions funds.

Also see Note 4, 6 and 8(b).