

CBD MED RESEARCH CORP.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2016.

General

The following discussion and analysis should be read in conjunction with the audited financial statements and notes for the fiscal years ended December 31, 2016 and 2015. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional information relating to the Company can be found on the SEDAR website at www.sedar.com.

The Management Discussion and Analysis was approved by the Board of Directors of the Company on April 28, 2017.

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

Statement of Compliance

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

The Financial Statements and the Management Discussion and Analysis were approved by the Board of Directors of the Company on April 28, 2017.

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

All amounts are in Canadian dollars unless otherwise stated.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "progressing", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown risks, uncertainties and other factors, many of which are beyond the Company's ability to predict or control could cause actual results to differ materially from those contained in the forward-looking statements. which include, without limitation, commodity price volatility, changes in debt and equity markets, increases in costs, interest rate and exchange rate fluctuations, general economic conditions, the ability of the Company to receive continued financial support from related parties and to obtain public equity financing, the ability to generate profitable operations in the future, and the receipt of regulatory approvals on acceptable terms. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements.

Overview

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.

Definitive Agreement with Medipacs Inc.

During the year ended December 31, 2016, 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 would 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)

Pursuant to the Investment and Consideration Agreement dated November 10, 2015 as further amended on February 27, 2016, May 12, 2016 and June 27, 2016, as consideration, the Company would deliver to Medipacs the following:

- US \$110,000 pursuant to Medipacs Convertible Debt Financing. US \$85,000 (CAD \$113,802) has been paid to Medipacs as of December 31, 2016. (December 31, 2015 - US \$25,000 (CAD \$33,388).
- 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 was also required to deliver 200,000 common shares as payment of a finder's fee.

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

- Senior Convertible Promissory Notes (the "Notes") valued at US \$110,000.
- Signed Distributorship Agreement

During the year ended December 31, 2015 Medipacs issued US\$25,000 Senior Convertible Promissory Note to the Company. The notes bear interest at 6% per annum and matured on February 12, 2016. As at December 31, 2015, the balance of the notes and accrued interest were recorded at C\$35,998. During the fiscal year ended December 31, 2016, the Company elected to convert the principal balance of

US\$25,000 and all unpaid accrued interest as of February 12, 2016 of the convertible promissory notes into 63,900 Medipacs' Series B Convertible Preferred Stock as cost of C\$35,362 prior to the written down.

During the fiscal year ended December 31, 2016, Medipacs issued an additional US\$60,000 (C\$80,412) of Senior Convertible Promissory notes to the Company. The notes bear interest at 6% per annum and matures on February 1, 2017. The fair value of the debt and accrued interest as at December 31, 2016 was C\$84,182 prior to the written down.

The Company has formally terminated the agreements with Medipacs on January 7, 2017. As a result, the Company wrote down the convertible notes receivable and convertible preferred stock to a nominal value of \$1 respectively.

Going Concern

The 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 2016	December 31 2015
Deficit	\$ (9,717,010)	\$ (9,326,786)
Working capital	\$ (87,801)	\$ 129,658

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.

Selected Annual Information

	2016	2015	2014
	\$	\$	\$
Sales or Revenue	-	-	-
Net Loss	390,224	202,475	128,465
Loss per share	0.05	0.04	0.05
Total Assets	41,640	184,686	65,733

Loans 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 and due by February 4, 2016 (extended to June 30, 2016). As at December 31, 2015, \$47,281 of interest has been accrued with respect to these loans. During the fiscal year ended December 31, 2016 an additional \$7,562 was accrued with respect to these loans.

During the current fiscal year, the holders of the convertible loans agreed to convert both the principal amount due at \$0.05 per common share and interest amount due calculated to April 1st, 2016 at \$0.06

per common share. The entire outstanding principal balance of \$150,000 and all unpaid accrued interest in the amount of \$54,842 was converted into 3,914,038 of the Company's common shares.

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.

Results of Operations

During the fiscal year ended December 31, 2016 the Company had net loss of \$390,224 or \$(0.05) per share compared with a loss of \$202,475 or \$(0.04) per share for fiscal year ended December 31, 2015.

Fourth Quarter Ended December 31, 2016

Administrative services relate to office and secretarial services provided to the Company in the amount of \$1,000 per month. The Company acquired a computer during the 2015 fiscal year and has since set up a quarterly provision for amortization. Filing and transfer fees relate to submissions to the regulatory authorities and to the maintenance of the share records by the Company's transfer agent. Management fees are paid or accrued to the Company's Chief Executive Officer for management services provided to the Company. The Company entered a services contract with its CEO to provide management services, commencing April 1, 2014 in the amount of \$3,000 per month (increased to \$3,500 on October 1, 2015). (See "Commitments"). Office and miscellaneous expenses were incurred for maintenance of the Company's office. Professional fees are incurred for general maintenance of the Company's records and for filings with regulatory authorities. Included within professional fees are legal fees in the amount of \$5,412 (2015: \$856), and fees paid or accrued to the Company's Chief Financial Officer in the amount of \$4,000 (2015: \$4,000). Travel and promotion expenses were incurred with respect to the Company's search for new business projects and financings. During the fiscal quarter ended December 31, 2016 the Company incurred \$55,833 of research and development expenditures through engagement of services from MedDev Commercialization Centre and the University of Guelph in connection to the Medipacs medical infusion device. In the fourth quarter of fiscal 2016 Medipacs put forth unilateral demands and misrepresentations that the Company views as fundamental breaches of contract. The Company formally terminated the agreements with Medipacs on January 7, 2017. As a result, the Company wrote down the convertible notes receivable balance and convertible preferred stock balance to nominal value respectively, reflecting a provision for impairment in investment in the amount of \$119,543.

Fiscal year ended December 31, 2016

Administrative services relate to office and secretarial services provided to the Company in the amount of \$1,000 per month. During the fiscal year ended December 31, 2016 the Company paid in aggregate \$24,000 (2015 - \$26,000) to members of the Company's advisory board. The Company acquired a computer during the 2015 fiscal year and has since set up a quarterly provision for amortization. Filing and transfer fees relate to submissions to the regulatory authorities and to the maintenance of the share records by the Company's transfer agent. During a prior fiscal year, the Company issued an aggregate total of \$150,000 of loan payable, bearing interest at the rate of 20% per annum. During the fiscal year ended December 31, 2016 \$7,562 (2015: \$30,000) was accrued with respect to interest on loans payable (See "Loans Payable"). Management fees are paid or accrued to the Company's Chief Executive Officer for management services provided to the Company. The Company entered into a services contract with its CEO to provide management services, commencing April 1, 2014 in the amount of \$3,000 per month (increased to \$3,500 on October 1, 2015). (See "Commitments"). Office and miscellaneous expenses were incurred for maintenance of the Company's office. Professional fees are incurred for general maintenance of the Company's records and for filings with regulatory authorities. Included within professional fees are legal fees in the amount of \$14,859 (2015: \$14,902), audit fees of \$19,890 (2015: \$12,240) and fees paid or accrued to the Company's Chief Financial Officer in the amount of \$16,000 (2015: \$16,500). Travel and promotion expenses were incurred with respect to the Company's search for new business projects and financings. During fiscal year ended December 31, 2016 the Company incurred \$94,607 of research and development expenditures through engagement of services from

MedDev Commercialization Centre and the University of Guelph in connection to the Medipacs medical infusion device. In the fourth quarter of fiscal 2016 Medipacs put forth unilateral demands and misrepresentations that the Company views as fundamental breaches of contract. The Company formally terminated the agreements with Medipacs on January 7, 2017. As a result, the Company wrote down the convertible notes receivable balance and convertible preferred stock balance to nominal value respectively, reflecting a provision for impairment in investment in the amount of \$119,543.

Operating expenses

	Three months ended December 31 2016	Three months ended December 31 2015	Year ended December 31 2016	Year ended December 31 2015
	\$	\$	\$	\$
General and Administrative Expenses				
Administration	3,000	2,250	12,000	9,000
Advisory board fees	-	-	24,000	26,000
Amortization	725	210	1,222	842
Filing and transfer agent fees	7,592	7,103	20,844	15,791
Interest	2	7,562	7,562	30,000
Management	10,500	22,500	42,000	49,500
Office and miscellaneous	571	2,891	5,203	5,894
Professional fees	9,412	4,856	50,749	43,642
Research and development	55,833	-	94,607	-
Travel and promotion	4,447	3,646	15,627	24,416
	(92,082)	(51,018)	(273,814)	(205,085)
Other items				
Impairment of investment	(119,543)		(119,543)	-
Foreign Exchange Loss	1,860	1,161	(2,244)	1,161
Interest Income	1,190	1,449	5,377	1,449
Net (loss) and comprehensive (loss) for the period	(208,575)	(48,408)	(390,224)	(202,475)

The following table sets out selected quarterly information for the eight most recent quarters:

Quarters ended in 2016 fiscal year	December 31	September 30	June 30	March 31
	\$	\$	\$	\$
Sales or Revenue	-	-	-	-
Income (loss)	(208,575)	(64,512)	(58,416)	(58,721)
Income (loss) per common share	(0.02)	(0.01)	(0.01)	(0.01)
Quarters ended in 2015 fiscal year	December 31	September 30	June 30	March 31
	\$	\$	\$	\$
Sales or Revenue	-	-	-	-
Income (loss)	(48,408)	(33,020)	(49,642)	(71,405)
Income (loss) per common share	(0.01)	(0.01)	(0.01)	(0.01)

CRITICAL ACCOUNTING ESTIMATES, 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.

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.

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, 2016 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, 2016 and December 31, 2015.

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.

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.

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.

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.

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.

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.

Outstanding Share Data

a. Authorized:

Unlimited number of common shares with no par value.

b. Issued and outstanding:

As at December 31, 2016 the total number of shares issued and outstanding is 14,686,418.

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.

On December 19, 2016, the Company completed the second tranche of the private placement for net proceeds of \$352,992 and issued 5,904,049 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 December 19, 2017 at a price of \$0.08 per share. \$224,936 of the funds raised had been received pursuant to share subscriptions received in the prior year. The shares are subject to a four month hold period until April 20, 2017.

During the fiscal year ended December 31, 2016, the Company issued 3,914,038 common shares upon the conversion of loans payable and accrued interest. (See "Loans Payable").

Warrants:

2,066,666 warrants were issued in connection to the first tranche of a private placement during the fiscal year ended December 31, 2015. None were exercised and all expired on June 30, 2016. See Issued and Outstanding Share Capital above.

5,904,049 warrants were issued in connection to the second tranche of a private placement during the fiscal year ended December 31, 2016 and remain outstanding and to be expired on December 19, 2017. The remaining life of such warrants is 0.97 years. See Issued and Outstanding Share Capital above.

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, 2016 and 2015, there were no stock options granted or outstanding.

Related Party Transactions

During the years ended December 31, 2016 and 2015, the Company entered into the following transactions with related parties:

- a. Paid or accrued management fees of \$42,000 (2015: \$49,500) to a Director and the current Chief Executive Officer of the Company. Included within accounts payables as at December 31, 2016 was \$25,180 (2015: \$600) 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, 2016, the Company paid \$12,000 (2015:\$9,000) administrative service fee to CEO's spouse.
- c. Paid or accrued professional fees of \$16,000 (2015: \$16,500) to the Company's Chief Financial Officer for providing accounting services. Included within accounts payables was \$20,200 (2015: \$8,925) owed to the CFO for professional fees and related sales taxes incurred on behalf of the Company.
- d. Included in loan payable is \$Nil (2015: \$24,595) of interest accrued with respect to an aggregate total of \$Nil (2015: \$77,500) of convertible loans payable to directors and officers. See Loans Payable.

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.

Commitments

On April 1, 2014, the Company entered a contract for service agreement with the Company's Chief Executive Officer to provide management services for \$3,500 per month.

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, 2016, the Company had a cash and cash equivalents balance of \$31,244 (2015 - \$141,006) to settle current liabilities of \$128,440 (2015 - \$16,809). 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

The functional currency of the Company is Canadian dollar. The investment in convertible notes receivable and convertible preferred stock is in US dollar.

The Company does not hedge its exposure to currency fluctuations. However management believes that the Company is subject to minimal foreign exchange risk as most transactions incurred are in CAD.

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, 2016 and 2015, cash and cash equivalents is assessed to be Level 1 instruments.

As at December 31, 2016, the fair value of the convertible notes and convertible preferred stock 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.

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, 2016, the Company has obtained an amount of \$Nil (2015: \$150,000) through debt financing. During the fiscal year ended December 31, 2016, \$127,986 (2015: \$54,456) was raised through the issuance of common shares and \$Nil (2015: \$224,936) was raised from funds received for share subscriptions in advance.

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.

Liquidity and Capital Resources

The Company has financed its operations primarily from proceeds from the sale of shares and debt.

As at December 31, 2016 the Company had working capital deficiency of \$87,801 compared to working capital of \$129,658 as at December 31, 2015.

Cash provided pursuant to the issuance of new common shares during the fiscal year ended December 31, 2016 is \$352,922 (2015: \$54,456), of which \$224,936 was received as subscriptions in advance during fiscal 2015. The Company also issued 3,914,038 common shares on conversion of loans and accrued interest thereon. See "Loans Payable".

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 TSX Venture 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. The Company plans to issue more securities at such time as it believes additional capital could be obtained on favourable terms. There can be no assurance that such funds can be available on favourable terms, if at all.

Subsequent Events

Subsequent to December 31, 2016 the Company terminated the Medipacs Agreement. See Definitive Agreement with Medipacs above.

Risks and Uncertainties

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further development of its projects or to fulfil its obligations under applicable agreement. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's intended business operations with the possible dilution or loss of such interest. Further, revenues, financings and profits, if any, will depend upon various factors, including the success, if any, of intended business operations. There is no assurance that the Company can operate profitably or that it will successfully implement its plans.

The Company is in development stage and has no operating earnings. The likelihood of success of the Company must be considered in light of the problems, expenses and difficulties, complications and delays frequently encountered in connection with the establishment of any business. The Company operates at a loss and there is no assurance that the Company will ever be profitable.

CBD MED RESEARCH CORP.

CORPORATE DATA

April 28, 2017

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CAPITALIZATION

Authorized:	Unlimited number of common shares, no par value
Issued:	14,686,418
Options:	Nil
Warrants:	5,904,049

LISTINGS

TSX Venture Exchange
Trading Symbol: CBM.H
CUSIP #: 30149V