

# CBD MED RESEARCH CORP.

## Management's Discussion and Analysis of Financial Condition and Results of Operations for the six months ended June 30, 2018.

### General

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The following discussion and analysis should be read in conjunction with the audited financial statements and notes for the six months ended June 30, 2018 and for the fiscal years ended December 31, 2017 and 2016. 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](http://www.sedar.com).

The Financial Statements and the Management Discussion and Analysis were approved by the Board of Directors of the Company on August 17, 2018.

The head office and principal address of the Company is located at #1200 – 750 West Pender Street, Vancouver, BC, V6C 2T8

### Statement of Compliance

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

### 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

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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

CBD Med Research Corp. (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 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 July 18, 2014, the Company consolidated its shares and commenced trading on the TSX Venture Exchange under the name of CBD Med Research Corp.. During the fiscal year ended December 31, 2015 the Company entered into a definitive agreement with a California based company. On January 7, 2017, the Company formally terminated the agreement.

On June 20, 2017, the Company's shares were consolidated on the basis of one new share for each 4 retroactive adjust shares. The total issued and outstanding share capital post-consolidation was 3,671,525 common shares. The Company is currently looking for new projects.

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## Going Concern

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>June 30 2018</b>	<b>December 31 2017</b>
Deficit	\$ (9,937,913)	\$ (9,856,544)
Working capital	\$ 280,984	\$ 365,471

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales or Revenue	-	-	-
Net Loss	139,534	390,224	202,475
Loss per share	0.04	0.19	0.16
Total Assets	468,506	41,640	184,686

## Results of Operations

During the six months ended June 30, 2018 the Company had net loss of \$81,369 or \$(0.01) per share compared with a loss of \$92,917 or \$(0.01) per share for six months ended June 30, 2017.

### Operating expenses

	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
	\$	\$	\$	\$
<b>General and Administrative Expenses</b>				
Administration	3,750	3,000	7,500	6,000
Amortization	720	138	1,217	274
Consulting	1,900	-	3,160	-
Filing and transfer agent fees	4,659	5,576	7,969	9,969
Management	10,500	10,500	21,000	21,000
Office and miscellaneous	1,916	2,075	2,525	3,656
Professional fees	22,374	22,725	29,768	27,475
Travel and promotion	6,822	2,214	9,020	4,543
	(51,203)	(46,227)	(82,159)	(72,917)
<b>Other</b>				
Interest income	395	-	790	-
<b>Net (loss) and comprehensive (loss) for the period</b>	<b>(50,898)</b>	<b>(46,227)</b>	<b>(81,369)</b>	<b>(72,917)</b>

### Six Months Ended June 30, 2018

Administrative services relate to office and secretarial services provided to the Company in the amount of \$1,250 (2017 - \$1,000) per month. The Company acquired computer equipment in fiscal 2015 and again in the first quarter of the current fiscal year. The Company has set up a provision for amortization on a quarterly basis. A consulting fee was paid to a 3<sup>rd</sup> party for business services and planning in the amount of \$1,260 and an additional fee paid to a member of the Company's advisory counsel in the amount of \$1,900 for services rendered in connection to a due diligence study. 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 in the amount of \$3,500 per month are paid or accrued to the Company's Chief Executive Officer for management services provided to the Company. (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 \$5,718 (2017: \$750), audit fees in the amount of \$16,050 (\$2017 - \$18,725) and fees paid or accrued to the Company's Chief Financial Officer in the amount of \$8,000 (2017: \$8,000). Travel and promotion expenses were incurred with respect to the Company's search for new business projects and financings. Interest income in the amount of \$790 (2017 - \$nil) was accrued during the six months ended June 30, 2018 with respect to the Company's short-term investment.

### Second Quarter Ended June 30, 2018

Administrative services relate to office and secretarial services provided to the Company in the amount of \$1,250 (2017 - \$1,000) per month. The Company acquired computer equipment in fiscal 2015 and again in the first quarter of the current fiscal year. The Company has set up a provision for amortization on a quarterly basis. A consulting fee to a member of the Company's advisory counsel in the amount of \$1,900 for services rendered in connection to a due diligence study. 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 in the amount of \$3,500 per month are paid or accrued to the Company's Chief Executive Officer for management services provided to the Company. (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 \$2,324 (2017: \$Nil), audit fees in the amount of \$16,050 (\$2017 - \$18,725) and fees paid or accrued to the Company's Chief Financial Officer in the amount of \$4,000 (2017: \$4,000). Travel and promotion expenses were incurred with respect to the Company's search for new business projects and financings. Interest income in the amount of \$395 (2017 - \$nil) was accrued during the six months ended June 30, 2018 with respect to the Company's short-term investment.

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

<b>Quarters ended in 2018 fiscal year</b>	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>	<b>March 31</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales or Revenue			395	395
Income (loss)			(50,898)	(30,471)
Income (loss) per common share			(0.01)	(0.00)
<b>Quarters ended in 2017 fiscal year</b>	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>	<b>March 31</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales or Revenue				-
Income (loss)	(35,206)	(31,411)	(46,227)	(26,690)
Income (loss) per common share	(0.01)	(0.01)	(0.01)	(0.01)
<b>Quarters ended in 2016 fiscal year</b>	<b>December 31</b>	<b>September 30</b>		
	<b>\$</b>	<b>\$</b>		
Sales or Revenue	-	-		
Income (loss)	(208,575)	(64,512)		
Income (loss) per common share	(0.09)	(0.03)		

## **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 interim reporting periods ended in fiscal 2018 and for the years ended December 31, 2017 and 2016. 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, 2017 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 June 30, 2018 and December 31, 2017.

#### **Short term investment**

Short term investment, which is a fixed term deposit held at the bank with a maturity of more than three months and less than twelve months at the time of issuance is recorded at fair value. As at June 30, 2018, the Company has a short-term investment of \$325,790 (including accrued interest of \$790) due on February 6, 2019 with a variable annual yield of Prime minus 2.6%.

#### **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

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 does not expect the standard to have a material impact on its financial statements.

### *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 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**

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a. Authorized:

Unlimited number of common shares with no par value.

b. Issued and outstanding:

On June 20, 2017, the Company's shares were consolidated based on four (4) pre-consolidated common shares for one (1) new post-consolidated common share.

As at December 31, 2017 the total number of common shares issued and outstanding is 7,671,525. (2016: 3,671,525).

On December 29, 2017 the Company completed a private placement of 4,000,000 units at a price of \$0.15 per unit for gross proceeds in the amount of \$600,000. The Company paid a cash finder's fee of \$7,744. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant is exercisable on or before December 29, 2018 at a price of \$0.25 per share. (See "Warrants").

### **Warrants:**

As of December 31, 2017, 2,000,000 warrants are issued and outstanding. The remaining life of the warrants is 0.49 years. (See "Outstanding share capital").

1,476,012 warrants were issued in connection to the second tranche of a private placement during the fiscal year ended December 31, 2016. None were exercised and all expired on December 19, 2017.

### **Stock options:**

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

As at June 30, 2018 and December 31, 2017, there were no stock options granted or outstanding.

## **Related Party Transactions**

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During the six months ended June 30, 2018, the Company entered into the following transactions with related parties:

- a. Paid or accrued management fees of \$21,000 (2017: \$21,000) to a Director and the current Chief Executive Officer of the Company. Included within accounts payables as June 30 30, 2018 was \$19,575 (December 31, 2017: \$Nil) owed to the current CEO for management fees, related sales taxes and other expenditures incurred on behalf of the Company.
- b. During the six months ended June 30, 2018, the Company paid \$7,500 (2016: \$6,000) administrative service fee to a person related to the CEO.
- c. Paid or accrued professional fees of \$8,000 (2017: \$8,000) to the Company's Chief Financial Officer for providing accounting services. Included within accounts payables was \$Nil (December 31, 2017: \$8,400) owed to the CFO for professional fees and related sales taxes incurred on behalf of the Company.

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**

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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**

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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 June 30, 2018, the Company had a cash and cash equivalents balance of \$24,179 (December 31, 2017 - \$463,547) and a short-term investment of \$325,790 (December 31, 2017 - \$Nil) to settle current liabilities of \$73,454 (December 31, 2017 - \$102,584). 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 June 30 2018 and December 31, 2017, cash and cash equivalents is assessed to be Level 1 instruments.

As at June 30, 2018 and December 31, 2017, 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

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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. During the fiscal year ended December 31, 2017, \$592,256 was raised through the issuance of common.

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

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

As June 30, 2018 the Company had working capital of \$280,984 compared to working capital of \$365,471 as at December 31, 2017.

No new cash was provided during the six months ended June 30, 2018. Cash provided pursuant to the issuance of new common shares during the fiscal year ended December 31, 2017 is \$592,256.

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

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Pursuant to a non-binding Letter of Intent dated August 8, 2018 the Company entered into an agreement with World Class Extractions Inc. ("WCE") whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Company by WCE. The Company will apply to list on the Canadian Securities Exchange (CSE). The final structure of the transaction will be determined by the parties following receipt of tax, corporate and securities law advice and is subject to the approval of the CSE. The transaction is at arm's length. Upon the closing of the Transaction (the "**Closing**") and after giving effect to the maximum Private Placement (each defined below), it is expected that former shareholders of World Class Extractions will hold 85.83% of the common shares of the Resulting Issuer (the "**Resulting Issuer Shares**"), the current shareholders of the Company will hold 8.58% of the Resulting Issuer Shares (on a non-diluted basis) and the subscribers of the Private Placement will hold 5.59% of the Resulting Issuer Shares (on a non-diluted basis).

## Description of World Class Extractions and its Business

World Class Extractions is a Canadian based, Ontario incorporated, developer of an innovative extraction process for both the hemp and cannabis industry. World Class Extractions intends to provide single step continuous flow extraction services to the hemp and cannabis industry. Using patent pending technology, WCE's results produce higher yields and better-quality crude hemp oil at faster rates. The technology allows the extraction of CBD Oil and other related extracts from wet or dried natural plants. WCE can save its clients floor space, utility drying costs, equipment and processing labour costs.

### **Share Split and Exchange of Securities**

Pursuant to the terms of the LOI, the Company will effect a share split (the “**Share Split**”) of its issued and outstanding common shares (the “**CBD Shares**”) prior to Closing on a 1:2 basis resulting in approximately 15,343,050 CBD Shares outstanding on a post-Share Split basis. The 2,000,000 issued and stock warrant of the Company (“**CBD Warrant**”) will be split into 4,000,000 CBD Warrants. Each CBD Warrant will be exercisable for one CBD Share at an exercise price of \$0.125 per share on a post-Share Split basis until December 29, 2018.

In accordance with the terms of the Transaction, the Company shall acquire all of the issued and outstanding common shares in the capital of **World Class Extractions** (the “**WCE Shares**”) in exchange for CBD Shares on a one-for-one basis. The deemed exchange price for the CBD Shares will be \$0.15 per CBD Share, or such other price as permitted by governing regulatory bodies.

### **Risks and Uncertainties**

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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.

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## CORPORATE DATA

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August 17, 2018

### HEAD OFFICE

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### DIRECTORS AND OFFICERS

Gary F Zak	Director, CEO
Kenneth C. Phillippe	Director, CFO, Secretary
H. Barry Hemsworth	Director
Dr. K. Sethu Raman, Ph.D.	Director

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### Life Science and Medical Technology Advisory Board

Bill Cheliak, Ph.D  
Roman V. Dvorak, M.D., Ph.D  
Charles P. Garrison, M.D.  
Gianni F. Maddalozzo, Ph.D, FACSM  
Brian T. Wagner  
John McCluskey

### CAPITALIZATION

Authorized:	Unlimited number of common shares, no par value
Issued:	7,671,525
Options:	Nil
Warrants:	2,000,000

### LISTINGS

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