CBD MED RESEARCH CORP.

Financial Statements

Years ended December 31, 2018 and 2017

Expressed in Canadian Dollars

Management's Responsibility for Financial Reporting

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

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

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

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

February 21, 2019

(signed)	(signed)
"Gary F. Zak"	"Kenneth C. Phillippe"
Chief Executive Officer	Chief Financial Officer

MNP LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of CBD Med Research Corp.:

Opinion

We have audited the financial statements of CBD Med Research Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of loss and other comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $169,681 during the year ended December 31, 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jenny Lee.

MNP LLP

Vancouver, British Columbia
February 21, 2019

Chartered Professional Accountants

CBD MED RESEARCH CORP.

Statements of Financial Position
(Expressed in Canadian Dollars)

As at	December 31 2018	December 31 2017
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	476,140	463,547
Short term investments	277,100	-
Goods and services tax receivable	1,523	4,508
Prepaid expenses	1,250	-
	756,013	468,055
Convertible notes receivable (Note 4)	1	1
Series B convertible preferred stock (Note 4)	1	1
Computer equipment, net (Note 5)	2,153	449
Total assets	758,168	468,506
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	61,927	102,584
	61,927	102,584
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	10,564,305	10,064,305
Reserves	158,161	158,161
Deficit	(10,026,225)	(9,856,544)
Total shareholders' equity	696,241	365,922
Total liabilities and shareholders' equity	758,168	468,506

Going Concern (Note 1)
Commitments (Note 10)
Subsequent Event (Note 12)

The financial statements were approved on February 21, 2019 on behalf of the Board:

"Gary F. Zak"	*"Kenneth C. Phillippe"*
Director	Director

The accompanying notes are an integral part of these financial statements

CBD MED RESEARCH CORP.

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

For the years ended December 31,	**2018**	**2017**
	$	$
General and Administrative Expenses		
Administration	15,000	12,000
Amortization (Note 4)	2,631	550
Consulting	5,780	9,453
Filing and transfer agent fees	19,330	16,017
Management fee	42,000	42,000
Office expenses	7,481	6,350
Professional fees	59,725	43,905
Travel and promotion	20,113	9,259
	(172,060)	(139,534)
Other items		
Interest income	2,379	-
Net loss and comprehensive loss for the year	(169,681)	(139,534)
Basic and diluted loss per share	(0.02)	(0.04)
Weighted average number of common shares -		
Basic and diluted	7,731,073	3,676,457

The accompanying notes are an integral part of these financial statements

CBD MED RESEARCH CORP.

Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended December 31,	2018	2017
	$	$
Cash flows from (used in)		
Operating activities:		
Loss for the year	(169,681)	(139,534)
Adjustment for items not involving cash:		
Amortization (Note 5)	2,631	550
Changes in non-cash working capital:		
Goods and services tax receivable	2,985	3,737
Prepaid expenses	(1,250)	1,150
Accounts payable and accrued liabilities	(40,657)	(25,856)
Total cash outflows from operating activities	(205,972)	(159,953)
Investing activities:		
Purchase of computer equipment	(4,335)	-
Purchase of short term investments	(277,100)	-
Total cash outflows from investing activities	(281,435)	-
Financing activities:		
Exercise of warrants	500,000	-
Issuance of common shares, net of share issue costs	-	592,256
Total cash inflows from financing activities	500,000	592,256
Increase in cash and cash equivalents	12,593	432,303
Cash and cash equivalents, beginning of year	463,547	31,244
Cash and cash equivalents, end of year	476,140	463,547

The accompanying notes are an integral part of these financial statements

CBD MED RESEARCH CORP.

Statements of Changes in Equity
(Expressed in Canadian dollars)

	Common shares		Reserves			
	Number	Amount	Equity Settled Employee Benefits	Warrants	Deficit	Total
		$	$	$	$	$
Balance, December 31, 2016	3,671,525	9,472,049	135,328	22,833	(9,717,010)	(86,800)
Shares issued for cash pursuant to private placement						
- at a price of $0.15 per unit (Note 6)	4,000,000	600,000	-	-	-	600,000
- cash commission paid	-	(7,744)	-	-	-	(7,744)
Net loss and comprehensive loss	-	-	-	-	(139,534)	(139,534)
Balance, December 31, 2017	7,671,525	10,064,305	135,328	22,833	(9,856,544)	365,922
Shares issued for cash pursuant to exercise of warrants at a price of $0.25 per unit (Note 6)	2,000,000	500,000	-	-	-	500,000
Net loss and comprehensive loss	-	-	-	-	(169,681)	(169,681)
Balance, December 31, 2018	9,671,525	10,564,305	135,328	22,833	(10,026,225)	696,241

The accompanying notes are an integral part of these financial statements

(Expressed in Canadian Dollars)

1. Nature and Continuance of Operations

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 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's head office and principal address is Suite 1200-750 West Pender Street, Vancouver, B.C., V6C 2T8.

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 statements of operations and comprehensive loss and financial position classifications that would be necessary were the going concern assumption not appropriate.

	December 31 2018	December 31 2017
Deficit	$ (10,026,225)	$ (9,856,544)
Working capital	$ 694,086	$ 365,471
Net loss	$ 169,681	$ 139,534

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.

2. Basis of Preparation

Statement of Compliance

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

The financial statements were approved by the Board of Directors of the Company on February 21, 2019.

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

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

Critical Accounting Estimate, Judgments and Assumptions

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

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

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

Measurement of financial instruments at fair value
The Company measures certain 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.

2. Basis of Preparation (cont'd…)

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

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, 2018 and 2017. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded there are significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

3. Significant Accounting Policies

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, 2018 and 2017.

Short term investments

As at December 31, 2018, the Company had a guaranteed investment certificate ("GIC") held at the Bank of Montreal, valued at $277,100 (2017 - $nil) with an interest rate of prime less 2.6%, and maturing on February 6, 2019 and subsequent to the yearend renewed to mature on February 5, 2020.

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.

3. Significant Accounting Policies (cont'd…)

Property, plant and equipment

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

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

Share Based Payments

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

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

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

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.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred 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.

3. Significant Accounting Policies (cont'd…)

Loss per Share

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

Comprehensive income/loss

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

Newly adopted accounting standards

The following amendment was adopted by the Company for the year ended December 31, 2018, others are not applicable:
IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The Company adopted IFRS 9 using the modified retrospective approach where the cumulative impact of adoption will be recognized in retained earnings as of January 1, 2018 and comparatives will not be restated.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

- Amortized cost

  Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

- Fair value through other comprehensive income ("FVTOCI")

  Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI. This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at fair value through profit or loss ("FVTPL") to present subsequent changes in FVTOCI.

3. Significant Accounting Policies (cont'd…)

Newly adopted accounting standards (cont'd…)

IFRS 9 Financial instruments (cont'd…)

- Fair value through profit or loss ("FVTPL")

  Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Consistent with IAS 39, financial liabilities under IFRS 9 are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

The following table summarizes the classification of the Company's financial instruments under IAS 39 and IFRS 9:

	IAS 39 Classification	IFRS 9 Classification
Financial Assets		
Cash	FVTPL	FVTPL
Short term investments	FVTPL	FVTPL
Convertible notes receivable	Loans and receivables	Amortized cost
Series B convertible preferred stock	Loans and receivables	Amortized cost
Financial Liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The adoption of IFRS 9 did not have an impact on the Company's classification and measurement of financial assets and liabilities.

IFRS 9 uses an expected credit loss impairment model as opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The adoption of the new expected credit loss impairment model had no impact on the carrying amounts of financial assets at amortized cost.

Consistent with IAS 39, the financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Financial liabilities are derecognized when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (cont'd…)

New accounting standards and interpretations not yet adopted

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

Standard effective for annual periods beginning on or after January 1, 2019

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 16 in its financial statements for the annual period beginning January 1, 2019.

4. Convertible notes receivable

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 formally terminated the agreements with Medipacs on January 7, 2017 and wrote down the convertible notes receivable and convertible preferred stock to a nominal value of $1, respectively, in 2016. The Company reserves its right to seek the remedies available to it pursuant to the law of fundamental breach and rescission of contract including damages and recovery of expenses.

5. Computer equipment

	Cost	Amortization	Carrying amount
December 31, 2016	$ 3,063	$ (2,064)	$ 999
Additions	-	(550)	(550)
December 31, 2017	3,063	(2,614)	449
Additions	4,335	(2,631)	1,704
December 31, 2018	$ 7,398	$ (5,245)	$ 2,153

6. Share Capital

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.

(Expressed in Canadian Dollars)

6. Share Capital (cont'd…)

b. Issued and outstanding: (cont'd…)

As at December 31, 2018 the total number of common shares issued and outstanding is 9,671,525. (2017: 7,671,525).

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 common share purchase warrant. Each warrant is exercisable on or before December 29, 2018 at a price of $0.25 per share.

As of December 29, 2018, all 2,000,000 warrants were exercised at $0.25 per common share for proceeds in the amount of $500,000.

c. Warrants

As of December 31, 2018, Nil (2017: 2,000,000) warrants are issued and outstanding. See Note 6b.

The following is a summary of share purchase warrant transactions for the years ended December 31, 2018 and 2017:

	2018		2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	2,000,000	$ 0.25	1,476,012	$ 0.32
Issued	-	-	2,000,000	0.25
Expired	-	-	(1,476,012)	0.32
Exercised	(2,000,000)	0.25	-	-
Balance, end of year	-	-	2,000,000	$ 0.25

d. Stock Options

The Company has a stock option plan whereby it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. As at December 31, 2018 and 2017, there were no stock options granted or outstanding.

7. Related Party Transactions

During the years ended December 31, 2018 and 2017, the Company entered into the following transactions with related parties:

a) Paid management fees of $42,000 (2017: $42,000) to a Director and the current Chief Executive Officer of the Company.

b) During the fiscal year ended December 31, 2018, the Company paid $15,000 (2017: $12,000) administrative service fee to a person related to the CEO.

7. Related Party Transactions (cont'd…)

c) Paid or accrued professional fees of $16,000 (2017: $16,000) to the Company's Chief Financial Officer for providing accounting services. Included within accounts payables was $Nil (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.

8. Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and market 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
Liquidity risk is the risk that the Company may not be able to meet its contractual obligations and financial liabilities as they become due.

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, 2018, the Company had a cash and cash equivalents balance of $476,140 (2017: $463,547) to settle current liabilities of $61,927 (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:

8. Financial Instruments (cont'd…)

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, 2018 and 2017, cash and cash equivalents, and short term investments are assessed to be Level 1 instruments.

As at December 31, 2018 and 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.

9. Capital Management

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

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. During the fiscal year ended December 31, 2018, $500,000 (2017: $592,256) was raised through the exercise of warrants and the issuance of common shares.

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

10. 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.

11. Income Taxes

The following table reconciles the expected income taxes recovery at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended December 31, 2018 and 2017:

(Expressed in Canadian Dollars)

11. Income Taxes (cont'd…)

	2018	2017
Canadian basic statutory rate	27.00%	26.00%
Net loss before income taxes	$ (169,681)	$ (139,534)
Expected income tax recovery	(45,814)	(36,278)
Non-deductible items	864	583
Change in deferred tax assets not recognized	44,950	35,695
Total income taxes recovery	$ -	$ -

The statutory tax rate increased from 26% to 27% due to an increase in the BC corporate tax rate on January 1, 2018.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax values. The unrecognized deductible temporary differences at December 31, 2018 and 2017 are as follows:

	2018	2017
Non-capital loss carry forwards	$ 2,436,041	$ 2,270,108
Exploration and evaluation assets	199,611	-
Convertible notes receivable	79,311	79,311
Property and equipment	5,245	2,613
Financing Costs	5,442	7,524
Net capital losses	4,391,017	4,391,017
Investment in preferred shares	33,688	33,688
Total unrecognized deductible temporary differences	$ 7,150,355	$ 6,784,261

The Company has non capital loss carryforwards of approximately $2,436,041 (2017: $2,270,108) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry Year	Total
2026	$ 115,393
2027	132,810
2028	112,197
2029	115,495
2030	764,903
2031	114,626
2032	140,219
2033	135,075
2034	127,825
2035	199,371
2036	173,370
2037	138,825
2038	165,932
Total	$ 2,436,041

12. Subsequent Events

On February 13, 2019, the Company executed a definitive business combination agreement (the “Combination Agreement”) with World Class Extraction Inc. ("WCE"), which, subject to certain conditions and applicable shareholder and regulatory approvals, will result in a reverse takeover of the Company by WCE (the “Proposed Transaction”) to continue the business of WCE as a producer of cannabis extractives.

Under the terms of the Combination Agreement, the Proposed Transaction will be completed by way of a "three-cornered amalgamation" under the provisions of the Business Corporations Act (Ontario) ("OBCA"), whereby CBD Acquisition Corp., a wholly-owned subsidiary of CBD incorporated on January 30, 2019 will amalgamate with World Class and continue as one amalgamated corporation ("Amalco") as a wholly-owned subsidiary of CBD. In connection with the Proposed Transaction, CBD will reconstitute its board of directors and change its name to "World Class Extractions Inc." or such other similar name as may be accepted by the relevant regulatory authorities (the "Name Change") and the Resulting Issuer will carry on the business of World Class under the new name.

The Combination Agreement includes a number of conditions, including but not limited to, requisite shareholder approvals (including the approval of the shareholders of World Class and CBD, as applicable), the split of the issued and outstanding common shares in the capital of CBD ("CBD Shares") on the basis of three (3) post-split CBD Shares for each one (1) pre-split CBD Share (the "CBD Share Split"), the split of the issued and outstanding common shares in the capital of World Class ("WCE Shares") on the basis of one and one-half (1.5) post-split WCE Shares for each one (1) pre-split WCE Share (the "WCE Share Split"), the issuance of post-split CBD Shares to holders of post-split WCE Shares on a 1:1 basis, approvals of all regulatory bodies having jurisdiction in connection with the Proposed Transaction, and other closing conditions customary to transactions of the nature of the Proposed Transaction. A special meeting of shareholders of World Class was held on February 11, 2019, at which the shareholders of World Class considered and approved the Proposed Transaction and the WCE Share Split.

Pursuant to the terms of the Combination Agreement, and in connection with the Proposed Transaction:

(a) holders of post-split WCE Shares will receive one (1) fully paid and non-assessable post-split CBD Share for each one (1) post-split WCE Share held; and

(b) all outstanding warrants, broker warrants and options to purchase WCE Shares will be exchanged on an equivalent basis for options and warrants to purchase CBD Shares.

World Class is currently undertaking a non-brokered private placement of subscription receipts ("Subscription Receipts"), at a price of $0.13 per Subscription Receipt (the "WCE Financing"). As of the date hereof, World Class has closed on subscriptions for an aggregate of approximately 175,574,320 Subscription Receipts, for gross proceeds of approximately $22,824,662, and may close on further subscriptions prior to completion of the Proposed Transaction. Each Subscription Receipt issued in the WCE Financing will automatically convert into one post-split WCE Share on satisfaction of the conditions set forth in the agreement governing the Subscription Receipts, and will subsequently be exchanged for one (1) post-split CBD Share. Upon the completion of the Proposed Transaction, and without taking into account any Subscription Receipts that may be issued pursuant to the WCE Financing following the date hereof, it is expected that the following groups will hold the following portions of the issued and outstanding CBD Shares: (i) the former holders of WCE Shares will hold 53.0%; (ii) the former holders of Subscription Receipts will hold 40.4%; and (iii) the former holders of CBD Shares will hold 6.7%.