

# **CBD MED RESEARCH CORP.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 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 fiscal years ended December 31, 2018 and 2017. 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 Management Discussion and Analysis was approved by the Board of Directors of the Company on February 21, 2019.

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

### **Statement of Compliance**

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

The Financial Statements and the Management Discussion and Analysis were approved by the Board of Directors of the Company on 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**

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

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 old shares. The total issued and outstanding share capital post-consolidation was 3,671,525 common shares. The Company is currently looking for new projects.

See "Subsequent events".

## Going Concern

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

	December 31 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.

## Selected Annual Information

	2018	2017	2016
	\$	\$	\$
Sales or Revenue	-	-	-
Net Loss	169,681	139,534	390,224
Loss per share	0.02	0.04	0.19
Total Assets	758,168	468,506	41,640

## Results of Operations

During the fiscal year ended December 31, 2018 the Company had net loss of \$169,681 or \$(0.02) per share compared with a loss of \$139,534 or \$(0.04) per share for fiscal year ended December 31, 2017.

### Fourth Quarter Ended December 31, 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 computers during the fiscal years ended December 31, 2015 and 2018 and has since set up a quarterly provision for amortization. Consulting fees were paid for business development and strategic planning services in connection with a potential business acquisition. Filing and transfer fees relate to submissions to the regulatory authorities and to the maintenance of the share records by the Company's transfer agent. Management fees are paid or accrued to the Company's Chief Executive Officer for management services provided to the Company. The Company entered a services contract with its CEO to provide management services, commencing April 1, 2014 in the amount of \$3,500 per month (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 \$11,547 (2017 - \$2,297), 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.

### Fiscal year ended December 31, 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 a computer during the fiscal years ended December 31, 2015 and 2018 and has since set up a quarterly provision for amortization. Consulting fees were paid for business development and strategic planning services in connection with a potential business acquisition. Filing and transfer fees relate to submissions to the regulatory authorities and to the maintenance of the share records by the Company's transfer agent. Management fees are paid or accrued to the Company's Chief Executive Officer for management services provided to the Company. The Company entered into a services contract with its CEO to provide management services, commencing April 1, 2014 in the amount of \$3,500 per month (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 \$26,659 (2017 - \$9,180), audit fees of \$17,066 (2017 - \$18,725), and fees paid or accrued to the Company's Chief Financial Officer in the amount of \$16,000 (2017 - \$16,000). Travel and promotion expenses were incurred with respect to the Company's search for new business projects and financings.

### Operating expenses

	Three months ended December 31 2018	Three months ended December 31 2017	Year ended December 31 2018	Year ended December 31 2017
	\$	\$	\$	\$
<b>General and Administrative Expenses</b>				
Administration	3,750	3,000	15,000	12,000
Amortization	658	138	2,631	550
Consulting	2,620	9,453	5,780	9,453
Filing and transfer agent fees	7,606	1,281	19,330	16,017
Management	10,500	10,500	42,000	42,000
Office and miscellaneous	3,396	1,080	7,481	6,350
Professional fees	15,547	6,297	59,725	43,905
Travel and promotion	7,348	3,457	20,113	9,259
	(51,425)	(35,206)	(172,060)	(139,534)
<b>Other items</b>				
Interest Income	757	-	2,379	-
<b>Net (loss) and comprehensive (loss) for the period</b>	<b>(50,668)</b>	<b>(35,206)</b>	<b>(169,681)</b>	<b>(139,534)</b>

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	-	-	-	-
Income (loss)	(50,668)	(37,644)	(50,898)	(30,471)
Income (loss) per common share	(0.01)	(0.00)	(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)

## **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 financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When no readily available data is available, management is required to estimate the fair value of the instrument using various inputs that are either, directly or indirectly observable, or not based on observable market data.

Significant areas of critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the statements of financial position are:

### *Going concern*

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the years ended December 31, 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.

## **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.

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.

### **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.

<b>Computer equipment</b>		<b>Cost</b>	<b>Amortization</b>	<b>Carrying amount</b>
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

### 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.

### 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.

- **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
<b>Financial Assets</b>		
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
<b>Financial Liabilities</b>		
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.

#### **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.

#### **Outstanding Share Data**

##### **Authorized:**

Unlimited number of common shares with no par value.



### 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, 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.

### Warrants:

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

The following is a summary of share purchase warrant transactions:

### Stock options:

	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

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.

### Related Party Transactions

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

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

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.

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.

## **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 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:

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.

## **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, 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.

## **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 at December 31, 2018 the Company had working capital of \$694,086 compared to a working capital deficiency of 365,471 as at December 31, 2017.

Cash provided pursuant to the issuance of new common shares during the fiscal year ended December 31, 2018 is \$500,000 (2017: \$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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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%.

### **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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February 21, 2019

### HEAD OFFICE

CBD MED RESEARCH CORP.  
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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

### INVESTOR CONTACTS

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### Life Science and Medical Technology Advisory Board

Bill Cheliak, Ph.D  
Charles P. Garrison, M.D.  
Gianni F. Maddalozzo, Ph.D, FACSM

### CAPITALIZATION

Authorized:	Unlimited number of common shares, no par value
Issued:	9,671,525
Options:	Nil
Warrants:	Nil

### LISTINGS

TSX Venture Exchange  
Trading Symbol: CBM.H  
CUSIP #: 12481B