

**WORLD CLASS EXTRACTIONS INC.**

**FORM 2A**

**LISTING STATEMENT**

**MARCH 14, 2019**

## **Cautionary Statement Regarding Forward-Looking Information**

This Listing Statement and the documents incorporated into this Listing Statement contain “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws (forward-looking information and forward-looking statements being collectively hereinafter referred to as “forward-looking statements”). Such forward-looking statements are based on expectations, estimates and projections as at the date of this Listing Statement or the dates of the documents incorporated herein, as applicable. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends”, or variations of such words and phrases, or stating that certain actions, events or results “may” or “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements and information concerning: the intentions, plans and future actions of the Issuer and World Class; statements relating to the business and future activities of the Issuer and World Class after the date of this Listing Statement; market position, ability to compete and future financial or operating performance of the Issuer and World Class after the date of this Listing Statement; statements based on the audited and unaudited financial statements of World Class and the Issuer included as Schedules to this Listing Statement; anticipated developments in operations; the future demand for the products of the Issuer and World Class; the results of development of products and the timing thereof; the timing and amount of estimated capital expenditure in respect of the business of the Issuer and World Class; operating expenditures; success of marketing activities; estimated budgets; currency fluctuations; requirements for additional capital; government regulation; limitations on insurance coverage; the timing and possible outcome of litigation in future periods; the timing and possible outcome of regulatory and permitting matters; goals; strategies; future growth; planned business activities and planned future acquisitions; the adequacy of financial resources; and other events or conditions that may occur in the future.

Forward-looking statements are based on the beliefs of the management of the Issuer and World Class, as well as on assumptions, which such management believes to be reasonable based on information currently available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation those risks outlined in Sections 6 and 17 of this Listing Statement.

The list of risk factors set out in this Listing Statement is not exhaustive of the factors that may affect any forward-looking statements of the Issuer and World Class. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out or incorporated by reference in this Listing Statement generally and certain

economic and business factors, some of which may be beyond the control of the Issuer and World Class. In addition, recent unprecedented events in the world economy and global financial and credit markets have resulted in high market and commodity volatility and a contraction in debt and equity markets, which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. The Issuer and World Class do not intend, and do not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, the security holders of the Issuer and World Class should not place undue reliance on forward-looking statements.

## GLOSSARY

The following is a list of key terms used in this Listing Statement:

“**Affiliate**” means a company that is affiliated with another company as described below.

A company is an “Affiliate” of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same person.

A company is “controlled” by a person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that person, and
- (b) the voting securities, if voted, entitle the person to elect a majority of the directors of the company.

A person beneficially owns securities that are beneficially owned by:

- (a) a company controlled by that person, or
- (b) an Affiliate of that person or an Affiliate of any company controlled by that person.

“**Amalco**” means the corporation resulting from the amalgamation of World Class and Numco.

“**Amalgamation**” has the meaning ascribed to it in section 2.4.

“**Associate**” when used to indicate a relationship with a person, means

- (a) an issuer of which the person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the person,
- (c) any trust or estate in which the person has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity,
- (d) in the case of a person that is an individual, a relative of that person, including
  - (i) that person’s spouse or child, or
  - (ii) any relative of the person or of his spouse who has the same residence as that person.

“**Business Combination Agreement**” means the business combination agreement dated February 13, 2019 among the Issuer, World Class, and Numco.

“**cannabinoid**” means any of various naturally-occurring, biologically active, chemical constituents, such as cannabidiol or cannabinol, of hemp or cannabis including some, such as tetrahydrocannabinol, that possess psychoactive properties.

“**Cannabis Act**” means *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*, S.C. 2018, c. 16, which, when combined with *An Act to Amend the Criminal Code*, provides a framework for the deregulation of cannabis for adult use in Canada.

“**Cannabis Sale License**” has the meaning ascribed to it in section 4.1.

“**CBD Shares**” means the common shares in the capital of the Issuer.

“**CBD Stock Split**” has the meaning ascribed to it in section 2.4.

“**Cole Memorandum**” has the meaning ascribed to it in section 17.

“**CSA**” means the Controlled Substances Act (*United States*).

“**CSE**” means the Canadian Securities Exchange.

“**Effective Date**” means the date shown on the Certificate of Amalgamation.

“**Escrow Agreement**” has the meaning ascribed to it in section 11.

“**FSD**” means FSD Pharma Inc.

“**FV Facility**” has the meaning ascribed to it in section 3.1.

“**FV Pharma**” means FV Pharma Inc., a wholly-owned subsidiary of FSD.

“**Hemp Supply Agreement**” has the meaning ascribed to it in section 3.1.

“**Insider**” if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of the company that is an Insider or subsidiary of the issuer;
- (c) a person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

“**Issuer**” means CBD Med Research Corp.

“**Lease Agreement**” has the meaning ascribed to it in section 4.1.

“**Legalization Day**” has the meaning ascribed to it in section 3.3.

“**License Agreement**” has the meaning ascribed to it in section 3.1.

“**Listing Date**” has the meaning ascribed to it in section 11.

“**Locked-Up Securities**” has the meaning ascribed to it in section 11.

“**Lock-Up Agreements**” has the meaning ascribed to it in section 11.

“**MD&A**” means management’s discussion and analysis.

“**NEO**” or “**named executive officer**” means each of the following individuals:

- (a) an individual who acted as chief executive officer of the company, or acted in a similar capacity, for any part of the most recently completed financial year;
- (b) an individual who acted as chief financial officer of the company, or acted in a similar capacity, for any part of the most recently completed financial year;
- (c) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company or its subsidiaries, nor acting in a similar capacity, at the end of that financial year.

“**Numco**” means CBD Acquisition Corp., a newly incorporated, wholly-owned subsidiary of CBD.

“**OBCA**” means the *Business Corporations Act* (Ontario).

“**Offering**” has the meaning ascribed to it in section 2.4.

“**Person**” means a company or individual.

“**Promoter**” has the meaning ascribed to it in the *Securities Act* (Ontario).

“**RBA**” has the meaning ascribed to it in section 17.

“**Resulting Issuer Finder Warrants**” means warrants issued by the Resulting Issuer in

exchange for the WCE Finder Warrants on a one-for-one basis.

“**Resulting Issuer Options**” means options to acquire Resulting Issuer Shares.

“**Resulting Issuer Prior Finder Warrants**” means warrants issued by the Resulting Issuer in exchange for the WCE Prior Finder Warrants on a one-for-one basis.

“**Resulting Issuer Shares**” means the common shares in the capital of the Resulting Issuer.

“**Resulting Issuer Warrants**” means warrants to acquire Resulting Issuer Shares.

“**Resulting Issuer**” has the meaning ascribed to it in section 2.4.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval.

“**SQDC**” means Société québécoise du cannabis.

“**Standard Processing License**” has the meaning ascribed to it in section 3.1.

“**Stock Option Plan**” has the meaning ascribed to it in section 9.

“**Stock Splits**” has the meaning ascribed to it in section 2.4.

“**Subscription Receipt**” has the meaning ascribed to it in section 2.4.

“**THC**” means tetrahydrocannabinol.

“**TSXV**” means the TSX Venture Exchange.

“**WCE Board**” has the meaning ascribed to it in section 13.1.

“**WCE Facility**” has the meaning ascribed to it in section 3.1.

“**WCE Finder Warrants**” has the meaning ascribed to it in section 2.4.

“**WCE Mobile Units**” has the meaning ascribed to it in section 4.1.

“**WCE Options**” means options to acquire WCE Shares.

“**WCE Prior Finder Warrants**” means warrants exercisable to purchase one (1) WCE Share at a price of \$0.10 for a period of two (2) years following the date of issuance thereof.

“**WCE Shares**” means the common shares in the capital of World Class.

“**WCE Stock Split**” has the meaning ascribed to it in section 2.4.

“**WCE Technology**” has the meaning ascribed to it in section 3.1.

“**World Class**” means World Class Extractions Inc.

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## 2. Corporate Structure

### 2.1 Corporate Name and Head and Registered Office

The full corporate name of the Resulting Issuer (as hereinafter defined) is “World Class Extractions Inc.”, which the Resulting Issuer changed from “CBD Med Research Corp.” (its former name) upon completion of the Amalgamation. The head and registered office of the Resulting Issuer is located at 810- 675 West Hastings Street, Vancouver, British Columbia V6B 1N2. The Resulting Issuer is a reporting issuer in the Provinces of British Columbia and Alberta.

### 2.2 Jurisdiction of Incorporation

#### The Issuer

The Issuer was incorporated under the laws of British Columbia on December 2, 1965, under the name “Luaaron Metals Ltd.”, by the filing of its memorandum and articles, with the British Columbia Registrar of Companies.

The Issuer changed its name, on July 10, 1981, to “Lynx Resources Ltd.”; on January 21, 1987, to “Avatar Resource Corporation”; and on December 21, 1993, to “Blackline Oil Corporation”. On February 20, 2001, the Issuer changed its name to Resourceexplorer Inc. and continued its jurisdiction of incorporation into the Province of Alberta. On July 23, 2002, the Issuer changed its name to “Exchequer Resource Corp.”; and on October 25, 2004, the Issuer was continued into British Columbia under the *Business Corporations Act* (British Columbia). The Issuer changed its name to “CBD Med Research Corp.” on July 17, 2014.

### 2.3 Inter-corporate Relationships

Amalco, a wholly-owned subsidiary of the Resulting Issuer, was formed under the OBCA on March 11, 2019, pursuant to the Amalgamation of Numco and World Class.

### 2.4 Fundamental Change

World Class completed a private placement of 176,923,072 subscription receipts (“**Subscription Receipt**”) at a price of \$0.13 per Subscription Receipt for gross proceeds of \$23,000,000 that closed in tranches on October 30, 2018, November 14, 2018 and February 19, 2019 (the “**Offering**”). Immediately following the WCE Stock Split and prior to the closing of the Amalgamation, each Subscription Receipt converted, with no additional consideration or action by the holder into one (1) WCE Share on a post-WCE Stock Split basis, for an aggregate of 176,923,072 WCE Shares. For greater certainty, the terms and conditions applicable to the Subscription Receipts were that the underlying WCE Shares did not adjust in accordance with the WCE Stock Split. The gross proceeds of the Offering were delivered into escrow on behalf of the purchasers of Subscription Receipts and have now been released from escrow as a result of the escrow release conditions having been satisfied. In connection with the Offering, World Class paid, on the completion of the Amalgamation, a corporate finance fee equal to \$460,000, being 2% of the gross proceeds of the Offering, and a

sales commission of \$1,610,000, being equal to 7% of the gross proceeds of the Offering, for a total amount of \$2,070,000. Additionally, World Class granted to the finder 3,538,462 corporate finance warrants, being equal to 2% of the Subscription Receipts sold pursuant to the Offering, and 12,384,615 selling compensation warrants (collectively with the corporate finance warrants, the “**WCE Finder Warrants**”), being equal to 7% of the Subscription Receipts sold pursuant to the Offering, for a total grant of 15,923,077 WCE Finder Warrants. Each WCE Finder Warrant entitles the holder thereof to acquire one (1) WCE Share at a price of \$0.13 per WCE Share for a period of forty-two (42) months commencing on the date the Resulting Issuer Shares begin trading on the CSE.

Immediately prior to the Amalgamation, the Issuer and World Class completed the following:

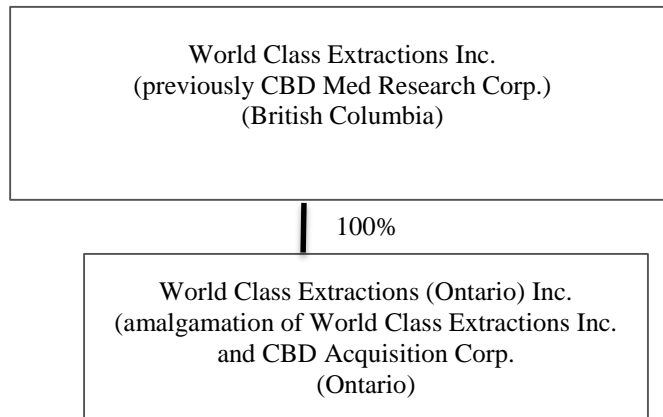
- a) the Issuer completed a stock split (the “**CBD Stock Split**”) on the basis of one (1) CBD Share prior to the CBD Stock Split to three (3) CBD Shares following the CBD Stock Split, resulting in there being an aggregate of 29,014,575 CBD Shares issued and outstanding;
- b) World Class effected a stock split (the “**WCE Stock Split**”, and together with the CBD Stock Split, the “**Stock Splits**”) on the basis of one (1) WCE Share prior to the WCE Stock Split to one and one half (1.5) WCE Shares following the WCE Stock Split, resulting in there being an aggregate of 230,242,500 WCE Shares issued and outstanding; and
- c) World Class issued, following the WCE Stock Split, an aggregate of 15,000,000 WCE Shares to certain finders as consideration for assisting in arranging the Business Combination.

On February 13, 2019, the Issuer, World Class, and Numco entered into the Business Combination Agreement, pursuant to which the parties completed a business combination by way of a three-cornered amalgamation (the “**Amalgamation**”) under the OBCA. Under the terms of the Business Combination Agreement, (i) World Class amalgamated with Numco to become a wholly-owned operating subsidiary of the Issuer and carry on the existing business of World Class, (ii) the Issuer filed a notice of alteration to change its name to “World Class Extractions Inc.” (the “**Resulting Issuer**”). Pursuant to the terms of the Business Combination Agreement, each shareholder of World Class received one (1) CBD Share for every one (1) WCE Share. In addition, each holder of a stock option or warrant of World Class received an equal number of replacement stock options, warrants and broker warrants of the Issuer, as applicable.

Following the Amalgamation, there are an aggregate of 451,180,147 Resulting Issuer Shares issued and outstanding. Of these issued and outstanding Resulting Issuer Shares, former shareholders of World Class hold 245,242,450 Resulting Issuer Shares, representing approximately 54.36% of the Resulting Issuer Shares; former Subscription Receipt holders hold 176,923,072 Resulting Issuer Shares, representing approximately 39.21% of the outstanding Resulting Issuer Shares; and the original shareholders of the Issuer hold 29,014,575 Resulting Issuer Shares, representing

approximately 6.43% of the outstanding Resulting Issuer Shares.

The Amalgamation resulted in (i) Numco and World Class amalgamating to form Amalco, a new entity which is a wholly-owned subsidiary of the Issuer, (ii) a reverse take-over of the Issuer by the shareholders of World Class, and (iii) the Resulting Issuer filing articles of amendment to change its name to “World Class Extractions Inc.” The Amalgamation resulted in the following corporate structure:



## 2.5 Non-Corporate Issuers and Issuers Incorporated Outside of Canada

The Issuer is neither a non-corporate issuer nor an issuer incorporated outside of Canada.

## 3. General Development of the Business

### 3.1 General Development of the Business

#### The Issuer

During the financial year ended December 31, 2015, the Issuer entered into a definitive agreement with Medipacs Inc. (“**Medipacs**”), a California based company that had developed technology to administer pain medication in the field of veterinary and animal health care. The Issuer formally terminated the agreement with Medipacs on January 7, 2017, and has been looking for new projects since.

In August 2018, the Issuer entered into a letter of intent with World Class in connection with the Amalgamation. The parties subsequently entered into the Business Combination Agreement which replaced the letter of intent.

The key terms of the Business Combination Agreement are as follows:

- a) On or prior to the Effective Date, the Issuer will complete the CBD Stock Split, so that there will be 29,014,575 CBD Shares issued and outstanding;
- b) On or prior to the Effective Date, World Class will complete the WCE Stock

Split, so that there will be approximately 230,242,500 WCE Shares issued and outstanding;

- c) Numco will amalgamate with World Class to form a new entity, to be called “WCE Subsidiary Inc.” (“**Amalco**”);
- d) On the Effective Date, each holder of WCE Shares shall be entitled to, and shall receive, one (1) CBD Share for each one (1) WCE Share held, on a post-CBD Stock Split and post-WCE Stock Split basis. As a result, the Amalgamation will result in Amalco becoming a wholly-owned subsidiary of the Issuer and a reverse take-over of the Issuer by the shareholders of Word Class;
- e) On the Effective Date, each holder of a WCE Option, or WCE Finder Warrant, WCE Prior Finder Warrant option or warrant of World Class shall receive an equal number of replacement Resulting Issuer Options, Resulting Issuer Finder Warrants or Resulting Issuer Prior Finder Warrants, as applicable; and
- f) On the Effective Date, the Resulting Issuer will grant to its continuing directors, officers, consultants and employees (as recommended by its future board of directors), options to acquire Resulting Issuer Shares in accordance with the Resulting issuer’s stock option plan.

## **World Class**

### **Introduction and Background**

World Class was incorporated under the OBCA on January 25, 2018 as a private company. World Class is developing a unique extraction process to produce quality, potent cannabis extracts. Subject to the successful development of this extraction process and receiving the relevant licenses from Health Canada, the business of World Class is to commercialize its extraction technology, which uses ultrasound to effectively produce extracts from cannabis and hemp and isolate essential compounds found in plant material (the “**WCE Technology**”). World Class intends to apply within the first quarter of 2019 for a Health Canada standard processing license (“**Standard Processing License**”) to allow it to utilize the WCE Technology to extract cannabidiol oils from cannabis.

The WCE Technology has a number of advantages over conventional extraction methods, including the ability to: (i) produce higher concentrated compounds; (ii) process full spectrum brand oil at larger volumes, since extraction occurs on a continuous basis, rather than in batches; (iii) utilize undried cannabis or hemp in the process; and (iv) reduce production time. In addition, tests that World Class has performed indicate that the WCE Technology may be able utilize all parts of cannabis or hemp plants. World Class believes that the advantages of the WCE Technology will allow it to capitalize on the significant opportunities in the medical and recreational cannabis and hemp markets. World Class intends to utilize the WCE Technology to provide extraction services to producers of cannabis licensed under the *Cannabis Act* (Canada) and related regulations, and to hemp farmers. The WCE

Technology allows World Class' prospective customers to eliminate designated drying areas in their production facilities and expand their active canopy for growing more cannabis or hemp. World Class' mobile extraction services would also enable its customers to eliminate capital expenditures for in-house extraction equipment and reduce processing fees. Traditional extraction methods require cannabis or hemp to be dried and cured, which may take up to 70 days<sup>1</sup>, and consequently extend the production time for producing extracts. The WCE Technology would essentially eliminate this waiting period. Further, the WCE Technology minimizes by-product plant biomass produced, instead utilizing all parts of the cannabis or hemp plant (including roots) in the extraction process.

On November 20, 2018, World Class signed an agreement (the "**License Agreement**") with FV Pharma Inc. ("**FV Pharma**"), a wholly-owned subsidiary of FSD Pharma Inc. ("**FSD**"), a reporting issuer listed on the CSE under the ticker "HUGE". FV Pharma is a licensed producer in the Province of Ontario that received its license to cultivate cannabis on October 13, 2017. FV Pharma's production facility is 630,000 square feet on a 70-acre plot of land in Cobourg, Ontario. World Class intends to build a commercial scale pilot plant (the "**WCE Facility**") within FV Pharma's facility (the "**FV Facility**"), following which, World Class will be able to provide extraction services directly to FV Pharma. World Class' partnership with FV Pharma will be essential to World Class' success as FV Pharma's indoor cultivation space is the largest in Canada. Further, the WCE Facility's proximity to Toronto will allow for reduction in transportation costs and delivery time to customers. The License Agreement also entails provisions for the distribution of World Class' products through FV Pharma's distribution channels, thereby allowing World Class to rapidly penetrate the recreational market in Canada.

On February 12, 2019, World Class signed a supply agreement with FSD, Canntab Therapeutics Limited and 10975443 Canada Inc. (the "**Hemp Supply Agreement**") to purchase approximately 1,000 kg of 10975443 Canada Inc.'s 2018 hemp crop at a purchase price of \$100.00 per kg per 1% of CBD extracted from the flower. Working alongside Canntab and FSD, World Class will extract CBD from the organic hemp. The hemp flower will be processed into gel capsules and tablets at the FV Facility.

As of the date of this Listing Statement, World Class has built a pilot extraction unit, which utilizes the WCE Technology. World Class has performed extensive testing of the WCE Technology using the pilot extraction unit, which it has conducted on certain botanicals, but not hemp or cannabis. These tests indicate that the WCE Technology has all of the advantages outlined above as compared to conventional extraction methods. In addition, World Class has (i) currently contracted for the production of two commercial units, which are currently being built in India, and World Class expects that those commercial units will be delivered and be operational in Canada by Q2 2019; and (ii) is in the process of building a stationary commercial unit which currently resides at the WCE Facility, which it expects to be finalized by Q3 2019.

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<sup>1</sup> Medium, "Cannabis Extractions: The Complete Guide", January 6, 2017, online: <  
<https://medium.com/meetharmony/cannabis-extractions-the-complete-guide-151edb382d65>>.

### 3.2 Significant Acquisitions and Dispositions

Please refer to Item 2.4 and Item 3.1

### 3.3 Trends, Commitments, Events or Uncertainties

#### Market Size and Opportunity

The landscape of the cannabis market in Canada has changed drastically in the past few months, and the demand for cannabis and cannabis infused products has grown quickly.

Canada legalized cannabis on October 17, 2018 (“**Legalization Day**”). The *Cannabis Act* (Canada) came into force on Legalization Day, putting in place a new, strict framework for controlling the production, distribution, sale and possession of recreational cannabis in Canada. Predictably, the demand for cannabis products has exceeded supply. On October 18, 2018, just a day after Legalization Day, the Nova Scotia Liquor Corporation announced<sup>2</sup> that the entire province was out of cannabis oils and capsules and that small packaged dried flower and pre-rolls were in limited supply. In Quebec, the Société québécoise du cannabis (“**SQDC**”) announced<sup>3</sup> that 12 stores were opened in the province of Quebec on Legalization Day, which attracted a large number of people who waited up to four hours to purchase recreational cannabis. SQDC recorded over 12,500 transactions in stores and 30,000 online orders. In British Columbia, as reported by Daily Hive<sup>4</sup>, the BC Cannabis Stores recorded 9,980 orders on Legalization Day, with 9,175 of those orders (91.9%) placed online.

Following the legalization of recreational cannabis in Canada, a substantially larger customer base has emerged, compared to the Canadian medicinal cannabis market. According to Mackie Research, the overall Canadian medicinal cannabis market is projected to be \$1.15 billion by 2020. Approximately 43% of this market is projected to be cannabis extracts and oils, of which the cannabis-infused beverage portion is expected to be 80%. Data from Canaccord Genuity Group Inc. (“**Canaccord**”) indicates annual recreational cannabis sales in Canada may reach \$6 billion by 2021. Canaccord believes “patients in Canada will consume more than 150,000 kg of cannabis per year by 2021, which could equate to \$1.8 billion in retail sales.” The legalization of recreational cannabis use is a transformational event, in that a vast illegal market is being replaced by legal sales worth as much as \$6 billion, by 2021. Research from CIBC World Markets indicates an even bigger market, estimating the

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<sup>2</sup> Source: Daily Hive (Buzz Connected Media Inc.), October 19, 2018, “One Canadian Province Confirms It’s Already Experiencing a Weed Shortage”, online: < <http://dailyhive.com/grow/nova-scotia-weed-shortage>>.

<sup>3</sup> Source: Services Québec, October 16, 2018, online: “The Société Québécoise Du Cannabis Opens Its First Stores on October 17, 2018”, online: < <http://www.fil-information.gouv.qc.ca/Pages/Article.aspx?lang=en&idArticle=2610164681>>.

<sup>4</sup> Source: Daily Hive (Buzz Connected Media Inc.), October 18, 2018, “BC Cannabis Stores Release Sales Numbers After First Day of Legalization”, online: < <http://dailyhive.com/vancouver/bc-cannabis-stores-sales-october-2018>>.

Canadian cannabis market would reach \$10 billion if it were to be regulated like other retailers.

To cater to a rapidly growing market, it is crucial for licensed producers of cannabis to maintain an adequate supply of cannabis and cannabis-infused products. By partnering with World Class, licenced producers of cannabis will be able to effectively: (i) increase their allotted space for active canopy to increase their production yield; (ii) have access to a supply of higher-quality extracts; and (iii) reduce the production time associated with extracting.

## **4 Narrative Description of the Business**

### **4.1 General**

#### **World Class**

World Class was incorporated pursuant to the OBCA on January 25, 2018. World Class has its registered office at 1 Adelaide Street East, Suite 801, Toronto, Ontario, M5C 2V9.

World Class is a Canadian extraction company based in Toronto, Ontario which is in the process of developing a proprietary technology to extract cannabinoid oils from wet or dry cannabis. World Class' leading and patent pending technology allows for unique methods of extraction of both cannabis and hemp, and in particular, provides extraction services that produce higher yields of cannabinoid oils at faster rates. World Class can extract the entire cannabis plant including the roots, whether or not the plant has been dried or is wet. Further, World Class' proprietary extraction process allows for continued operation for large scale outfits.

#### **Corporate History**

- January 25, 2018: World Class is incorporated in the province of Ontario.
- June 7, 2018 and June 15, 2018: World Class completed private placement offerings for gross proceeds of \$2,349,500.
- August 8, 2018: World Class entered into a letter of intent with the Issuer with respect to the Amalgamation, whereby World Class will amalgamate with Numco and shareholders of World Class will receive CBD Shares in exchange for their WCE Shares, in both cases on a post-Stock Splits basis, resulting in the shareholders of World Class acquiring control of the Issuer by way of a reverse take-over.
- October 30, 2018, November 14, 2018 and February 19, 2019: World Class completed the Offering of Subscription Receipts for aggregate gross proceeds of \$23,000,000.

- November 20, 2018: World Class enters into the License Agreement with FV Pharma, a licensed producer and a wholly-owned subsidiary of FSD, a reporting issuer listed on the CSE.

### Funds Available

The funds expected to be available to the Resulting Issuer are as follows:

Sources	Funds Available
Net Proceeds for the Offering <sup>(1)</sup>	\$20,930,000
Existing working capital (deficiency) <sup>(2)</sup>	\$768,000
<b>Total Funds Available</b>	<b>\$21,698,000</b>

**Note:**

1. Net proceeds raised from the Offering, after deducting \$2,070,000 in financing costs.
2. Unaudited estimate as at January 31, 2019.

### Business Objectives and Milestones

World Class will use its financial resources, among other things: (i) to solicit, apply to and secure major contracts for the supply of cannabidiol oil, (ii) to pursue potential opportunities for the purchase of land or other facilities to grow cannabis or hemp, (iii) to establish a research and development facility, (iv) to finish construction of the WCE Mobile Units, the FV Facility, and a stationary cannabidiol oil extraction unit to be located at the FV Facility, (vi) to carry out research and development projects for the manufacturing of cannabidiol oil-containing consumer products for dermatological application or for beverages.

World Class has set the following high-level milestones to reach the above objectives:

Milestone	Target Date	Estimated Cost \$ CAD
Win one additional major contract for the supply of cannabidiol oils	2019	Nil <sup>(1)</sup>
Secure leased premises for research and development activities and make improvements to premises	2019	\$660,000
Finish construction of WCE Mobile Units	2019	\$1,320,000
Finish construction of FV Facility	2019	\$1,320,000
Finish construction of stationary cannabidiol oil extraction unit to be located at the FV Facility	2019	\$1,320,000
Carry out research and development projects for the manufacturing of cannabidiol oil-containing consumer products for dermatological application or for beverages	TBD <sup>(2)</sup>	\$660,000

**Note:**

1. World Class will initially rely on existing employees and resources to ensure that additional contracts are obtained.



2. World Class intends to conduct research and development related to projects for the manufacturing of cannabidiol oil-containing consumer products for dermatological application or for beverages at a new World Class research facility. Research and development will only begin once such research facility is operational.

## **World Class Technology**

World Class has previously filed, and will continue to file, patent applications directed to its proprietary systems and methods for producing cannabis extracts. Such systems and methods are believed to be novel and non-obvious, based on the ability of the WCE Technology to produce extracts that have substantially greater concentrations of target cannabinoids and possess minimal contaminants. The WCE Technology can also be applied to freshly harvested cannabis plants, and thereby eliminate prolonged drying times, and can be used to derive extracts from the entire cannabis plant, such as the roots, stems and other plant structures that are typically discarded despite being rich in target cannabinoids.

Additional advantages of the WCE Technology include:

- the ability to process very large volumes of cannabis and hemp plant material;
- the ability to be transported to, and deployed at, remote locations, subject to any regulatory restrictions, including health and safety and transport, and other limitations, such as those posed by infrastructure; and
- the ability to process cannabis in a manner that minimizes the volume of biomass byproducts, without making use of any toxic solvents.

World Class intends to pursue patents for its technology in every major industrialized country of economic significance. In the event that World Class succeeds in its efforts to patent its technology, World Class will likely have, subject to customary risks associated with intellectual properties, including those discussed elsewhere in this Listing Statement, the ability to prevent competitors from making, using, selling and/or offering for sale the systems and methods as claimed by World Class' patent applications. Such intellectual property assets, if obtained, are anticipated to play an important role to World Class' success and provide World Class with a significant competitive advantage in the marketplace.

## **Stage of Development of Principal Products**

As of the date of this Listing Statement, World Class' principal products and services were not yet fully developed and their commercialization had not yet begun.

World Class can, subject to the successful development of the WCE Technology and the receipt of all relevant licenses from Health Canada, provide the following services to customers:

### *a) Mobile Extraction Services*

World Class can provide certain mobile units it has developed (“**WCE Mobile Units**”) to licenced hemp and cannabis producers under a fee for service, royalty

based, or revenue sharing model. As of the date of this Listing Statement, World Class is building two WCE Mobile Units in India. World Class anticipates that these two WCE Mobile Units will likely be operational by Q2 2019. In addition, World Class has also intends to build one stationary unit in Canada at the WCE Facility, which World Class expects to be operational by Q3 2019.

*b) In-House Partnership*

World Class can design, build and operate full scale extraction set-ups in licensed facilities on a revenue sharing basis. As of the date of this Listing Statement, World Class' only in-house partnership is with FSD and FV Pharma, with respect to the WCE Facility. World Class intends to continue to actively seek opportunities to build further partnerships, and intends to target the hemp field in Canada.

*c) End User Products*

World Class will develop, produce and distribute products to end users in partnership with licensed producers, subject to Health Canada approval. As of the date of this Listing Statement, World Class does not possess a license to sell products directly to end users.

Cannabinoid oils are typically significantly more potent than the equal amount of standard cannabis buds. At high grades, a cannabis concentrate is reminiscent of the cannabis strain it was extracted from; the smell, taste, and effects are simply magnified due to a larger concentration by weight.

End user products which World Class may develop, produce and distribute could include cannabinoid oils sold for: smoking, vaporizing or dabbing; consumption in tinctures to be taken orally as drops, added to food or applied directly to the skin; consumption as pills and other edibles.

*d) Brands*

World Class will acquire recognized brands in order to enhance its ability to sell cannabinoids through licenced distributors. As of the date of this Listing Statement, there are no negotiations to which World Class is a party.

World Class intends to focus on manufacturing and developing unique consumer products using the WCE Technology, which World Class believes will give it a competitive advantage in the sale of products manufactured with cannabinoid oil extracted from hemp and cannabis.

**Production and Sales**

Preliminary testing conducted on certain botanicals, but not hemp or cannabis, using a World Class pilot extraction unit suggests that the WCE Technology shall be capable of producing cannabinoid extracts directly from any species of freshly harvested cannabis and/or hemp, by processing the entire plant including any roots,

stems, leaves, buds and seeds. It is expected that the WCE Technology may be used on by-products of cannabis plants used for production of dried cannabis flower which would otherwise have no commercial use.

Testing conducted to date suggests that the WCE Technology could process a mixture of solvent and shredded or ground freshly harvested plant material. The solution would be subjected to ultrasound waves using a sonication instrument. Ultrasound waves are known to break down cellular structures in plant materials and are expected to free cannabinoid oils into a solution, which would then be filtered and further processed to remove any undesirable components, leaving only high-grade cannabinoid oils.

### **Material Lease Terms**

On October 1, 2018, World Class entered into a 10-year lease (the “**Lease Agreement**”) with FV Pharma to allow it to build the WCE Facility in 5,000 square feet of space at the FV Facility. Pursuant to the Lease Agreement, World Class will pay to FV Pharma an annual rent of \$20,000.00, payable in equal monthly instalments, as well as its proportionate share of the cost and expenses incurred by FV Pharma in insurance and taxes for the FV Facility. The Lease Agreement shall terminate on October 30, 2028, unless renewed by World Class pursuant to the terms of the Lease Agreement, which allow for renewal for 10 years on the same terms with an increase in the rental rate of an additional amount equal to 1.5% per year for each year of the renewal term. As of the date of this Listing Statement, World Class was in good standing under the Lease Agreement. FV Pharma is not a related person of World Class, as such term is defined pursuant to CSE policy 1.

### **Specialized Skills and Knowledge**

World Class does not currently have its own Standard Processing License, required by Health Canada to extract cannabidiol oils from cannabis. World Class intends to apply for a Standard Processing License within the first quarter of 2019. In the interim, World Class will operate under a Standard Processing License which FSD has obtained from Health Canada. World Class intends to rely on a cannabis sale license (“**Cannabis Sale License**”) FSD holds and will modify to allow for the sale of the cannabidiol oils produced using the WCE Technology to third parties.

World Class employs a full-time system process engineer and a scientist to maintain its equipment and technology. Furthermore, World Class has retained the services of an intellectual property attorney to defend its ownership of the WCE Technology.

### **Sources of Raw Materials**

As of the date of this Listing Statement, World Class had entered into the Hemp Canada Supply Agreement and the License Agreement to source cannabis to be used to generate cannabinoid oils. The terms of the Hemp Supply Agreement and the License Agreement are further described in section 3.1. As of the date of this Listing Statement, no agreements had yet been entered into to source cannabis for processing using World Class’ WCE Mobile Units.

## **Intellectual Property**

World Class has applied to patent the WCE Technology and for trade-mark protection in the United States of America and internationally. The duration and effect of patent and trade-mark protection will vary according to each jurisdiction. World Class has retained patent and trade-mark litigation attorneys to enforce all its intellectual property rights to the fullest extent possible.

## **Cyclicalness or Seasonality**

World Class' business is not expected to be cyclical or seasonal. Market demand for wholesale of cannabidiol oils is not projected to vary significantly from month-to-month. Although growth of outdoor cannabis crops is affected by seasonal changes, World Class expects to be able to store dried cannabis plants for processing at times other than during the cannabis growing season. Furthermore, FV Pharma will supply World Class with cannabis grown at its indoor facilities, and such supply will not be affected by seasonal changes.

## **Renegotiation or Termination**

As of the date of this Listing Statement, World Class was not expecting renegotiation or termination of the Hemp Supply Agreement, the License Agreement or the Lease Agreement.

## **Environmental Protection Requirements**

As of the date of this Listing Statement, World Class did not expect environmental protection requirements to cause material financial or operational effects.

## **Employees**

As of the date of this Listing Statement, World Class employed four full time employees, which are the chief executive officer Michael McCombie, the chief financial officer Donal Carroll, and two additional employees. At the current stage of development, World Class is focused on maintaining a lean corporate structure, utilizing sales agents for client acquisition when possible.

## **Risks Associated with Foreign Operations**

As of the date of this Listing Statement, the WCE Mobile Units located in India were under construction. Since World Class had not begun operations in India and does not have operations in other foreign jurisdictions outside of Canada, there were no material risks associated with foreign operations.

## **Material Agreements**

World Class' business is substantially dependent on the Lease Agreement, which is further described above in this section 4.1, and the License Agreement, which is described below and at section 3.1.

The License Agreement is for an initial term of 10 years, to be automatically renewed thereafter for renewal terms of one year each. The License Agreement grants to FV Pharma a non-exclusive license to manufacture, commercialize, sell, and offer for sale, cannabidiol oils using the WCE Technology, and grants World Class the exclusive right to extract oil and cannabis at the FV Facility. Pursuant to the License Agreement, FV Pharma will provide World Class with the raw materials (cannabis and cannabis oil) required by World Class for research and development and for the extraction of CBD, oil and other extracts using the WCE Technology. FV Pharma shall pay World Class, at World Class' option, a fee in cash or product equal to 7% of the oil and extracts extracted from FV Pharma's cannabis. FV Pharma is responsible for all regulatory costs to allow World Class to carry out its duties under the License Agreement. The required approvals to sell the extractions in Canada shall be obtained at FV Pharma's sole cost and expense.

### **Competitive Conditions**

World Class believes that changes to Canadian legislation in the *Cannabis Act* (Canada) provide attractive 'early mover opportunities' in areas other than simple cultivation and sale of cannabis. These emerging opportunities include the production of value-added products such as extracts manufactured using cannabinoid oils for use in a growing varieties of consumer cannabis products. Extracts will soon be widely marketed at the sub wholesale, wholesale and retail levels for use alone or in several new products which will include everything from infused edibles, vaporizer compounds and beverages, to infused cosmetics and medicinal compounds.

#### **4.2 Asset Backed Securities**

The Issuer does not have any asset-backed securities.

#### **4.3 Mineral Projects**

The Issuer does not have any mineral projects.

#### **4.4 Issuers with Oil and Gas Operations**

The Issuer does not have any oil and gas operations.

### **5. Selected Consolidated Financial Information**

#### **5.1 Annual Information**

##### **Issuer**

The following table summarizes financial information of the Issuer for the last three completed financial years ended December 31, 2018, 2017 and 2016. This summary financial information should only be read in conjunction with the Issuer's financial statements and the notes thereto. See "Financial Statements" in section 25 hereof. The financial statements are also available under the Issuer's SEDAR profile at [www.sedar.com](http://www.sedar.com).

	<b>Year Ended December 31, 2018 (audited)</b>	<b>Year Ended December 31, 2017 (audited)</b>	<b>Year Ended December 31, 2016 (audited)</b>
Total Revenues	Nil	Nil	Nil
Income or Loss before Discontinued Operations & Extraordinary Items	(169,681)	(139,534)	(390,224)
Net Loss in total	(169,681)	(139,534)	(390,224)
Basic and Diluted Loss per Share	(0.02)	(0.04)	(0.19)
Total Assets	758,168	468,506	41,640
Total Long Term Liabilities	Nil	Nil	Nil
Cash dividends declared per share	Nil	Nil	Nil

### **World Class**

The following table summarizes financial information of World Class for the period from incorporation on January 25, 2018 to December 31, 2018. This summary financial information should only be read in conjunction with World Class' financial statements and the notes thereto. See "Financial Statements" in section 25 hereof.

	<b>From Incorporation to December 31, 2018 (audited)</b>
Total Revenues	\$0.00
Income or Loss before Discontinued Operations & Extraordinary Items	\$(4,137,739)
Net Loss in total	\$(4,138,521)
Basic and Diluted Loss per Share	\$(0.02)
Total Assets	\$34,341,177
Total Long Term Liabilities	\$0.00
Cash dividends declared per share	\$0.00

## 5.2 Quarterly Information

### Issuer

The following tables summarize the financial results for each of the Issuer's eight most recently completed quarters. This financial data has been prepared in accordance with IFRS and all figures are stated in Canadian dollars.

	<b>December 31, 2018 Q4</b>	<b>September 30, 2018 Q3</b>	<b>June 30, 2018 Q2</b>	<b>March 31, 2018 Q1</b>
<b>Financial results:</b>				
Net (loss) profit for the period	(50,668)	(37,644)	(50,898)	(30,471)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	0.00
<b>Balance sheet data:</b>				
Cash	476,140	16,579	24,179	72,748
Total assets	758,168	326,598	358,007	404,943
Shareholders' Equity (deficit)	696,241	246,909	284,553	335,451
	<b>December 31, 2017 Q4</b>	<b>September 30, 2017 Q3</b>	<b>June 30, 2017 Q2</b>	<b>March 31, 2017 Q1</b>
<b>Financial results:</b>				
Net (loss) profit for the period	(35,206)	(31,411)	(46,227)	(26,690)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)
<b>Balance sheet data:</b>				
Cash	463,547	78,846	157,622	16,444
Total assets	468,506	82,550	160,216	20,245
Shareholders' Equity (deficit)	365,922	(20,628)	65,783	(113,490)

### World Class

World Class has not yet completed a full financial year and therefore has no quarterly financial information to disclose.

## 5.3 Dividends

To date, neither World Class nor the Issuer has paid any dividends on the CBD Shares or the WCE Shares. The Issuer anticipates that, for the foreseeable future, it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Resulting Issuer's Board of Directors, after taking into account various factors, including the

Resulting Issuer's operating results, financial condition, and current and anticipated cash needs.

#### **5.4 Foreign GAAP**

Not applicable. Neither the Issuer's nor World Class' financial statements are prepared using foreign GAAP.

### **6. Management's Discussion and Analysis**

#### **(a) Annual MD&A**

##### **Issuer**

The Issuer's annual MD&A for its most recent fiscal year ended December 31, 2018 is attached to this Listing Statement as Schedule "D".

##### **World Class**

World Class' annual MD&A for the fiscal period since incorporation and ended December 31, 2018 is attached to this Listing Statement as Schedule "E".

#### **(b) Interim MD&A**

##### **Issuer**

N/A.

### **7. Market for Securities**

The Issuer was listed on the TSXV, under the symbol "CBM.H". On August 7, 2018, the CBD Shares were halted from trading on the TSXV in anticipation of the announcement, via news release, of its letter of intent with World Class on August 15, 2018. The Issuer is a reporting issuer in British Columbia and Alberta.

### **8. Consolidated Capitalization**

The outstanding capital of the Resulting Issuer consists of:

- (a) 451,180,147 Resulting Issuer Shares
- (b) 13,500,000 Resulting Issuer Options
- (c) 15,923,077 Resulting Issuer Finder Warrants
- (d) 3,171,825 Resulting Issuer Prior Finder Warrants



## 9. Options to Purchase Securities

The Issuer's shareholders implemented its stock option plan at the Issuer's annual shareholder meeting held on October 24, 2018 (the "**Stock Option Plan**"). The Stock Option Plan provides that the aggregate number of securities reserved for issuance will be 10% of the number of common shares of the Resulting Issuer issued and outstanding from time to time. The Stock Option Plan was established to provide incentive to qualified parties to increase their proprietary interest in the Resulting Issuer and thereby encourage their continuing association with the Resulting Issuer. Management proposes stock option grants to the Board of Directors based on such criteria as performance, previous grants, and hiring incentives.

The Stock Option Plan is administered by the Resulting Issuer's Board of Directors, which has full and final authority with respect to the granting of all options thereunder. Options may be granted under the Stock Option Plan to certain qualified parties, such as directors, senior officers, employees and consultants of the Resulting Issuer or its subsidiaries. The exercise prices will be determined by the Board of Directors, provided that it is not less than such minimum price as is permitted by the policies of any stock exchange on which the Resulting Issuer Shares may be listed. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options granted under the Stock Option Plan are not transferable or assignable other than by testamentary instrument or pursuant to the laws of succession.

Pursuant to the Amalgamation, Resulting Issuer Options were issued to the holders of the World Class Options in exchange and replacement for, and on an equivalent basis as, the World Class Options. The World Class Options were cancelled.

The following tables sets out all of the Resulting Issuer Options:

<u>Category of Option Holder</u>	<u>Number of Options to Acquire Resulting Issuer Shares held as a Group</u>
(a) All proposed officers and directors	4,275,000
(b) All consultants as a group	9,225,000
(c) All other persons or companies (e.g. former officers and directors of World Class and the Resulting Issuer, all employees)	Nil
<b>Total Number of Outstanding Options:</b>	<b>13,500,000</b>

The following table provides information as to material provisions of the Resulting Issuer Options that are outstanding:

<b>Date of Grant</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
July 6, 2018	13,500,000	\$0.067	July 7, 2021
<b>TOTAL</b>	13,500,000		

## 10. Description of the Securities

### 10.1 Description of the Securities

The Resulting Issuer's authorized share capital consists of an unlimited number of Resulting Issuer Shares. Immediately following completion of the Amalgamation, there were 451,180,147 Resulting Issuer Shares issued and outstanding.

Except as otherwise prescribed by the *Business Corporations Act* (British Columbia), at a meeting of shareholders of the Resulting Issuer, each Resulting Issuer Share entitles the holder thereof to one vote in respect of each Resulting Issuer Share held at such meetings. The holders of Resulting Issuer Shares are entitled to receive dividends if, as and when declared by the Board of Directors of the Resulting Issuer. In the event of liquidation, dissolution or winding-up of the Resulting Issuer, the holders of the Resulting Issuer Shares are entitled to share rateably in any distribution of the property or assets of the Resulting Issuer.

There are no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions, which are capable of requiring a security holder to contribute additional capital.

#### Miscellaneous Securities Provisions

None of the matters set out in sections 10.2 to 10.6 of CSE Form 2A is applicable to the share structure of the Issuer.

### 10.7 Prior Sales of Common Shares

#### The Issuer

No CBD Shares were issued during within the last twelve (12) months before the date of this Listing Statement.

#### World Class

The following table sets forth the issuances of WCE Shares within the last twelve (12) months before the date of this Listing Statement.

<b>Date Issued</b>	<b>Number of Securities</b>	<b>Issue Price per Security (\$)</b>	<b>Total funds received (\$)</b>	<b>Nature of Consideration</b>
June 7, 2018	23,145,000	\$0.10	\$2,314,500	Cash
June 15, 2018	350,000	\$0.10	\$35,000	Cash
October 30, 2018- February 19, 2019	176,923,072	\$0.13	\$23,000,000	Cash

## 10.8 Stock Exchange Price

<b>Period</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Trading Volume</b>
Month ended January 31, 2019 <sup>(1)</sup>	N/A	N/A	N/A
Month ended December 31, 2018 <sup>(1)</sup>	N/A	N/A	N/A
Month ended November 30, 2018 <sup>(1)</sup>	N/A	N/A	N/A
Month ended October 31, 2018 <sup>(1)</sup>	N/A	N/A	N/A
Quarter ended September 30, 2018 <sup>(1)</sup>	\$0.27	\$0.16	98,109
Quarter ended June 30, 2018	\$0.31	\$0.2	72,600
Quarter ended March 31, 2018	\$0.75	\$0.17	404,285
Quarter ended December 31, 2017	\$0.39	\$0.155	193,565
Quarter ended September 30, 2017	\$0.24	\$0.12	84,072
Quarter ended June 30, 2017	\$0.42	\$0.155	148,105
Quarter ended March 31, 2017	\$1	\$0.32	272,092

**Note:**

- The CBD Shares were listed and posted for trading on the NEX board of the TSXV under the symbol "CBM.H". Trading of the CBD Shares on the TSXV was halted by the Issuer on August 7, 2018 pending the completion of the Amalgamation. The Issuer intends to obtain approval from the CSE to list the CBD Shares on the CSE under the symbol "PUMP". The Issuer received shareholder approval for delisting its CBD Shares from the TSXV at its Meeting held on October 24, 2018. If the Issuer obtains the approval from the CSE, the CBD Shares will be delisted from trading on the TSXV immediately prior to the Resulting Issuer Shares being listed on the CSE.

## 11. Escrowed Securities

As at the date of this Listing Statement, none of the CBD Shares or other securities are held in escrow.

Upon listing of the Resulting Issuer Shares on the CSE, securities held by "Principals" of the Resulting Issuer will be held in escrow. For the purposes of this section, "Principals" means the (i) directors and senior officers of the Issuer or any material operating subsidiary, (ii) Promoters of the Issuer during the two years preceding the Amalgamation, (iii) holders of more than 10% of the outstanding Resulting Issuer Shares who also have a right to elect or appoint a director or senior officer of the Issuer or a material operating subsidiary, (iv) holders of more than 20% of the outstanding Resulting Issuer Shares, (v) companies, trusts, partnerships or other

entities held more than 50% by one or more of the foregoing, and (vi) spouses or other relatives that live at the same address as any of the foregoing. The securities are held in escrow by Computershare Investor Services Inc., as escrow agent and depository pursuant an escrow agreement dated March 11, 2019 (the “**Escrow Agreement**”). 10% of such securities held in escrow will be released from escrow on the date the Resulting Issuer Shares are listed on the CSE, and 15% every six months thereafter, subject to acceleration provisions provided for in National Policy 46-201 – *Escrow for Initial Public Offerings*. The following table sets forth details of the securities of the Issuer to be held in escrow following the listing of the Resulting Issuer Shares on the CSE:

Number of Common Shares	% of Outstanding Common Shares	Release Schedule
10,500,000	2.33%	10% released upon Listing on the Exchange; 15% released 6 months from Listing; 15% released 12 months from Listing; 15% released 18 months from Listing; 15% released 24 months from Listing; 15% released 30 months from Listing; 15% released 36 months from Listing.

In addition to securities subject to escrow, World Class has entered into lock-up agreements (“**Lock-Up Agreements**”) with five of its major shareholders, being Mick St-Pierre, Thomas Keevil, Jesse Kline, Matthew Newboles, and Brian Baca. Each Lock-Up Agreement provides that the signatory thereto shall not trade any securities subject to the Lock-Up Agreement (“**Locked-Up Securities**”) prior to the date provided in the release schedule of the Lock-Up Agreements. Such release schedule provides that 25% of the Locked-Up Securities shall be released as of the date of the listing of the Resulting Issuer on the CSE (“**Listing Date**”), and a further 25% shall be released on the 90, 180 and 270 anniversaries of the Listing Date. Together, the Lock-Up Agreements shall cover 24,000,000 Resulting Issuer Shares or 5.32% of the issued and outstanding Resulting Issuer Shares as of the date of the listing of the Resulting Issuer on the CSE.

## 12. Principal Shareholders

### Resulting Issuer

To the knowledge of the directors and senior officers of the Resulting Issuer, upon completion of the Amalgamation, no person or company will beneficially own, directly or indirectly, or exercise control or direction over, Resulting Issuer Shares carrying more than 10% of the voting rights attached to all outstanding Resulting Issuer Shares.

## 13 Directors and Officers

### 13.1 Directors and Officers

#### Current Officers and Directors

World Class' current management team is experienced in matters relating to cannabis, entertainment, and corporate finance, and possess the necessary skillsets to implement World Class' business plan. Following the Amalgamation, the Resulting Issuer may add to its management team people with significant experience and skills in marketing and regulatory matters to help the Resulting Issuer become a leader in producing cannabis extracts.

#### Officers

*Michael McCombie, Chief Executive Officer* - Mr. McCombie has spent over 15 years in the entertainment industry, where he worked with award-winning rap musicians across North America. Mr. McCombie is an experienced entrepreneur with expertise in marketing and early stage companies. Michael has knowledge of the cannabis industry along with direct connections to entertainers with strong brand recognition.

*Donal Carroll, Chief Financial Officer* - Mr. Carroll has over 15 years of corporate finance leadership and public company experience, as well as in-depth experience in syndicated investments in equity and debt securities. Throughout his career with Danaher Corporation (NYSE: DHR), Unilever PLC (NYSE: UL), and Cardinal Meat Specialists Ltd., Mr. Carroll was instrumental in major restructuring activities, mergers and acquisitions, and the implementation of new internal controls and enterprise resource planning systems. Mr. Carroll is currently the Chief Financial Officer of FSD Pharma Inc. (CSE: HUGE). He also serves as Director of Bird River Resources Inc. (CSE: BDR), a natural resources company focused on the energy sector. Mr. Carroll holds a CPA-CMA designation as well as a Bachelor of Commerce degree from University College, Dublin.

#### Board of Directors

World Class' Board of Directors (the "**WCE Board**") consists of Mr. Donal Carroll, whose biography is outlined above, along with Mr. Jon Bridgman and Mr. Shimmy Posen. The current members of the WCE Board have the requisite experience in capital markets, mergers and acquisitions, and raising capital. Mr. Jon Bridgman and Mr. Shimmy Posen's bios are outlined below.

*Jon Bridgman, Director* - Mr. Bridgman brings over 50 years of investment and financial experience with three major Canadian brokerage firms and a major U.S. insurance company. He also has an entrepreneurial background, having co-founded seven businesses. He has experience in mergers and acquisitions and has held senior positions at companies such as United Mercantile, Inc., Midland Walwyn Inc., and Aetna Inc. Mr. Bridgman presently serves as a Director of Eclipse Capital, Inc.; and has been a Director of Rampart Mercantile, Inc., since May 18, 2000 and Green Environmental Technologies Inc., since November 2008. He attended Concordia University of Montreal, Quebec and the University of Manitoba. Mr. Bridgman is President of United Mercantile, Inc. and holds the FCSI designation. He is also a member of the Rotary International (District 7090).

*Shimmy Posen, Director* - Mr. Posen is a lawyer at Garfinkle Biderman LLP, focused on helping companies go public and raise funds in the capital markets. His areas of expertise are corporate finance, mergers and acquisitions, and securities law. Mr. Posen has previously acted for public and private companies, securities dealers and financial institutions on a number of public and private financings and commercial transactions. Mr. Posen holds a J.D. from Osgoode Hall Law School and a B.A. in Political Science from York University.

### **Directors and Officers of the Resulting Issuer**

Upon completion of the Amalgamation, it is anticipated that all but two (2) members of the current board of the Issuer will resign and that three (3) nominees of World Class will be appointed to the board.

The following table sets out the names, municipalities of residence of the proposed directors and officers of the Resulting Issuer, the number of voting securities of the Resulting Issuer beneficially owned, directly or indirectly, or over which they exercise control or direction, the offices they will hold in the Resulting Issuer, and the principal occupation of the proposed directors and senior officers during the past five years.

<b>Name &amp; Municipality of Residence and Position</b>	<b>Principal Occupation for Past Five Years</b>	<b>Director or Officer of the Resulting Issuer Since</b>	<b>Number and Percentage of Resulting Issuer Shares Owned</b>
Jon Bridgman <i>Director</i>	Chief Financial Officer and Director, Bird River Resources Inc.	2019	75,000 (0.02%)
Donal Carroll <i>Chief Financial Officer and Director</i>	Chief Financial Officer, FSD Pharma Inc.; Director, Bird River Resources Inc.; Director, EnerSpar Corp.	2019	2,000,001 (0.44%)

Michael McCombie <i>Chief Executive Officer</i>	Independent contractor providing marketing and sales services	2019	10,500,000 (2.33%)
Binyomin Posen <i>Director</i>	Senior Analyst, Plaza Capital; Chief Executive Officer and Chief Financial Officer, Jiminex Inc.	2019	75,000 (0.02%)
Dr. K. Sethu Raman <i>Director</i>	Director, CBD Med Research Corp.; Director, SGX Resources Inc.; Director, 55 North Mining Inc.; Director, Northern Graphite Corporation.	2019	3,360,000 (0.74%)
Gary F. Zak <i>Director</i>	President, CBD Med Research Corp.	2019	1,545,076 (0.34%)

### 13.2 Period of Service of Directors

Information on the period of service of directors is contained in the table in Section 13.1 – *Directors and Executive Officers*.

### 13.3 Directors and Executive Officers Common Share Ownership

Following completion of the Amalgamation, the current directors and senior officers of the Issuer as a group, directly or indirectly, will beneficially own or exercise control or director over 17,705,077 Resulting Issuer Shares, representing approximately 3.89% of the issued and outstanding Resulting Issuer Shares following completion of the Amalgamation.

### 13.4 Committees

The Issuer has one committee, the Audit Committee. The Issuer's Audit Committee is a committee of the whole board and is currently comprised of three (3) directors.

Following completion of the Amalgamation the Audit Committee will be comprised of Donal Carroll, Gary F. Zak and Sethu Raman, each of whom is a director and financially literate in accordance with section 1.6 of NI 52-110.

### 13.5 Principal Occupation of Directors and Officers

Information on directors and executive officers' principal occupation is contained in the table in Section 13.1- *Directors and Executive Officers*.

### 13.6 Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed below, to the knowledge of the Issuer, none of the proposed directors or officers of the Resulting Issuer or any of their personal holding companies:

(a) is, as at the date of this Listing Statement, or has been, within ten years before the date of this Listing Statement, a director, chief executive officer or chief financial officer of any company, including the Issuer and World Class, that:

- was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- was subject to a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the person ceased to be a director, chief executive officer or chief financial officer of the company and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) is as at the date of this Listing Statement or has been within the 10 years before the date of this Listing Statement, a director or executive officer of any company, including the Issuer and World Class, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within the 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

To the knowledge of the issuer, none of the proposed directors or officers or any of their personal holding companies has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.



Dr. K. Sethu Raman is a director of 55 North Mining Inc. (formerly, SGX Resources Inc.) (“55 North”). 55 North did not file its annual financial statements and annual MD&A for the fourth quarter ended December 31, 2015 on time. The Manitoba Securities Commission and the British Columbia Securities Commission issued cease trade orders for failing to require such documents on, respectively, May 9, 2016 and May 16, 2016, with such cease trade orders being reciprocated by the Alberta Securities Commission. The cease trade orders were later revoked by all three securities commissions on December 22, 2017.

### **13.7, 13.8 Penalties or Sanctions**

No proposed director, officer, or Promoter of the Resulting Issuer, or any shareholder anticipated to hold a sufficient amount of securities of the Resulting Issuer to materially affect control of the Resulting Issuer, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

### **13.9 Personal Bankruptcies**

No proposed director, officer or Promoter of the Resulting Issuer, or a shareholder anticipated to hold a sufficient amount of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons, has, within the 10 years preceding the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

### **13.10 Conflicts of Interest**

The Board of Directors of the Issuer is required by law to act honestly and in good faith with a view to the best interests of the Issuer and to disclose any interests which they may have in any project or opportunity of the Issuer. If a conflict arises, any director in a conflict will disclose his interest and abstain from voting on such matter at a meeting of the Board of Directors.

To the best of the Issuer’s knowledge and other than as disclosed herein, there are no existing or potential conflicts of interest among the Issuer, its Promoters, directors, officers or other members of management of the Issuer.

Certain of the directors, officers, Promoters and other members of management serve as directors, officers, Promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director, officer, Promoter or member of management of such other companies and their duties as a Director, officer, Promoter or member of management of the Issuer.

The directors and officers of the Issuer are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Issuer will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty to any of its directors and officers.

### 13.11 Management

A brief description of the biographies for all of the proposed officers and directors of the Resulting Issuer are set out below. World Class' current management team is experienced in matters relating to cannabis, entertainment, and corporate finance, and possess the necessary skillsets to implement World Class' business plan. Key personnel of World Class' management team are highlighted below. At the current stage of development, World Class is focused on maintaining a lean corporate structure, utilizing sales agents for client acquisition when possible.

Following the Amalgamation, the Resulting Issuer may add to its management team people with significant experience and skills in marketing and regulatory matters to help the Resulting Issuer become a leader in producing cannabis extracts.

*Michael McCombie, Age 38, Chief Executive Officer* - Mr. McCombie has spent over 15 years in the entertainment industry, where he worked with award-winning rap musicians across North America. Mr. McCombie is an experienced entrepreneur with expertise in marketing and early stage companies. Michael has knowledge of the cannabis industry along with direct connections to entertainers with strong brand recognition.

*Donal Carroll, Age 43, Chief Financial Officer and Director* - Mr. Carroll has over 15 years of corporate finance leadership and public company experience, as well as in-depth experience in syndicated investments in equity and debt securities. Throughout his career with Danaher Corporation (NYSE: DHR), Unilever PLC (NYSE: UL), and Cardinal Meat Specialists Ltd., Mr. Carroll was instrumental in major restructuring activities, mergers and acquisitions, and the implementation of new internal controls and enterprise resource planning systems. Mr. Carroll is currently the Chief Financial Officer of FSD Pharma Inc. (CSE: HUGE). He also serves as Director of Bird River Resources Inc. (CSE: BDR), a natural resources company focused on the energy sector. Mr. Carroll holds a CPA-CMA designation as well as a Bachelor of Commerce degree from University College, Dublin.

*Jon Bridgman, Age 76, Director* - Mr. Bridgman brings over 50 years of investment and financial experience with three major Canadian brokerage firms and a major U.S. insurance company. He also has an entrepreneurial background, having co-founded seven businesses. From 1988 to 1992, Mr. Bridgman owned J. Bridgman Consulting, a corporate finance consulting firm, and from 1991 to 1992, served as Director of US Marketing with Eco Corporation. Mr. Bridgman also served as Executive Vice President of Rampart Mercantile, Inc. from 1993 to 1994. From 1994 until he became associated with American Entertainment Group Inc., he served as President and Chief Executive Officer of United Mercantile, Inc., a private consulting firm. He also served as Vice President of Corporate Affairs of American Entertainment Group Inc.

(American Entertainment Gr) since September 1995. Mr. Bridgman has experience in mergers and acquisitions and has held senior positions at companies such as United Mercantile, Inc., Midland Walwyn Inc., and Aetna Inc. Mr. Bridgman presently serves as Director of Eclipse Capital, Inc., and has been Director of Rampart Mercantile, Inc. since May 18, 2000 and Green Environmental Technologies Inc., since November 2008. Mr. Bridgman attended Concordia University of Montreal, Quebec and the University of Manitoba. He is President of United Mercantile, Inc. and holds the FCSI designation. He is also a member of the Rotary International (District 7090).

*Gary F. Zak, Age 63, Director* - Mr. Zak attended Camsoun College and is a business consultant with 35 years of public company management experience. Mr. Zak is considered to meet the requirements of being financially literate as defined by NI 52-110 – *Audit Committees*.

*Sethu Raman, Age 79, Director* - Dr. Raman holds a Ph.D. (Geology) from Carleton University and has 45 years of international experience in all phases of exploration and mine development. Dr. Raman is considered to meet the requirements of being financially literate as defined by NI 52-110 – *Audit Committees*.

*Binyomin Posen, Age 27, Director* – Mr. Posen is a Senior Analyst at Plaza Capital, where he focuses on corporate finance, capital markets and helping companies go public. After three and a half years of studies overseas, he returned to complete his baccalaureate degree in Toronto. Upon graduating (on the Dean’s List) he began his career as an analyst at a Toronto boutique investment bank where his role consisted of raising funds for IPOs and RTOs, business development for portfolio companies and client relations.

## 14. Capitalization

### 14.1 Securities Classes Issued Capital

	<b>Number of Securities (non-diluted)</b>	<b>Number of Securities (fully-diluted)</b>	<b>% of Issued (non-diluted)</b>	<b>% of Issued (fully diluted)</b>
<b><u>Public Float</u></b>				
Total outstanding (A)	451,180,147	483,775,048	100%	100%
Held by related persons or employees of the Issuer or related person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	42,206,155	42,356,155	9.35%	8.76%
Total Public Float (A-B)	408,973,992	441,418,893	90.65%	91.24%
<b><u>Freely-Tradeable Float</u></b>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders, including Locked-Up Securities (C)	34,500,000	34,500,000	7.65%	7.13%
Total Tradeable Float (A-C)	416,680,147	449,275,048	92.35%	92.87%

**Note:**

- (1) See Section 11 – Escrowed Securities. Upon the Listing Date, 1,050,000 of the Resulting Issuer Shares held in escrow or subject to resale restrictions will be released immediately and the remaining 9,450,000 of the Resulting Issuer Shares will be subject to escrow or resale restrictions.
- (2) See Section 11 – Escrowed Securities. Upon the Listing Date, 2,400,000 of the Locked-Up Securities will be released immediately and the remaining 21,600,000 of the Locked-Up Securities will be subject to escrow or resale restrictions.

**Public Security holders (Registered)****Class of Security: Resulting Issuer Shares**

<b>Size of Holding</b>	<b>Number of holders</b>	<b>Total number of securities</b>
1 - 99 securities	88	1,276
100 – 499 securities	11	1,739
500 – 999 securities	2	1,250
1,000 – 1,999 securities	4	4,525
2,000 – 2,999 securities	8	20,000
3,000 – 3,999 securities	1	3,000
4,000 – 4,999 securities	1	4,807
5,000 or more securities	484	389,054,347
<b>Total:</b>	<b>599</b>	<b>389,090,944</b>

**Public Security holders (Beneficial)****Class of Security: Resulting Issuer Shares**

<b>Size of Holding</b>	<b>Number of holders</b>	<b>Total number of securities</b>
1 - 99 securities	164	3,569
100 – 499 securities	43	9,277
500 – 999 securities	21	14,681
1,000 – 1,999 securities	15	20,821
2,000 – 2,999 securities	13	31,042
3,000 – 3,999 securities	14	47,364
4,000 – 4,999 securities	7	31,384
5,000 or more securities	597	410,275,854
Unable to confirm	Unable to confirm <sup>(1)</sup>	
<b>Total:</b>	<b>874</b>	<b>410,433,992</b>

- (1) Shares are held by an unknown number of participants (intermediaries) through CDS & Co., the Canadian depository for securities.

## Non-Public Security holders (Registered)

### Class of Security: Resulting Issuer Shares

Size of Holding	Number of holders	Total number of securities
1 - 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	5	40,746,155
<b>Total:</b>	<b>5</b>	<b>40,746,155</b>

### 14.2 Convertible / Exchangeable Securities

The following table sets out information with respect to securities outstanding that are convertible or exchangeable into Resulting Issuer Shares:

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Resulting Issuer Options	13,500,000	13,500,000
Resulting Issuer Finder Warrants	15,923,077	15,923,077
Resulting Issuer Prior Finder Warrants	3,171,825	3,171,825

### 14.3 Other Listed Securities

There are no listed securities reserved for issuance that are not included in section 14.2.

## 15. Executive Compensation

The following table sets forth the anticipated compensation to be paid or awarded to the directors and the following executive officers of the Resulting Issuer: (i) the Chief Executive Officer and (ii) the Chief Financial Officer.

<b>Table of Compensation Excluding Compensation Securities</b>							
<b>Name &amp; position</b>	<b>Year</b>	<b>Salary, Consulting Fee, Retainer or Commission (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or meeting fees (\$)</b>	<b>Value of Perquisites (\$)</b>	<b>Value of all other compensation (\$)</b>	<b>Total compensation (\$)</b>
Mike McCombie, Chief Executive Officer	2019	\$144,000	Nil	Nil	Nil	Nil	\$144,000
Donal Carroll, Chief Financial Officer	2019	\$144,000	Nil	Nil	Nil	Nil	\$144,000
Jon Bridgman, Director	2019	\$12,000	Nil	Nil	Nil	Nil	\$12,000
Gary F. Zak	2019	\$12,000	Nil	Nil	Nil	Nil	\$12,000
Sethu Raman	2019	\$12,000	Nil	Nil	Nil	Nil	\$12,000
Binyomin Posen	2019	Nil	Nil	Nil	Nil	Nil	Nil

### **Compensation Discussion and Analysis**

The purpose of this Compensation Discussion and Analysis is to provide information about the Resulting Issuer’s executive compensation objectives and processes and to discuss compensation decisions relating to its NEOs.

The Resulting Issuer does not have in place a compensation committee. All tasks related to developing and monitoring the Resulting Issuer’s approach to the compensation of NEOs are performed by members of the Board of Directors of the Resulting Issuer. The compensation of the NEOs and the Resulting Issuer’s employees is reviewed, recommended and approved by the Board of Directors without reference to any specific formula or criteria; however, the Resulting Issuer reviews compensation programs of companies in its peer group to ensure that executive compensation is within the parameters of companies of a similar size and in the same industry.

The Resulting Issuer’s current compensation program is comprised of a base salary, long term incentives under the Stock Option Plan, and in special circumstances, short term incentives (discretionary bonuses). The compensation program is intended to reward executive officers on the basis of individual performance and achievement of corporate objectives, both in the short term and the long term. Each element of executive compensation is carefully considered by the Board of Directors of the Resulting Issuer to ensure that there is the right mix of short-term and long-term incentives for the purposes of achieving the Resulting Issuer’s goals and objectives. In determining executive compensation, the Board of Directors considers the Resulting Issuer’s financial circumstances at the time decisions are made regarding

executive compensation, and also the anticipated financial situation of the Resulting Issuer in the mid and long-term.

At this time, the Resulting Issuer's Board of Directors has not established any benchmark or performance goals that the NEOs must achieve in order to maintain their respective positions as NEOs with the Resulting Issuer. However, the NEOs are expected to carry out their duties in an effective and efficient manner and to advance the business objectives of the Resulting Issuer. If the Board of Directors determines that these duties are not being met, the Board of Directors has the ability to replace such NEOs in its discretion.

The following executive compensation principles guide the Resulting Issuer's Board of Directors in fulfilling its roles and responsibilities in the design and ongoing administration of the Resulting Issuer's executive compensation program:

- The compensation program is intended to attract, motivate, reward and retain the management talent needed to achieve the Resulting Issuer's business objectives of improving overall corporate performance and creating long-term value for the shareholders. To that end, compensation levels and opportunities must be market competitive while also being fair and reasonable to shareholders.
- Compensation must strike an appropriate balance between short and long-term rewards and incentives without motivating the executive officers to take unnecessary or excessive risk.
- Compensation programs must align executives' long-term financial interests with those of shareholders by providing equity-based incentives.

### Base Salary

Base salaries and discretionary bonuses primarily reward recent performance and incentive stock options encourage NEOs to continue to deliver results over a longer period of time and serve as a retention tool.

The base salary of each executive officer is determined by the Resulting Issuer's Board of Directors based on an assessment by the Board of Directors of his or her sustained performance, consideration of competitive compensation, the level of responsibility and experience of the individual, the relative importance of the position to the Resulting Issuer, and the professional qualifications of the individual. A final determination is made by the Board of Directors in its sole discretion and its knowledge of the industry and geographic location which the Resulting Issuer operates.

The NEOs' performances and salaries are to be reviewed periodically to ensure that they properly reflect a balance of market conditions, the levels of responsibilities and accountability of each individual, their unique experience, skills and capability and level of sustained performance. Increases in salary are to be evaluated on an individual basis and are performance based. The amount and award of bonuses to key executives



and senior management is discretionary, depending on, among other factors, the financial performance of the Resulting Issuer and the position of a participant.

#### Option Based Awards

The purpose of the Stock Option Plan is to assist the Resulting Issuer in attracting, retaining and motivating directors, officer, employees, and consultants of the Resulting Issuer and its subsidiaries and to closely align the personal interests of such service providers with the interests of the Resulting Issuer and its shareholders.

The Stock Option Plan provides that the aggregate number of securities reserved for issuance will be 10% of the number of common shares of the Resulting Issuer issued and outstanding from time to time. The Stock Option Plan is administered by the Resulting Issuer's Board of Directors.

### **16. Indebtedness of Directors and Executive Officers**

No director or officer of the Issuer, or person who acted in such capacity in the last financial year, or any other individual who at any time during the most recently completed financial year of the Issuer was a director of the Issuer or any associate of the Issuer, is indebted to the Issuer, nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer.

No director or officer of World Class, or person who acted in such capacity in the last financial year, or any other individual who at any time during the most recently completed financial year of World Class was a director of World Class or any associate of World Class, is indebted to World Class, nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by World Class.

### **17. Risk Factors**

Resulting Issuer Shares should be considered highly speculative due to the nature of the Resulting Issuer's proposed business and the present stage of its development. In evaluating the Resulting Issuer and its new business, investors should carefully consider the following risk factors, in addition to the other information contained in this Listing Statement. These risk factors are not a definitive list of all risk factors associated with an investment in the Resulting Issuer or in connection with the Resulting Issuer's operations.

The Resulting Issuer's actual operating results may be very different from those expected as at the date of this Listing Statement.

#### **Specific Risks Related to the Transaction**

There is no assurance that the Amalgamation will be completed.

## **Risks Related to World Class' Business and Industry**

### ***Dependent on relationship with FSD***

The ability of World Class to carry on its business in extracting and processing cannabinoids derived from cannabis and hemp is dependent on obtaining all required licences, including the licences to produce cannabis oil products, and adherence to all regulatory requirements related to such activities.

World Class intends to rely on FSD's Cannabis Sale License to sell the cannabidiol oils produced using the WCE Technology to third parties. Such sale would require FSD to modify the Cannabis Sale License it currently holds. There is no certainty that FSD will be granted the required amendments to the Cannabis Sale License.

At present, World Class' ability to carry on its business in extracting and processing is heavily dependent on its business relationship with FSD and its ability to utilize FSD's Standard Processing License and Cannabis Sale License.

### ***No Standard Processing License***

As of the date of this Listing Statement, World Class does not possess its own Standard Processing License to produce extracts from cannabis and hemp using the WCE Technology. Instead, World Class operates under a Standard Processing License held by FV Pharma, pursuant to the terms of the License Agreement, which grants to FV Pharma a non-exclusive license to manufacture, commercialize, sell, and offer for sale, CBD, oil and other extracts extracted using the WCE Technology. World Class' ability to produce extracts from cannabis and hemp on its own using the WCE Technology is dependent on World Class obtaining, in the future, a Standard Processing License from Health Canada. Any Standard Processing License granted to World Class will be subject to ongoing compliance and reporting requirements, and a failure to comply with the requirements of such licence, or any failure to maintain such licenses, would have a material adverse impact on the business, financial condition and operating results of World Class.

There can be no assurance that Health Canada will grant World Class a Standard Processing License, and further, there can be no assurance that if granted, Health Canada will extend or renew such license or, if extended or renewed, that such license will be extended or renewed on the same or similar terms. Should Health Canada not grant, extend or renew the Standard Processing License, or should Health Canada extend or renew such licenses on different terms, the business, financial condition and operating results of World Class would be materially adversely affected.

Government licenses are currently, and in the future may be, required in connection with World Class' operations, in addition to other unknown permits and approvals which may be required. World Class cannot predict the time required to secure all appropriate regulatory approvals for its operations, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or a failure to obtain, the necessary regulatory approvals will significantly delay or prevent the development of World Class' business and operations and could have a material adverse effect on World Class' business, results of operations, financial condition and cash flows.

### ***Dependence on third party suppliers***

World Class' business is dependent on its ability to source cannabis from FSD and other licensed producers and suppliers. A failure to source the cannabis required for World Class' business and operations would have a material adverse impact on the business, financial condition and operating results of World Class. Real or perceived quality control problems with raw materials sourced from FSD or other third parties could negatively impact consumer confidence in World Class' products, or expose it to liability. In addition, disruption in the operations of any such supplier or material increases in the price of raw materials, for any reason, such as changes in economic and political conditions, tariffs, trade disputes, regulatory requirements, import restrictions, loss of certifications, power interruptions, fires, hurricanes, drought or other climate-related events, war or other events, could have a material adverse effect on World Class' business, results of operations, financial condition and cash flows.

### ***Commercialization Risk***

As of the date of this Listing Statement, World Class has built a pilot extraction unit, which utilizes the WCE Technology. World Class' ability to build a commercial scale system and provide extraction services to the global market will require that its pilot extraction unit be scalable from laboratory, pilot and demonstration projects to large commercial-scale WCE Mobile Units in large-scale projects. At present, the assembly and test operation of World Class' pilot extraction unit takes place in a controlled assembly and test environment. However, World Class may be unable to control the environment in which large commercial-scale WCE Mobile Units are assembled, or in which they operate, and consequently, World Class' WCE Mobile Units may become non-functional, their results may be adversely affected and the assembled and tested WCE Mobile Units may become defective. In addition, World Class may not have identified all of the factors that could affect the extraction processes, with the result that World Class' pilot extraction unit may not perform as expected when applied at large commercial-scale, or that World Class may encounter operational challenges for which it may be unable to identify a workable solution. Any unanticipated issues in the extraction process, and other similar challenges could decrease the efficiency of the extraction process, create delays and increase World Class' costs, and lead World Class to be unable to scale up its extraction process in a timely manner, on commercially reasonable terms, or at all. If World Class is unable to replicate the test results of its pilot extraction unit at a large commercial scale, its ability to commercialize the WCE Technology will be adversely affected, and consequently, its ability to reach, maintain and increase the profitability of its business will be adversely affected.

### ***Cannabis Sector Risks***

As discussed further below, subject to further clarity on the position of the U.S. Federal Government on the enforcement of U.S. federal laws relating to the cannabis industry, World Class may, in the future, be involved in select states within the United States, and may directly derive a portion of its revenues from, the cannabis industry in certain U.S. states, which industry is illegal under U.S. federal law. World Class may therefore be directly involved in the cannabis industry in the United States where local state law permits such activities, as well as the cannabis industry in Canada.

As discussed under “United States Cannabis Industry Risk”, as a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA (as defined below) with respect to cannabis and there can be no assurance as to the timing or scope of any such potential amendments, there is a risk that U.S. federal authorities may enforce current federal law, which may adversely affect the planned future operations of World Class in the United States. As such, there are a number of risks associated with World Class’ planned future operations in the United States, and such operations may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, World Class may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on World Class’ ability to operate in the United States. World Class has not yet commenced any cannabis-related activities in the United States, nor has it determined in which states it will operate. Prior to commencing any such cannabis-related activities, World Class intends to obtain legal advice and develop a compliance program to ensure, to the greatest extent possible, that World Class conducts its operations in compliance with applicable state laws and limits its potential exposure arising from federal laws, and will do so for each state in which it proposes to operate.

#### *United States Cannabis Industry Risk*

Almost half of the U.S. states have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol (“THC”), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC.

Unlike Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the *Cannabis Act* (Canada), the United States largely regulates cannabis at the state level. To World Class’ knowledge, there are approximately 30 states, plus the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the U.S. state level, cannabis continues to be categorized as a controlled substance under the *Controlled Substances Act* (the “CSA”) in the United States and as such, it is illegal under federal law in the United States.

The U.S. Congress has passed appropriations bills in each of the last three years that have not appropriated funds for prosecution of cannabis offenses of individuals who are in compliance with state medical cannabis laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business - even those that have fully complied with state law - could be prosecuted for violations of federal law. If Congress restores funding, the U.S. federal government will have the authority to rely on the

CSA's five-year statute of limitations and prosecute individuals for violations of the law that occurred before it lacked funding. Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on World Class, including its reputation and ability to conduct business, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for World Class to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

As a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all U.S. district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the U.S., several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

However, on January 4, 2018, the U.S. federal government rescinded all previous nationwide guidance specific to cannabis enforcement, including the Cole Memorandum. With the Cole Memorandum rescinded, U.S. federal prosecutors may exercise their discretion in determining whether to prosecute cannabis-related violations of U.S. federal law. It is possible that further regulatory developments in the U.S. could significantly adversely affect the business, financial condition and results of businesses involved in the cannabis industry.

Notwithstanding the foregoing, pursuant to the Rohrabacher Blumenauer Amendment (the "**RBA**"), until September 2018, the Department of Justice is prohibited from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws. In September 2018, Congress passed the Continuing Appropriations Act, 2019 which extends the deadline of the March 2018 omnibus spending bill until December 7, 2018. Should the RBA not be renewed upon expiration in subsequent spending bills there can be no assurance that the U.S. federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Any such proceeding could involve significant restrictions being imposed upon World Class

or third parties, while diverting the attention of key executives. Such proceedings could also have a material adverse effect on World Class' business, revenues, operating results and financial condition as well as World Class' reputation, even if such proceedings were concluded successfully in favour of World Class.

In addition, given the heightened risk profile associated with cannabis in the United States, CDS may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis companies that have cannabis businesses or assets in the United States. It is not certain whether CDS will decide to enact such measures, nor whether it has the authority to do so unilaterally. However, if CDS were to decide that it will not handle trades in our securities, it could have a material adverse effect on the ability of investors to settle trades in a timely manner and on the liquidity of World Class' securities generally.

### ***Regulatory risks***

Successful execution of World Class' strategy is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The commercial medical cannabis industry is a new industry and World Class cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian medical cannabis industry. Similarly, World Class cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada's compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of World Class.

World Class will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on World Class' operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to World Class' operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of World Class.

### ***Change in laws, regulations and guidelines***

World Class' operations are, and may in the future become, subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis, including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. To the knowledge of management, other than routine corrections that may be required by Health Canada from time to time, World Class is currently in compliance with all such laws; however, changes to such laws, regulations and guidelines due to matters beyond the control of World Class may cause adverse effects to its operations.

Health Canada inspectors routinely assess World Class' facilities against applicable regulations and provide follow up reports noting any observed deficiencies. World Class is continuously reviewing and enhancing its operational procedures and

facilities both proactively and in response to routine inspections. World Class follows all regulatory requirements in response to inspections in a timely manner.

World Class endeavours to comply with all relevant laws, regulations and guidelines. To World Class' knowledge, it is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this Listing Statement.

***Reliance on Management and Key Personnel***

World Class believes that its success has depended, and continues to depend, on the efforts and talents of its executives and employees, including its Chief Executive Officer. World Class' future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and World Class may incur significant costs to attract and retain them. In addition, the loss of any of World Class' senior management or key employees could materially adversely affect its ability to execute its business plan and strategy, and it may not be able to find adequate replacements on a timely basis, or at all.

World Class does not maintain key person life insurance policies on any of our employees.

***Factors which may prevent realization of growth targets***

World Class is currently in the expansion from early development stage. World Class' growth strategy contemplates outfitting the Markham, Ontario facility with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, and further, that World Class may not have sufficient product available to meet the anticipated future demand when it arises, as a result of being adversely affected by a variety of factors, including some that are discussed elsewhere in these Risk Factors and the following:

- failure, or delays in, obtaining or satisfying conditions imposed by regulatory approvals
- facility design errors
- environmental pollution
- non-performance by third party contractors
- increases in materials or labour costs
- construction performance falling below expected levels of output or efficiency
- breakdown, aging or failure of equipment or processes
- contractor or operator errors
- operational inefficiencies
- labour disputes, disruptions or declines in productivity
- inability to attract sufficient numbers of qualified workers
- disruption in the supply of energy and utilities
- major incidents and/or catastrophic events such as fires, explosions or storms

World Class may experience additional expenditures related to unforeseen issues that have not been taken into account in the preparation of this Listing Statement.

### ***Additional financing***

The continued development of World Class may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of World Class' current business strategy or World Class ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to World Class. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of WCE Shares. In addition, from time to time, World Class may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase World Class' debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for World Class to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that World Class would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. World Class may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict World Class' ability to pursue its business objectives.

### ***Competition***

The industrial technology industry is intensely competitive in all its phases, and there is potential that World Class will face intense competition from other companies, some of which can be expected to have more financial resources and extraction, and manufacturing and marketing experience than World Class. There can be no assurance that potential competitors of World Class, which may have greater financial, R&D, sales and marketing and personnel resources than World Class, are not currently developing, or will not in the future develop, products and strategies that are equally or more effective and/or economical as any products or strategies developed by World Class or which would otherwise render World Class' products or strategies obsolete. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of World Class.

### ***Risks Related to Intellectual Property***

World Class' success and ability to compete effectively will depend, in part, on its ability to maintain the proprietary nature of its technology and manufacturing and extraction processes, the ability to secure and protect its patents, trade secrets, trademarks and other intellectual property rights either developed internally or acquired, and to operate without infringing on the proprietary rights of others or having third parties circumvent the rights that it owns or licences.

At present, World Class has one (1) provisional patent applications pending in the United States. The patent position of a company is generally uncertain and involves complex legal, factual and scientific issues, several of which remain unresolved, and



as such, there can be no assurance that World Class will be able to secure the patents applied for or develop other patentable proprietary technology and/or products. Furthermore, World Class cannot be completely certain that its future patents, if any, will provide a definitive and competitive advantage or afford protection against competitors with similar technology. There can be no assurance that any of World Class' patents will be sufficiently broad to protect World Class' technology or that they will not be challenged or circumvented by others, or found to be invalid. In addition, competitors or potential competitors may independently develop, or have independently developed products as effective as ours or invent or have invented other products based on our patented products.

World Class cannot determine with any certainty whether it has priority of invention in relation to any new product or new process covered by a patent application or if it was the first to file a patent application for any such new invention. Furthermore, in the event of patent litigation there can be no assurance that its patents, if any, would be held valid or enforceable by a court of competent jurisdiction or that a court would rule that the competitor's products or technologies constitute patent infringement. Claims that World Class' technology or products infringe on intellectual property rights of others could be costly to defend or settle, could cause reputational injury and could divert the attention of World Class' management and key personnel, which in turn could have a material adverse effect on World Class' business, results of operations, financial condition and cash flows.

World Class relies on trade secrets, know-how and technology, which are not protected by patents, to maintain its competitive position. While World Class takes reasonable measures to protect this information, parties who have access to such confidential information, such as our current and prospective suppliers, distributors, manufacturers, commercial partners, employees and consultants, may disclose confidential information to our competitors, and it is possible that a competitor will make unauthorized use of such information. Any such unauthorized disclosure or use could affect World Class' competitive position and could materially and adversely affect the business, financial condition and results of operations of World Class.

In the event that World Class' intellectual property rights were to be infringed by, disclosed to or independently developed by a competitor, enforcing a claim against such third party could be expensive and time-consuming and could divert management's attention from our business. In addition, the outcome of such proceedings is unpredictable.

Any adverse outcome of such litigation or settlement of such a dispute could subject World Class to significant liabilities, and could put one or more of World Class' patents or patent application, as applicable, at risk of being not issued, of being invalidated, or of being interpreted narrowly.

#### ***Client acquisition and retention***

World Class' success depends on its ability to attract and retain patients. There are many factors which could impact World Class' ability to attract and retain patients, including but not limited to World Class' ability to continually produce desirable and effective product, the successful implementation of World Class' patient-acquisition plan and the continued growth in the aggregate number of patients selecting medical cannabis as a treatment option and other companies producing and

supplying similar products. World Class' failure to acquire and retain patients would have a material adverse effect on the business, financial condition and operating results of World Class.

### ***Research and development and product obsolescence***

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize World Class' business. The introduction of new products embodying new technologies, including new manufacturing and extraction processes, and the emergence of new industry standards may render World Class' technology, less competitive or less marketable. The process of developing World Class' technology is complex and requires significant continuing costs, development efforts and third party commitments. World Class' failure to develop new technologies and the obsolescence of existing technologies could adversely affect the business, financial condition and operating results of World Class. World Class may be unable to anticipate changes in its potential customer requirements that could make World Class' existing technology obsolete. World Class' success will depend, in part, on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of World Class' proprietary technology entails significant technical and business risks. World Class may not be successful in using its new technologies or exploiting its niche markets effectively or adapting its businesses to evolving customer or medical requirements or preferences or emerging industry standards.

### ***Unfavourable publicity or consumer perception***

World Class believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis and cannabis products produced or manufactured. Consumer perception of World Class' products and technologies can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical and recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for World Class' technology and extraction services and the business, results of operations, financial condition and cash flows of World Class. World Class' dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on World Class, the demand for World Class' extraction services and the resulting products, and the business, results of operations, financial condition and cash flows of World Class. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or World Class' products and services specifically, or associating the consumption of medical and/or recreational cannabis with illness or other negative effects or events, could have such

a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

### ***Product liability***

As a manufacturer and distributor of products directly or indirectly designed to be ingested by humans, World Class faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. World Class may be subject to various product liability claims, including, among others, that the products produced by World Class, or produced using outputs from the WCE Class Technology, caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against World Class could result in increased costs, could adversely affect World Class' reputation with its clients and consumers generally, and could have a material adverse effect on the business, financial condition and operating results of World Class. There can be no assurances that World Class will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of World Class' products.

### ***Product recalls***

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products produced by World Class, or produced using outputs from the WCE Class Technology, are recalled due to an alleged product defect or for any other reason, World Class could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. World Class may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant Management attention. Although World Class has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by World Class were subject to recall, the image of that product and World Class could be harmed. Any recall, including for any of the foregoing reasons, could lead to decreased demand for products produced by World Class and could have a material adverse effect on the results of operations and financial condition of World Class. Additionally, product recalls may lead to increased scrutiny of the operations of

World Class by Health Canada or other regulatory agencies, requiring further Management attention and potential legal fees and other expenses.

***Reliance on key inputs***

World Class' business is dependent on a number of key inputs and their related costs including raw materials and supplies, specifically cannabis. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of World Class. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of World Class.

***Difficulty to forecast***

World Class must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of World Class.

***Operating risk and insurance coverage***

World Class has insurance to protect its assets, operations and employees. While World Class believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which World Class is exposed. In addition, no assurance can be given that such insurance will be adequate to cover World Class' liabilities or will be generally available in the future, or if available, that premiums will be commercially justifiable. If World Class were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if World Class were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

***Management of growth***

World Class may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of World Class to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of World Class to deal with this growth may have a material adverse effect on World Class' business, financial condition, results of operations and prospects.

***Conflicts of interest***

World Class may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, World Class' executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to World Class. In some cases, World Class' executive officers and directors may have fiduciary obligations associated with these

business interests that interfere with their ability to devote time to World Class' business and affairs and that could adversely affect World Class' operations. These business interests could require significant time and attention of World Class' executive officers and directors.

In addition, World Class may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or Companies with which World Class may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of World Class. In addition, from time to time, these persons may be competing with World Class for available investment opportunities.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of World Class' directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of World Class are required to act honestly, in good faith and in the best interests of World Class.

#### ***Unpredictable and volatile market price for Resulting Issuer Shares***

The market price for Resulting Issuer Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Resulting Issuer's control, including the following:

- actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations
- recommendations by securities research analysts
- changes in the economic performance or market valuations of companies in the industry in which the Resulting Issuer operate
- addition or departure of the Resulting Issuer's executive officers and other key personnel
- release or expiration of lock-up or other transfer restrictions on outstanding Resulting Issuer Shares
- sales or perceived sales of additional Resulting Issuer Shares
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors
- operating and share price performance of other companies that investors deem comparable to the Resulting Issuer
- fluctuations to the costs of vital production materials and services
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility
- operating and share price performance of other companies that investors deem comparable to the Resulting Issuer or from a lack of market comparable companies
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Resulting Issuer Shares may decline even if the Resulting Issuer's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Resulting Issuer's operations could be adversely affected and the trading price of the Resulting Issuer Shares might be materially adversely affected.

### ***No dividends***

The Resulting Issuer's current policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Resulting Issuer. Therefore, the Resulting Issuer does not anticipate paying cash dividends on the Resulting Issuer Shares in the foreseeable future. The Resulting Issuer's dividend policy will be reviewed from time to time by its Board of Directors in the context of its earnings, financial condition and other relevant factors. Until the time that the Resulting Issuer does pay dividends, which it might never do, its shareholders will not be able to receive a return on their Resulting Issuer Shares unless they sell them. See "Dividend Policy".

### ***Future sales of Resulting Issuer Shares by existing shareholders***

Sales of a substantial number of Resulting Issuer Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Resulting Issuer Shares intend to sell Resulting Issuer Shares, could reduce the market price of our Resulting Issuer Shares. Holders of options to purchase Resulting Issuer Shares will have an immediate income inclusion for tax purposes when they exercise their options (that is, tax is not deferred until they sell the underlying Resulting Issuer Shares). As a result, these holders may need to sell Resulting Issuer Shares purchased on the exercise of options in the same year that they exercise their options. This might result in a greater number of Resulting Issuer Shares being sold in the public market, and fewer long-term holds of Resulting Issuer Shares by Management and our employees.

## **18. Promoters**

There are no persons performing Investor Relations Activities for the Issuer and there have been no persons performing such services within the last two years.

## **19. Legal Proceedings**

### **19.1 Legal Proceedings**

There are no legal proceedings material to the Issuer to which the Issuer is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Issuer to be contemplated.

There are no legal proceedings material to the Issuer to which World Class is a party or of which any of its property is the subject matter, and there are no such proceedings

known to the Issuer to be contemplated.

## 19.2 **Regulatory Actions**

The Resulting Issuer is not subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has the Resulting Issuer entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Resulting Issuer's securities or would be likely to be considered important to a reasonable investor making an investment decision.

## 20. **Interest of Management and Others in Material Transactions**

No director or executive officer of the Issuer or any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class of the Issuer's outstanding voting securities, or an associate or affiliate of any such persons or companies, has any material interest, direct or indirect, in any transaction within the three years preceding the date of this document, or any proposed transaction, that has materially affected or will materially affect the Issuer or a subsidiary of the Issuer.

Other than as disclosed herein, no director or executive officer of World Class or any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class of World Class' outstanding voting securities, or an associate or affiliate of any such persons or companies, has any material interest, direct or indirect, in any transaction within the three years preceding the date of this document, or any proposed transaction, that has materially affected or will materially affect the Issuer or a subsidiary of World Class.

## 21. **Auditors, Transfer Agents and Registrars**

### 21.1 Auditor

The auditor of the Issuer is the firm of MNP LLP, located at 1021 W Hastings Street, Suite 2200, Vancouver, BC, V6E 0C3.

The auditor of World Class is the firm of MNP LLP, located at 1021 W Hastings Street, Suite 2200, Vancouver, BC, V6E 0C3.

### 21.2 Transfer Agent

The transfer agent of the Issuer is Computershare Investor Services Inc., of 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia.

## 22. **Material Contracts**

The Issuer and World Class have not entered into any material contracts within the two years before the date of this Listing Statement, other than contracts entered into in the ordinary course of business, except as follows:

1. the Business Combination Agreement (see *Item 2.4 – Fundamental Change*);

2. the Escrow Agreement (see *Item 11 – Escrow*);
3. the License Agreement (see *Item 3.1 – General Development of the Business*); and
4. the Lease Agreement (see *Item 4.1 – Resulting Issuer*).

Copies of these agreements are or will be made available upon request from Garfinkle Biderman LLP, 1 Adelaide Street East, Suite 801, Toronto, Ontario, M5C 2V9 at any time during ordinary business hours.

## **23 Interest of Experts**

Certain legal matters relating to this Offering will be passed upon by Garfinkle Biderman LLP, on behalf of World Class, and by Morton Law LLP, on behalf of the Issuer. MNP LLP is the auditor of World Class and of the Issuer.

None of the foregoing experts, nor any partner, employee or consultant of such an expert who participated in and who was in a position to directly influence the preparation of the applicable statement, report or valuation, has, has received or is expected to receive, registered or beneficial interests, direct or indirect, in Resulting Issuer Shares or other property of Resulting Issuer or any of its associates or affiliates, representing 1% or more of the outstanding Resulting Issuer Shares.

## **24. Other Material Facts**

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Issuer, World Class and their securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer, World Class and their respective securities.

## **25. Financial Statements**

Schedule “A” contains a pro forma financial statement of the Resulting Issuer as at December 31, 2018 after giving effect to the Amalgamation as if it had been completed on that date.

Schedule “B” contains the audited financial statements of the Issuer for the years ended December 31, 2018, 2017 and 2016.

Schedule “C” contains World Class’ audited financial statements for the period from incorporation to December 31, 2018.

Schedule “D” contains the Issuer’s MD&A for the year ended December 31, 2018.

Schedule “E” contains World Class’ MD&A for the period from incorporation to December 31, 2018.



## CERTIFICATE OF THE RESULTING ISSUER

The foregoing contains full, true and plain disclosure of all material information relating to World Class Extractions Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, this 14<sup>th</sup> day of March, 2019.

signed “Mike McCombie”

Mike McCombie  
Chief Executive Officer

signed “Donal Carroll”

Donal Carroll  
Chief Financial Officer & Director

signed “Dr. K. Sethu Raman”

Dr. K. Sethu Raman  
Director

signed “Binyomin Posen”

Binyomin Posen  
Director

**SCHEDULE "A"**  
**UNAUDITED PRO FORMA FINANCIAL STATEMENTS**

(See attached)

**WORLD CLASS EXTRACTIONS INC.**  
**Pro Forma Consolidated Statement of Financial Position**  
**December 31, 2018**  
**(Unaudited - Expressed in Canadian Dollars)**

	World Class Extractions Inc. (\$)	CBD Medical Research Corp. (\$)	Note	Pro Forma Adjustments (\$)	Pro Forma Consolidated (\$)
<b>ASSETS</b>					
<b>Current</b>					
Cash and short term investments	360,601	753,240	3(c)	22,435,740	23,549,581
Restricted cash	22,435,740	-	3(c)	(22,435,740)	-
Sales taxes receivable	65,940	1,523		-	67,463
Prepays and deposits	728,247	1,250		-	729,497
<b>Total current assets</b>	<b>23,590,528</b>	<b>756,013</b>		<b>-</b>	<b>24,346,541</b>
<b>Non-current</b>					
Convertible notes receivable	-	1		-	1
Series B convertible preferred stock	-	1		-	1
Property and equipment	71,200	2,153		-	73,353
Intangible assets	10,679,449	-		-	10,679,449
<b>Total non-current assets</b>	<b>10,750,649</b>	<b>2,155</b>		<b>-</b>	<b>10,752,804</b>
<b>Total assets</b>	<b>34,341,177</b>	<b>758,168</b>	<b>-</b>	<b>-</b>	<b>35,099,345</b>
<b>LIABILITIES</b>					
<b>Current</b>					
Accounts payable	245,181	61,927		-	307,108
Share subscriptions payable	14,078	-		-	14,078
Due to related parties	34,848	-		-	34,848
<b>Total current liabilities</b>	<b>294,107</b>	<b>61,927</b>		<b>-</b>	<b>356,034</b>
<b>SHAREHOLDERS' EQUITY</b>					
Common share capital	37,392,023	10,564,305	3(a)	696,241	
			3(b)	(10,564,305)	38,088,264
Reserves	793,568	158,161	3(b)	(158,161)	793,568
Deficit	(4,138,521)	(10,026,225)	3(b)	10,026,225	(4,138,521)
<b>Total shareholders' equity</b>	<b>34,047,070</b>	<b>696,241</b>		<b>-</b>	<b>34,743,311</b>
<b>Total liabilities and shareholders' equity</b>	<b>34,341,177</b>	<b>758,168</b>		<b>-</b>	<b>35,099,345</b>

**WORLD CLASS EXTRACTIONS INC.****Pro Forma Consolidated Statement of Loss and Comprehensive Loss****December 31, 2018****(Unaudited - Expressed in Canadian Dollars)**

	<b>World Class Extractions Inc. (\$)</b>	<b>CBD Medical Research Corp. (\$)</b>	<b>Note</b>	<b>Pro Forma Adjustments (\$)</b>	<b>Pro Forma Consolidated (\$)</b>
<b>Expenses</b>					
Consulting fees	186,516	5,780			192,296
Depreciation	2,434,306	2,631			2,436,937
Legal and professional fees	150,337	59,725			210,062
Management fees	303,393	42,000			345,393
Marketing and advertising	236,775	-			236,775
Office and general	75,055	22,481			97,536
Public company costs	-	19,330			19,330
Stock based compensation	625,884	-			625,884
Travel	127,473	20,113			147,586
Interest income	-	(2,379)			(2,379)
<b>Loss from operations</b>	<b>4,139,739</b>	<b>169,681</b>		<b>-</b>	<b>4,309,420</b>
Unrealized foreign exchange gain	(1,218)	-		-	(1,218)
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>4,138,521</b>	<b>169,681</b>		<b>-</b>	<b>4,308,202</b>
<b>Pro forma income (loss) per common share</b>	<b>(0.017)</b>	<b>(0.006)</b>		<b>-</b>	<b>(0.010)</b>
<b>Pro forma number of common shares</b>	<b>245,242,500</b>	<b>29,014,575</b>		<b>176,923,072</b>	<b>451,180,147</b>

See Notes to Pro Forma Consolidated Financial Statements

**World Class Extractions Inc.**  
**Notes to Pro Forma Consolidated Financial Statements**  
**December 31, 2018**  
**(Unaudited - Expressed in Canadian Dollars)**

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**1. Basis of presentation**

The accompanying unaudited pro forma consolidated statement of financial position and statements of loss and comprehensive loss of World Class Extractions Inc. ("WCE") have been prepared by management to reflect the acquisition of CBD Med Research Corp. ("CBD") by WCE as described in Note 2.

The unaudited pro forma consolidated statements of financial position and statements of loss and comprehensive loss have been prepared in using accounting policies and practices consistent with those used in the preparation of CBD's and WCE's recent financial statements, both of which were prepared under International Financial Reporting Standards ("IFRS"). In the opinion of management, the unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation.

Certain significant estimates have been made by management in the preparation of these pro forma consolidated financial statements, in particular, the determination of the fair value of CBD's assets and liabilities acquired and the fair value of the consideration given by WCE.

The unaudited pro forma consolidated statement of financial position and statements of loss and comprehensive loss have been compiled from and include:

The unaudited pro forma consolidated statement of financial position as at December 31, 2018 has been compiled from:

- The statement of financial position of CBD as at December 31, 2018 obtained from the unaudited financial statements of CBD for the year ended December 31, 2018; and
- The statement of financial position of WCE as at December 31, 2018 obtained from the audited financial statements of WCE for the period ended December 31, 2018.

The unaudited pro forma consolidated statement of loss and comprehensive loss for the year ended December 31, 2018 has been compiled from:

- The statement of loss and comprehensive loss of CBD for the period ended December 31, 2018 obtained from the unaudited financial statements of CBD for the year ended December 31, 2018; and
- The statement of loss and comprehensive loss of WCE for the period from incorporation date (January 25, 2018) to December 31, 2018 obtained from the audited financial statements of WCE for the period from incorporation date (January 25, 2018) to December 31, 2018.

The unaudited pro forma consolidated statement of financial position and pro forma consolidated statements of loss and comprehensive loss have been prepared as if the transaction had occurred as of December 31, 2018.

The unaudited pro forma consolidated statement of financial position and statements of loss and comprehensive loss have been prepared for illustration purposes only and may not be indicative of the combined results or financial position had the transaction been in effect at the date indicated.

**2. Share exchange agreement**

Further to a business combination agreement dated February 13, 2019 between WCE and CBD (the "Agreement"), CBD will be combined with WCE to continue WCE's business as a producer of cannabis extractives.

Under the terms of the Agreement, the proposed transaction will be effected by the acquisition of all of the issued and outstanding share capital of WCE in exchange for share capital of CBD, such that WCE will become a wholly-

**World Class Extractions Inc.**  
**Notes to Pro Forma Consolidated Financial Statements**  
**December 31, 2018**  
**(Unaudited - Expressed in Canadian Dollars)**

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owned legal subsidiary of CBD. Concurrently with the completion of the acquisition, CBD will change its name to World Class Extractions Inc. ("Newco"), or such other name as the parties may agree and will continue to carry on the business of WCE.

Pursuant to the terms of the Agreement and in connection with the acquisition:

- CBD will amend its articles to effect a 3:1 share split of its issued common shares;
- The transaction will include a private placement of WCE in such amount and on such terms as the parties shall agree to, but in an amount not less than Cdn. \$1,000,000, which proceeds will be used towards the construction of WCE's cannabis operations, working capital and costs of completing the transaction;
- Immediately prior to closing of the acquisition, WCE will amend its articles to effect a 1.5:1 share split of its then-outstanding common shares;
- Holders of outstanding common shares of WCE will receive one CBD common share for each share of WCE held on a post-split basis;
- All outstanding options to purchase WCE shares will be exchanged, on an equivalent basis, for options to purchase Newco common shares; and
- All outstanding corporate finance and compensation warrants to purchase WCE common shares will be exchanged, on an equivalent basis, for compensation warrants to purchase Newco common shares.

There are currently 9,671,525 CBD common shares issued and outstanding. There are currently 245,242,500 WCE common shares issued and outstanding.

Upon closing of the transaction, WCE's recent financing of 176,923,072 subscription receipts at \$0.13 per subscription receipt for net proceeds of \$20,470,000 will be released to WCE and in turn, Newco.

Upon listing on the Canadian Stock Exchange ("CSE"), there will be 15,923,077 compensation warrants (post-split) issued to purchase common shares of Newco at the exercise price of \$0.13 per common share exercisable for a period of 42 months from the date of listing.

The shares held by new principals of Newco will be subject to such escrow requirements as may be imposed by securities regulatory authorities.

The Agreement includes a number of conditions, including but not limited to:

- requisite shareholder approvals (obtained);
- completion of the financing (completed and held in escrow);
- receipt of all necessary regulatory approvals including the voluntary delisting of CBD's common shares from the NEX board of the TSX Venture Exchange (obtained);
- the conditional approval of the CSE (in progress); and
- the satisfaction of the minimum listing requirements of the CSE and other closing conditions customary to transactions of the nature of the proposed transaction (in progress).

The proposed transaction has been negotiated by and will be carried out by parties dealing at arm's length to one another.

**World Class Extractions Inc.**  
**Notes to Pro Forma Consolidated Financial Statements**  
**December 31, 2018**  
**(Unaudited - Expressed in Canadian Dollars)**

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**3. Pro forma assumptions and adjustments**

(a)

	Amount (\$)
<u>Assigned value of common shares issued</u>	<u>696,251</u>
Cash	753,240
Sales taxes receivable	1,523
Prepaid expenses and deposits	1,250
Convertible notes receivable	1
Series B convertible preferred stock	1
Accounts payable	<u>(61,927)</u>
<u>Net assets of CBD received</u>	<u>696,241</u>

As a result of obtaining 100% of the shares of WCE, CBD has accounted for this transaction by the purchase method of accounting known as a "reverse takeover" as the issuance of shares to the former shareholders of WCE resulted in the former shareholders of WCE holding a majority of the issued and outstanding shares of CBD. Under this method of accounting, WCE (the legal subsidiary) is deemed to be the acquirer and CBD (the legal parent) is deemed to be the acquired company.

The common shares held by the former CBD shareholders have been assigned a value of \$696,241, which is the value of net assets received by WCE in the reverse takeover transaction.

(b) Book values of CBD's capital stock, reserves and deficit are eliminated on closing.

(c) Release of funds upon completion of transaction.

**4. Pro forma share capital**

Common shares:

	Note	Number (#)	Amount (\$)
WCE issued and outstanding - December 31, 2018	2	163,495,000	16,922,023
WCE 1.5:1 common share split	2	81,747,500	-
<u>WCE common shares immediately prior to acquisition</u>		<u>245,242,500</u>	
CBD issued and outstanding - December 31, 2018	2	9,671,525	10,564,305
CBD 3:1 common share split prior to closing	2	19,343,050	-
<u>CBD common shares immediately prior to acquisition</u>		<u>29,014,575</u>	<u>10,564,305</u>
Common shares issued on closing of acquisition	3(a)	29,014,575	696,241
Elimination of CBD common shares pursuant to the acquisition	3(a)	(29,014,575)	(10,564,305)
Common shares issued pursuant to subscription receipts	2, 3(c)	176,923,072	20,470,000
<u>Net changes from acquisition</u>		<u>176,923,072</u>	<u>10,601,936</u>
<u>Issued common shares post-acquisition</u>		<u>451,180,147</u>	<u>38,088,264</u>

**World Class Extractions Inc.**  
**Notes to Pro Forma Consolidated Financial Statements**  
**December 31, 2018**  
**(Unaudited - Expressed in Canadian Dollars)**

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Stock options:

	Note	Number (#)	Value (\$)
WCE options outstanding (a)		13,500,000	795,150

(a) Stock options granted on July 6, 2018 exercisable at a price \$0.067 per common share (on a post-split basis) to expire July 7, 2021. The stock options were assigned a grant date value of \$0.0589 per share as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.067, expected dividend yield of 0%, expected volatility of 177%, risk-free rate of return of 2.02% and an expected life of 3 years.

Compensation warrants:

	Note	Number (#)	Value (\$)
WCE broker warrants (b)		3,171,825	167,684
WCE corporate finance and compensation warrants (c)	2	15,923,077	

(b) Compensation warrants issued on June 8, 2018 in connection with a private placement financing with each warrant enabling the holder to purchase 1 common share at a price \$0.10 per common share to expire June 8, 2020. The warrants were assigned a grant date value of \$167,684 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.10, expected dividend yield of 0%, expected volatility of 177%, risk-free rate of return of 1.9% and an expected life of 2 years.

(c) There will be 15,923,077 corporate finance and compensation warrants issued on the date that Newco's common shares are listed and posted for trading on the CSE, which will be valued on that date using the Black-Scholes valuation model.



**SCHEDULE "B"**  
**AUDITED FINANCIAL STATEMENTS OF THE ISSUER**

(See attached)

# 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)

"Gary F. Zak"

Chief Executive Officer

(signed)

"Kenneth C. Phillippe"

Chief Financial Officer

## 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.

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
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
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
<b>Convertible notes receivable (Note 4)</b>	1	1
<b>Series B convertible preferred stock (Note 4)</b>	1	1
<b>Computer equipment, net (Note 5)</b>	2,153	449
<b>Total assets</b>	<b>758,168</b>	<b>468,506</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	61,927	102,584
	61,927	102,584
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	10,564,305	10,064,305
Reserves	158,161	158,161
Deficit	(10,026,225)	(9,856,544)
<b>Total shareholders' equity</b>	<b>696,241</b>	<b>365,922</b>
<b>Total liabilities and shareholders' equity</b>	<b>758,168</b>	<b>468,506</b>

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"  
Director

"Kenneth C. Phillippe"  
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
	\$	\$
<b>General and Administrative Expenses</b>		
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)
<b>Other items</b>		
Interest income	2,379	-
<b>Net loss and comprehensive loss for the year</b>	<b>(169,681)</b>	<b>(139,534)</b>
<b>Basic and diluted loss per share</b>	<b>(0.02)</b>	<b>(0.04)</b>
<b>Weighted average number of common shares -</b>		
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
	\$	\$
<b>Cash flows from (used in)</b>		
<b>Operating activities:</b>		
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)
<b>Total cash outflows from operating activities</b>	<b>(205,972)</b>	<b>(159,953)</b>
<b>Investing activities:</b>		
Purchase of computer equipment	(4,335)	-
Purchase of short term investments	(277,100)	-
<b>Total cash outflows from investing activities</b>	<b>(281,435)</b>	<b>-</b>
<b>Financing activities:</b>		
Exercise of warrants	500,000	-
Issuance of common shares, net of share issue costs	-	592,256
<b>Total cash inflows from financing activities</b>	<b>500,000</b>	<b>592,256</b>
<b>Increase in cash and cash equivalents</b>	<b>12,593</b>	<b>432,303</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>463,547</b>	<b>31,244</b>
<b>Cash and cash equivalents, end of year</b>	<b>476,140</b>	<b>463,547</b>

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			Total
	Number	Amount	Equity Settled Employee Benefits	Warrants	Deficit	
		\$	\$	\$	\$	\$
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

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to the Financial Statements**  
**December 31, 2018**

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**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.

	<b>December 31</b>	<b>December 31</b>
	<b>2018</b>	<b>2017</b>
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.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to the Financial Statements**  
**December 31, 2018**

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**2. Basis of Preparation**

**Statement of Compliance**

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

The financial statements were approved by the Board of Directors of the Company on 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.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to the Financial Statements**  
**December 31, 2018**

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**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.

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to the Financial Statements**  
**December 31, 2018**

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

**Property, plant and equipment**

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

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

**Share Based Payments**

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

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

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

**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.

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to the Financial Statements**  
**December 31, 2018**

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

**Loss per Share**

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

**Comprehensive income/loss**

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

**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.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to the Financial Statements**  
**December 31, 2018**

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**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:

	<b>IAS 39 Classification</b>	<b>IFRS 9 Classification</b>
<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.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to the Financial Statements**  
**December 31, 2018**

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**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.



**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to the Financial Statements**  
**December 31, 2018**

**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.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to the Financial Statements**  
**December 31, 2018**

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**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:

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to the Financial Statements**  
**December 31, 2018**

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**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:

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to the Financial Statements**  
**December 31, 2018**

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

	<u>2018</u>	<u>2017</u>
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
<b>Total income taxes recovery</b>	<b>\$ -</b>	<b>\$ -</b>

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:

	<u>2018</u>	<u>2017</u>
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
<b>Total unrecognized deductible temporary differences</b>	<b>\$ 7,150,355</b>	<b>\$ 6,784,261</b>

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
<b>Total</b>	<b>\$ 2,436,041</b>

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to the Financial Statements**  
**December 31, 2018**

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**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%.

# CBD MED RESEARCH CORP.

Financial Statements

Years ended December 31, 2017 and 2016

Expressed in Canadian Dollars

## Management's Responsibility for Financial Reporting

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

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

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

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

April 20, 2018

(signed)

"Gary F. Zak"

Chief Executive Officer

(signed)

"Kenneth C. Phillippe"

Chief Financial Officer

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of CBD MED Research Corp.:

We have audited the accompanying financial statements of CBD MED Research Corp., which comprise the statement of financial position as at December 31, 2017 and 2016, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of CBD MED Research Corp. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Vancouver, British Columbia  
April 20, 2018

  
Chartered Professional Accountants



## CBD MED RESEARCH CORP.

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

As at	December 31 2017	December 31 2016
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	463,547	31,244
Goods and services tax receivable	4,508	8,245
Prepaid expenses	-	1,150
	468,055	40,639
<b>Convertible notes receivable (Note 4)</b>	1	1
<b>Series B convertible preferred stock (Note 4)</b>	1	1
<b>Computer equipment, net (Note 5)</b>	449	999
<b>Total assets</b>	<b>468,506</b>	<b>41,640</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	102,584	128,440
	102,584	128,440
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital	10,064,305	9,472,049
Reserves	158,161	158,161
Deficit	(9,856,544)	(9,717,010)
<b>Total shareholders' deficiency</b>	<b>365,922</b>	<b>(86,800)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>468,506</b>	<b>41,640</b>

The financial statements were approved on April 20, 2018 on behalf of the Board:

"Gary F. Zak"  
Director

"Kenneth C. Phillippe"  
Director

The accompanying notes are an integral part of these financial statements

## CBD MED RESEARCH CORP.

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

	Year ended December 31 2017	Year ended December 31 2016
	\$	\$
<b>General and Administrative Expenses</b>		
Administration	12,000	12,000
Advisory board fees	-	24,000
Amortization (Note 5)	550	1,222
Consulting	9,453	-
Filing and transfer agent fees	16,017	20,844
Interest charges (Note 6)	-	7,562
Management fee	42,000	42,000
Office expenses	6,350	5,203
Professional fees	43,905	50,749
Research	-	94,607
Travel and promotion	9,259	15,627
	(139,534)	(273,814)
<b>Other items</b>		
Impairment in investment (Note 4)	-	119,543
Foreign exchange gain (loss)	-	2,244
Interest income	-	(5,377)
<b>Net loss and comprehensive loss for the year</b>	(139,534)	(390,224)
<b>Basic and diluted loss per share</b>	(0.04)	(0.19)
<b>Weighted average number of common shares -</b>		
Basic and diluted	3,676,457	2,106,322

The accompanying notes are an integral part of these financial statements

## CBD MED RESEARCH CORP.

### Statements of Cash Flows (Expressed in Canadian dollars)

	Year ended December 31 2017	Year ended December 31 2016
	\$	\$
<b>Cash flows from (used in)</b>		
<b>Operating activities</b>		
(Loss) for the year	(139,534)	(390,224)
Less: Items not involving cash:		
Amortization (Note 5)	550	1,222
Interest on short term loans (Note 6)	-	7,562
Foreign exchange gain	-	2,244
Interest income	-	(5,377)
Impairment in investment (Note 4)	-	119,543
Changes in non-cash working capital:		
Goods and services tax receivable	3,737	(3,884)
Prepaid expenses	1,150	(50)
Accounts payable and accrued liabilities	(25,856)	111,631
	(159,953)	(157,333)
<b>Investing activities</b>		
Convertible notes receivable (Note 3)	-	(80,415)
	-	(80,415)
<b>Financing activities</b>		
Issuance of common shares, net of share issue costs	592,256	352,922
Share subscriptions received in advance	-	(224,936)
	592,256	127,986
<b>Increase (decrease) in cash and cash equivalents</b>	432,303	(109,762)
<b>Cash and cash equivalents, beginning of year</b>	31,244	141,006
<b>Cash and cash equivalents, end of year</b>	463,547	31,244

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			Total
	Number	Amount \$	Share subscription \$	Equity Settled Employee Benefits \$	Warrants \$	Deficit \$	
Balance, December 31, 2015	1,217,003	8,914,285	224,936	135,328	22,833	(9,326,786)	(29,404)
Shares issued for cash pursuant to private placement - at a price of \$0.06 per unit (Note 8) - cash commission paid	1,476,012 -	354,242 (1,320)	(224,936) -	- -	- -	- -	129,306 (1,320)
Shares issued on conversion of loans and accrued interest (Note 6)	978,510	204,842	-	-	-	-	204,842
Net loss and comprehensive loss	-	-	-	-	-	(390,224)	(390,224)
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 8) - cash commission paid	4,000,000 -	600,000 (7,744)	- -	- -	- -	- -	600,000 (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

The accompanying notes are an integral part of these financial statements

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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**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 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 (See Note 4). 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.

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

	<b>December 31 2017</b>	<b>December 31 2016</b>
Deficit	\$ (9,856,544)	\$ (9,717,010)
Working capital (deficiency)	\$ 365,471	\$ (87,801)

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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**1. Nature and Continuance of Operations (cont'd...)**

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 April 20, 2018.

**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.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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

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

*Deferred tax liabilities and assets*

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

*Measurement of financial instruments at fair value*

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

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

*Going concern*

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

**3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these 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 financial statements.

**Cash and cash equivalents**

Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. There were no cash equivalents as at December 31, 2017 and 2016.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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

**Financial Instruments**

Financial assets

The Company's financial instruments consist of cash and cash equivalents, convertible note receivable, convertible preferred stock, 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 and convertible preferred stock 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, convertible preferred stock, 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.



**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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

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

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.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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

**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.

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to Financial Statements**  
**December 31, 2017**

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

**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.

**Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**New accounting standards and interpretations not yet adopted**

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

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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

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

*New accounting standards effective January 1, 2016*

*IAS 1 – Presentation of Financial Statements*

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

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

*IFRS 9 Financial Instruments*

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

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

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted. The Company 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 16 in its consolidated financial statements for the annual period beginning January 1, 2019. The extent of the impact of adoption of IFRS 16 has not yet been determined.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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**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 would acquire the exclusive sales and distribution rights to the Medipacs, Mini-Infuser CRI pump for:

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

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

- US \$110,000 pursuant to Medipacs Convertible Debt Financing. US \$85,000 (Cdn \$113,802) has been paid to Medipacs as of December 31, 2016.
- Signed Distributorship Agreement
- Evidence of CSE Exchange acceptance of Listing Application and CBD's Form 2A and CBD shareholder approval
- A total of 690,333 common, voting shares of CBD at a deemed price of Cdn\$0.32 (post-consolidated) per share

The Company was also required to deliver 50,000 common shares as payment of a finder's fee.

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

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

During the year ended December 31, 2015 Medipacs issued US\$25,000 Senior Convertible Promissory Note to the Company. The notes bear interest at 6% per annum and matured on February 12, 2016. As at December 31, 2015, the balance of the notes and accrued interest were recorded at Cdn \$35,998. During the fiscal year ended December 31, 2016, the Company elected to convert the principal balance of US\$25,000 and all unpaid accrued interest as of February 12, 2016 of the convertible promissory notes into 63,900 Medipacs' Series B Convertible Preferred Stock as cost of Cdn\$35,362 prior to the written down.

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

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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

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, 2015	3,063	(842)	2,221
Additions	-	(1,222)	(1,222)
December 31, 2016	3,063	(2,064)	999
Additions	-	(550)	(550)
December 31, 2017	\$ 3,063	(2,476)	449

**6. Loan Payable**

During the fiscal year ended December 31, 2014 the Company received an aggregate total of \$150,000 as short term loan payable, bearing interest at 20% per annum and due on demand. This loan was converted into a convertible loan on February 5, 2015 and due by February 4, 2016 (extended to June 30, 2016). As at December 31, 2015, \$47,281 of interest has been accrued with respect to these loans. During the fiscal year ended December 31, 2016 an additional \$7,562 was accrued with respect to these loans.

During the fiscal year ended December 31, 2016, the holders of the convertible loans agreed to convert both the principal amount due at \$0.20 (post-consolidated) per common share and interest amount due calculated to April 1st, 2016 at \$0.24 (post-consolidated) per common share. The entire outstanding principal balance of \$150,000 and all unpaid accrued interest in the amount of \$54,842 was converted into 978,510 (post-consolidated) of the Company's common shares. See Note 8b.

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

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

**7. 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.

Also see Note 4.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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**8. 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.

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

During the fiscal year ended December 31, 2016, the Company issued 978,510 common shares upon the conversion of loans payable and accrued interest. See Note 6.

b. Issued and outstanding (cont'd...)

On December 19, 2016, the Company completed a private placement for net proceeds of \$352,992 and issued 1,476,012 units, with each unit being comprised of one common share and one share purchase warrant. exercisable on or before December 19, 2017 at a post-consolidated price of \$0.32 per share. See Note 8(c). \$224,936 of the funds raised had been received pursuant to share subscriptions received in the prior year.

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 common share purchase warrant. Each warrant is exercisable on or before December 29, 2018 at a price of \$0.25 per share. All of the securities are subject to a four month hold period. See Note 8(c).

c. Warrants

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. See Note 8b.

As of December 31, 2017, 4,000,000 warrants are issued and outstanding. The remaining life of the warrants is 0.99 years. See Note 8b.

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, 2017 and 2016, there were no stock options granted or outstanding.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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**9. Related Party Transactions**

During the years ended December 31, 2017 and 2016, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$42,000 (2016: \$42,000) to a Director and the current Chief Executive Officer of the Company. Included within accounts payables as at December 31, 2017 was \$Nil (2016: \$25,180) owed to the current CEO for management fees, related sales taxes and other expenditures incurred on behalf of the Company.
- b) During the fiscal year ended December 31, 2017, the Company paid \$12,000 (2016: \$12,000) administrative service fee to a person related to the CEO.
- c) Paid or accrued professional fees of \$16,000 (2016: \$16,000) to the Company's Chief Financial Officer for providing accounting services. Included within accounts payables was \$8,400 (2016: \$20,200) 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.

**10. Financial Instruments**

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and commodity price risk.

*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash and cash equivalents balance of \$463,547 (2016 - \$31,244) to settle current liabilities of \$102,584 (2016 - \$128,440). 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.



**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2017**

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

(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, 2017 and 2016, cash and cash equivalents is assessed to be Level 1 instruments.

As at December 31, 2017 and 2016, the fair value of the convertible notes and convertible preferred stock is assessed to be level 3 as there is no active market to be able to observe the fair market value to determine the fair values used for the financial instrument.

**11. Capital Management**

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

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. During the fiscal year ended December 31, 2017, \$592,256 (2016: \$127,986) 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.

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to Financial Statements**  
**December 31, 2017**

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**12. 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Canadian basic statutory rate	26.00%	26.00%
Net loss before income taxes	\$ (139,534)	\$ (390,224)
Expected income tax recovery	(36,278)	(101,458)
Non-deductible items	583	15,457
Change in deferred tax assets not recognized	35,695	86,001
<b>Total income taxes recovery</b>	<b>\$ -</b>	<b>\$ -</b>

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax values. The unrecognized deductible temporary differences at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Non-capital loss carry forwards	\$ 2,270,108	\$ 2,230,027
Convertible notes receivable	79,311	79,311
Property and equipment	2,613	2,063
Financing Costs	7,524	1,862
Net capital losses	4,391,017	4,391,017
Investment in preferred shares	33,688	33,688
<b>Total unrecognized deductible temporary differences</b>	<b>\$ 6,784,261</b>	<b>\$ 6,737,968</b>

The Company has non capital loss carryforwards of approximately \$2,270,108 (2016: \$2,230,027) 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:

**CBD MED RESEARCH CORP.**  
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**Notes to Financial Statements**  
**December 31, 2017**

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

<u>Expiry Year</u>	<u>Total</u>
2026	\$ 115,393
2027	132,810
2028	112,197
2029	115,495
2030	764,903
2031	114,626
2032	140,219
2033	135,075
2034	127,825
2035	199,371
2036	173,370
2037	138,824
<u>Total</u>	<u>\$ 2,270,108</u>

# CBD MED RESEARCH CORP.

Financial Statements

Years ended December 31, 2016 and 2015

Expressed in Canadian Dollars

## Management's Responsibility for Financial Reporting

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

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

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

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

April 28, 2017

(signed)

"Gary F. Zak"

Chief Executive Officer

(signed)

"Kenneth C. Phillippe"

Chief Financial Officer

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of CBD MED Research Corp.:

We have audited the accompanying financial statements of CBD MED Research Corp., which comprise the statement of financial position as at December 31, 2016 and 2015, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of CBD MED Research Corp. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Vancouver, British Columbia  
April 28, 2017

  
Chartered Professional Accountants

## CBD MED RESEARCH CORP.

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

As at	December 31 2016	December 31 2015
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	31,244	141,006
Goods and services tax receivable	8,245	4,361
Prepaid expenses	1,150	1,100
	40,639	146,467
<b>Convertible notes receivable (Note 4)</b>	1	35,998
<b>Series B convertible preferred stock (Note 4)</b>	1	-
<b>Computer equipment, net (Note 5)</b>	999	2,221
<b>Total assets</b>	<b>41,640</b>	<b>184,686</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	128,440	16,809
	128,440	16,809
<b>Loan Payable (Note 6)</b>	-	197,281
	128,440	214,090
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital	9,472,049	8,914,285
Reserves	158,161	158,161
Share subscriptions received in advance (Note 13)	-	224,936
Deficit	(9,717,010)	(9,326,786)
<b>Total shareholders' deficiency</b>	<b>(86,800)</b>	<b>(29,404)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>41,640</b>	<b>184,686</b>

The financial statements were approved on April 28, 2017 on behalf of the Board:

"Gary F. Zak"  
Director

"Kenneth C. Phillippe"  
Director

The accompanying notes are an integral part of these financial statements

## CBD MED RESEARCH CORP.

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

	Year ended December 31 2016	Year ended December 31 2015
	\$	\$
<b>General and Administrative Expenses</b>		
Administration	12,000	9,000
Advisory board fees	24,000	26,000
Amortization (Note 5)	1,222	842
Filing and transfer agent fees	20,844	15,791
Interest charges (Note 6)	7,562	30,000
Management fee	42,000	49,500
Office expenses	5,203	5,894
Professional fees	50,749	43,642
Research	94,607	-
Travel and promotion	15,627	24,416
	(273,814)	(205,085)
<b>Other items</b>		
Impairment in investment (Note 4)	119,543	-
Foreign exchange gain (loss)	(2,244)	1,161
Interest income	5,377	1,449
<b>Net loss and comprehensive loss for the year</b>	<b>(390,224)</b>	<b>(202,475)</b>
<b>Basic and diluted loss per share</b>	<b>(0.05)</b>	<b>(0.04)</b>
<b>Weighted average number of common shares -</b>		
Basic and diluted	8,425,289	4,681,482

The accompanying notes are an integral part of these financial statements



## CBD MED RESEARCH CORP.

### Statements of Cash Flows (Expressed in Canadian dollars)

	Year ended December 31 2016	Year ended December 31 2015
	\$	\$
<b>Cash flows from (used in)</b>		
<b>Operating activities</b>		
(Loss) for the year	(390,224)	(202,475)
Less: Items not involving cash:		
Amortization (Note 5)	1,222	842
Interest on short term loans (Note 6)	7,562	-
Foreign exchange gain	2,244	(1,161)
Interest income	(5,377)	(1,449)
Impairment in investment (Note 4)	119,543	-
Changes in non-cash working capital:		
Goods and services tax receivable	(3,884)	(1,977)
Prepaid expenses	(50)	4,900
Accounts payable and accrued liabilities	111,631	12,035
	(157,333)	(189,285)
<b>Investing activities</b>		
Convertible notes receivable (Note 3)	(80,415)	(33,388)
Purchase of computer equipment	-	(3,063)
	(80,415)	(36,451)
<b>Financing activities</b>		
Issuance of short term loan	-	30,000
Issuance of common shares, net of share issue costs	352,922	54,456
Share subscriptions received in advance	(224,936)	224,936
	127,986	309,392
<b>Increase (decrease) in cash and cash equivalents</b>	(109,762)	83,656
<b>Cash and cash equivalents, beginning of year</b>	141,006	57,350
<b>Cash and cash equivalents, end of year</b>	31,244	141,006

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			Total
	Number	Amount \$	Share subscription \$	Equity Settled Employee Benefits \$	Warrants \$	Deficit \$	
Balance, December 31, 2014	2,801,665	8,801,962	68,200	135,328	12,500	(9,124,311)	(106,321)
Shares issued for cash pursuant to private placement							
- at a price of \$0.06 per unit (Note 8)	2,066,666	124,000	(68,200)	-	-	-	55,800
- attributed to warrants	-	(10,333)	-	-	10,333	-	-
- cash commission paid	-	(1,344)	-	-	-	-	(1,344)
Share subscriptions received in advance (Note 8)	-	-	224,936	-	-	-	224,936
- at a price of \$0.06 per unit							
Net loss and comprehensive loss	-	-	-	-	-	(202,475)	(202,475)
Balance, December 31, 2015	4,868,331	8,914,285	224,936	135,328	22,833	(9,326,786)	(29,404)
Shares issued for cash pursuant to private placement							
- at a price of \$0.06 per unit (Note 8)	5,904,049	354,242	(224,936)	-	-	-	129,306
- cash commission paid	-	(1,320)	-	-	-	-	(1,320)
Shares issued on conversion of loans and accrued interest (Note 6)	3,914,038	204,842	-	-	-	-	204,842
Net loss and comprehensive loss	-	-	-	-	-	(390,224)	(390,224)
Balance, December 31, 2016	14,686,418	9,472,049	-	135,328	22,833	(9,717,010)	(86,800)

The accompanying notes are an integral part of these financial statements

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2016**

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**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 25, 2014 the Company received shareholder approval for the consolidation of its shares on the basis of 1 new share for each 10 old shares. On July 18, 2014 the Company’s shares commenced trading on a 1:10 basis on the TSX Venture Exchange under the name of CBD Med Research Corp. The total issued and outstanding share capital post-consolidation was 2,801,665 common shares. The Company is currently looking for new projects.

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

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

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

There can be no assurance that a viable business opportunity that can be adequately financed will be identified and available to the Company. Additional equity and/or debt financing is subject to the global financial markets and prevailing economic conditions, which have recently been volatile and distressed. These factors will likely make it more challenging to obtain financing for the Company going forward. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as going concern.

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to Financial Statements**  
**December 31, 2016**

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**2. Basis of Preparation**

**Statement of Compliance**

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

The financial statements were approved by the Board of Directors of the Company on April 28, 2017.

**Basis of Presentation**

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting except cash flow information.

**Functional and presentation currency**

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

**Critical Accounting Estimate, Judgments and Assumptions**

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

*Share-based payments*

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

*Deferred tax liabilities and assets*

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

*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.

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to Financial Statements**  
**December 31, 2016**

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**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, 2016 and 2015. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded there are significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

**3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Company did not adopt any new accounting standard changes or amendments effective January 1, 2016 that had a material impact on these financial statements.

**Cash and cash equivalents**

Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. There were no cash equivalents as at December 31, 2016 and 2015.

**Financial Instruments**

Financial assets

The Company's financial instruments consist of cash and cash equivalents, convertible note receivable, convertible preferred stock, 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 and convertible preferred stock 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, convertible preferred stock, 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:

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to Financial Statements**  
**December 31, 2016**

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

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

*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.

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to Financial Statements**  
**December 31, 2016**

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

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

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.

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to Financial Statements**  
**December 31, 2016**

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

**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 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.



**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to Financial Statements**  
**December 31, 2016**

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

**Comprehensive income/loss**

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

**Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**New accounting standards and interpretations not yet adopted**

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

*New accounting standards effective January 1, 2016*

*IAS 1 – Presentation of Financial Statements*

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

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

*IFRS 9 Financial Instruments*

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

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2016**

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

- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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

*IFRS 16 Leases*

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

**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 would acquire the exclusive sales and distribution rights to the Medipacs, Mini-Infuser CRI pump for:

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

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

- US \$110,000 pursuant to Medipacs Convertible Debt Financing. US \$85,000 (CAD \$113,802) has been paid to Medipacs as of December 31, 2016. (December 31, 2015 - US \$25,000 (CAD \$33,388)).
- Signed Distributorship Agreement

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to Financial Statements**  
**December 31, 2016**

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

- Evidence of CSE Exchange acceptance of Listing Application and CBD's Form 2A and CBD shareholder approval
- A total of 2,761,333 common, voting shares of CBD at a deemed price of Cdn\$0.08 per share

The Company was also required to deliver 200,000 common shares as payment of a finder's fee.

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

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

During the year ended December 31, 2015 Medipacs issued US\$25,000 Senior Convertible Promissory Note to the Company. The notes bear interest at 6% per annum and matured on February 12, 2016. As at December 31, 2015, the balance of the notes and accrued interest were recorded at C\$35,998. During the fiscal year ended December 31, 2016, the Company elected to convert the principal balance of US\$25,000 and all unpaid accrued interest as of February 12, 2016 of the convertible promissory notes into 63,900 Medipacs' Series B Convertible Preferred Stock as cost of C\$35,362 prior to the written down.

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

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

**5. Computer equipment**

	Cost	Amortization	Carrying amount
December 31, 2014	\$ -	\$ -	\$ -
Additions	3,063	(842)	2,221
December 31, 2015	3,063	(842)	2,221
Additions	-	(1,222)	(1,222)
December 31, 2016	\$ 3,063	\$ (2,064)	\$ 999

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to Financial Statements**  
**December 31, 2016**

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**6. Loan Payable**

During the fiscal year ended December 31, 2014 the Company received an aggregate total of \$150,000 as short term loan payable, bearing interest at 20% per annum and due on demand. This loan was converted into a convertible loan on February 5, 2015 and due by February 4, 2016 (extended to June 30, 2016). As at December 31, 2015, \$47,281 of interest has been accrued with respect to these loans. During the fiscal year ended December 31, 2016 an additional \$7,562 was accrued with respect to these loans.

During the current fiscal year, the holders of the convertible loans agreed to convert both the principal amount due at \$0.05 per common share and interest amount due calculated to April 1st, 2016 at \$0.06 per common share. The entire outstanding principal balance of \$150,000 and all unpaid accrued interest in the amount of \$54,842 was converted into 3,914,038 of the Company's common shares.

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

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

**7. 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.

Also see Note 4.

**8. Share Capital**

a. Authorized:

Unlimited number of common shares with no par value.

b. Issued and outstanding:

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

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

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

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2016**

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**8. Share Capital (cont'd...)**

On December 19, 2016, the Company completed the second tranche of the private placement for net proceeds of \$352,992 and issued 5,904,049 units, with each unit being comprised of one common share and one share purchase warrant, at a price of \$0.06 per unit. Each warrant is exercisable on or before December 19, 2017 at a price of \$0.08 per share. \$224,936 of the funds raised had been received pursuant to share subscriptions received in the prior year. The shares are subject to a four month hold period until April 20, 2017.

During the fiscal year ended December 31, 2016, the Company issued 3,914,038 common shares upon the conversion of loans payable and accrued interest. Also see Note 6.

c. Warrants

2,066,666 warrants were issued in connection to the first tranche of a private placement during the fiscal year ended December 31, 2015. None were exercised and all expired on June 30, 2016. See Note 8b.

5,904,049 warrants were issued in connection to the second tranche of a private placement during the fiscal year ended December 31, 2016 and has an expiry date of December 19, 2017. The remaining life of such warrants is 0.97 years. See Note 8b.

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

**9. Related Party Transactions**

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

- a) Paid or accrued management fees of \$42,000 (2015: \$49,500) to a Director and the current Chief Executive Officer of the Company. Included within accounts payables as at December 31, 2016 was \$25,180 (2015: \$600) owed to the current CEO for management fees, related sales taxes and other expenditures incurred on behalf of the Company.
- b) During the fiscal year ended December 31, 2016, the Company paid \$12,000 (2015: \$9,000) administrative service fee to CEO's spouse.
- c) Paid or accrued professional fees of \$16,000 (2015: \$16,500) to the Company's Chief Financial Officer for providing accounting services. Included within accounts payables was \$20,200 (2015: \$8,925) owed to the CFO for professional fees and related sales taxes incurred on behalf of the Company.
- d) Included in loan payable is \$Nil (2015: \$24,595) of interest accrued with respect to an aggregate total of \$Nil (2015: \$77,500) of convertible loans payable to directors and officers. See Note 6.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2016**

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**9. Related Party Transactions (cont'd...)**

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related party.

**10. Financial Instruments**

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and commodity price risk.

*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had a cash and cash equivalents balance of \$31,244 (2015 - \$141,006) to settle current liabilities of \$128,440 (2015 - \$16,809). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The interest rate risk on bank deposits is insignificant as the deposits are short term. The Company is not exposed to interest rate risk in respect of its loan payable which is subject to a fixed rate of interest.

(b) Foreign currency risk

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

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

*Fair value hierarchy*

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

**CBD MED RESEARCH CORP.**  
(Expressed in Canadian Dollars)

**Notes to Financial Statements**  
**December 31, 2016**

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

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at December 31, 2016 and 2015, cash and cash equivalents is assessed to be Level 1 instruments.

As at December 31, 2016, the fair value of the convertible notes and convertible preferred stock is assessed to be level 3 as there is no active market to be able to observe the fair market value to determine the fair values used for the financial instrument.

**11. Capital Management**

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

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. As at December 31, 2016, the Company has obtained an amount of \$Nil (2015: \$150,000) through debt financing. During the fiscal year ended December 31, 2016, \$127,986 (2015: \$54,456) was raised through the issuance of common shares and \$Nil (2015: \$224,936) was raised from funds received for share subscriptions in advance.

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

**12. 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Canadian basic statutory rate	26.00%	26.00%
Net loss before income taxes	\$ (390,224)	\$ (202,475)
Expected income tax recovery	(101,458)	(52,644)
Non-deductible items	15,457	589
Change in deferred tax assets not recognized	86,001	52,053
Total income taxes recovery	\$ -	\$ -

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, 2016 and 2015 are as follows:

**CBD MED RESEARCH CORP.**  
**(Expressed in Canadian Dollars)**

**Notes to Financial Statements**  
**December 31, 2016**

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

	<u>2016</u>	<u>2015</u>
Non-capital loss carry forwards	\$ 2,230,027	\$ 1,957,909
Cumulative eligible capital	-	38,852
Convertible notes receivable	79,311	-
Property and equipment	2,063	842
Financing Costs	1,862	-
Net capital losses	4,391,017	4,391,017
Investment in preferred shares	33,688	-
<b>Total unrecognized deductible temporary differences</b>	<b>\$ 6,737,968</b>	<b>\$ 6,388,620</b>

The Company has non capital loss carryforwards of approximately \$2,230,027 (2015: \$1,957,909) 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:

<u>Expiry Year</u>	<u>Total</u>
2026	\$ 115,393
2027	132,810
2028	112,197
2029	115,495
2030	764,903
2031	114,626
2032	140,219
2033	135,075
2034	127,825
2035	199,371
2036	272,113
<b>Total</b>	<b>\$ 2,230,027</b>

**13. Events after reporting date**

Subsequent to December 31, 2016, the Company terminated the Medipacs Agreement. See Note 4.



**SCHEDULE "C"**  
**AUDITED FINANCIAL STATEMENTS OF WORLD CLASS**

(See attached)

**World Class Extractions Inc.**

**Financial Statements**

(Expressed in Canadian Dollars)

**For the period from January 25, 2018**

**to December 31, 2018**

## Independent Auditor's Report

To the Shareholders of World Class Extractions Inc.:

### Opinion

We have audited the financial statements of World Class Extractions Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and comprehensive loss, changes in equity and cash flows for the period from January 25, 2018 to December 31, 2018, 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 its financial performance and its cash flows for the period from January 25, 2018 to December 31, 2018 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.

### Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the financial statements and our auditor's report thereon.

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 audit 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 audit or otherwise appears to be materially misstated. 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 the 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## 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 Company'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.

Vancouver, British Columbia  
February 8, 2019



Chartered Professional Accountants

**World Class Extractions Inc.**  
**Statement of Financial Position**  
**(Expressed in Canadian Dollars)**

As at	Note	December 31, 2018
<b>Current Assets</b>		
Cash		\$ 360,601
Restricted cash	11	22,435,740
GST receivables		65,940
Prepaid and deposits	7	728,247
<b>Total current assets</b>		<b>23,590,528</b>
Property and equipment	8	71,200
Intangible assets	9	10,679,449
<b>Total assets</b>		<b>\$ 34,341,177</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities		\$ 245,181
Share subscriptions payable	11	14,078
Due to related parties	10	34,848
<b>Total liabilities</b>		<b>294,107</b>
<b>Shareholders' Equity</b>		
Share capital	11	37,392,023
Reserve	12	793,568
Deficit		(4,138,521)
<b>Total shareholders' equity</b>		<b>34,047,070</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 34,341,177</b>

Subsequent Events (Note 17)

Approved by board of directors:

*"Donal Carroll"*

**Director**

*"Shimmy Posen"*

**Director**

The accompanying notes are an integral part of these financial statements

**World Class Extractions Inc.**  
**Statement of Operations and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

<b>For the period ended</b>	<b>Note</b>	<b>From January 25, 2018 (Date of Inception) to December 31, 2018</b>
<b>General and administrative expenses</b>		
Consulting expense		\$ 186,516
Depreciation		2,434,306
Legal fees		150,337
Management fees	10	303,393
Marketing and advertising		236,775
Office and general		75,055
Share based compensation	10 & 12	625,884
Travel		127,473
<b>Loss from operations</b>		<b>(4,139,739)</b>
Foreign exchange gain		1,218
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (4,138,521)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ (0.03)</b>
<b>Weighted average number of common shares – basic and diluted</b>		<b>144,296,074</b>

The accompanying notes are an integral part of these financial statements

**World Class Extractions Inc.**  
**Statement of Changes in Equity**  
**(Expressed in Canadian Dollars)**

	Note	Number of Common Shares	Amount \$	Reserve \$	Deficit \$	Total Shareholders' Equity \$
<b>Balance – January 25, 2018</b> (Date of inception)		-	-	-	-	-
Issuance of shares for intangible assets	11(a)	130,000,000	13,000,000	-	-	13,000,000
Issuance of private placement shares	11(b)	23,495,000	2,349,500	-	-	2,349,500
Share issuance costs	11(b)	-	(379,139)	167,684	-	(211,455)
Share subscriptions at \$0.13	11(c)	172,474,320	22,421,662	-	-	22,421,662
Share based compensation	12	-	-	625,884	-	625,884
Net loss and comprehensive loss for the period		-	-	-	(4,138,521)	(4,138,521)
<b>Balance – December 31, 2018</b>		<b>325,969,320</b>	<b>37,392,023</b>	<b>793,568</b>	<b>(4,138,521)</b>	<b>34,047,070</b>

The accompanying notes are an integral part of these financial statements

**World Class Extractions Inc.**  
**Statement of Cash Flows**  
**(Expressed in Canadian Dollars)**

<b>For the period ended</b>	<b>From January 25, 2018 (Date of Inception) to December 31, 2018</b>
	\$
<b>Cash provided by (used in):</b>	
<b>Operations:</b>	
Net loss and comprehensive loss	(4,138,521)
Adjustment for items not involving cash:	
Depreciation	2,434,306
Share based compensation	625,884
Change in non-cash working capital balances:	
GST receivables	(65,940)
Prepaid and deposits	(82,589)
Accounts payable and accrued liabilities	245,181
Due to related parties	34,848
<b>Total cash outflows from operating activities</b>	<b>(946,831)</b>
<b>Investing:</b>	
Prepaid deposits for equipment	(645,658)
Patent application costs	(101,367)
Property and equipment	(83,588)
<b>Total cash outflows from investing activities</b>	<b>(830,613)</b>
<b>Financing:</b>	
Shares issued for cash, net of share issuance costs	2,138,045
Proceeds from subscription of shares	22,421,662
Share subscription payable	14,078
Change in restricted cash	(22,435,740)
<b>Total cash inflows from financing activities</b>	<b>2,138,045</b>
Net increase in cash	360,601
Cash, beginning of the period	-
<b>Cash, end of the period</b>	<b>360,601</b>

*Supplemental disclosure of non-cash investing and financing items:*

Shares issued for intangible assets	\$13,000,000
Shares issued for compensation warrants	\$167,684

The accompanying notes are an integral part of these financial statements



**World Class Extractions Inc.**  
**Notes to the Financial Statements**  
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**1. Corporate information**

World Class Extractions Inc. (the "Company") is a private company incorporated under the laws of Ontario on January 25, 2018. The mailing and office address of its registered office is 1 Richmond Street East, Suite 801, Toronto, Ontario, M5C 2V9.

The principal business activities include the acquisition and extraction of oils and extracts from the cannabis flower to be used for vaporizers, edibles, topicals and beverages. The Company has tested a unique extraction process and is currently set to build a commercial scale pilot plant to determine the feasibility of delivering the quality cannabis extractions using ultrasonic extraction.

**2. Basis of preparation and summary of significant accounting policies**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The financial statements were authorized for issue by the Board of Directors on February 8, 2019.

*Basis of measurement*

These financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified as at fair value through profit or loss, which are measured at 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 for cash flow information.

*Significant accounting judgments and estimates*

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**3. Summary of significant accounting policies**

*Cash*

Cash includes cash on hand and deposits held at call with financial institutions and subject to an insignificant risk of change in value.

*Property and equipment*

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

**World Class Extractions Inc.**  
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**3. Summary of significant accounting policies (continued)**

*Property and equipment (continued)*

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statements of comprehensive loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of comprehensive loss during the financial period in which they occurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in the statements of comprehensive loss.

Depreciation is recognized in the statements of comprehensive loss and is based on the estimated useful lives of the assets is provided as follows:

Computer equipment	30% declining balance
Furniture, fixtures and equipment	20% declining balance
Production equipment	30% declining balance.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate.

*Intangible assets*

Intangible assets are stated at cost, net of accumulated amortization and accumulated impairment losses, if any.

Amortization is calculated using the following terms and methods:

Intellectual property	5 years straight-line
Patent costs	5 years straight-line

The estimated success of applications, useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

*Impairment of non-financial assets*

Impairment tests on property and equipment and intangible assets are undertaken annually at the financial year-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

**World Class Extractions Inc.**  
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**3. Summary of significant accounting policies (continued)**

*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.

*Provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

*Income taxes*

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

*Share capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share purchase warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*Share based payments*

The Company has implemented a stock option plan (the "Stock Option Plan"). The Stock Option Plan provides that the aggregate number of securities reserved for issuance will be 10% of the number of common shares issued and outstanding from time to time. The Stock Option Plan is administered by the Company's Board of Directors, which has full and final authority with respect to the granting of all options thereunder. Options may be granted under the Stock Option Plan to certain qualified parties, such as directors, senior officers, employees and consultants of the Resulting Issuer or its subsidiaries.

The exercise prices will be determined by the Board of Directors, provided that it is not less than such minimum price as is permitted by the policies of any stock exchange on which the Resulting Issuer Shares may be listed. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options granted under the Stock Option Plan are not transferable or assignable other than by testamentary instrument or pursuant to the laws of succession.

**World Class Extractions Inc.**  
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**3. Summary of significant accounting policies (continued)**

*Share based payments (continued)*

The Company uses the fair value based approach to account for share based payments under its Stock Option Plan. Compensation expense is recognized for these stock options over their vesting period based on their estimated fair values on the date of grant as determined by the Black Scholes option pricing model. The fair value of the options is adjusted by the estimate of the number of options that are expected to vest as a result of non-market conditions. At each reporting date, the Company revises its estimate of the number of options that are expected to vest.

The fair values of the options issued, if any, are credited to share based payments reserve in the period they vest. Upon exercise of the share purchase options, consideration paid together with the amount previously recognized in share based payments reserve is recorded as an increase in share capital. Charges to share purchase options that are forfeited before vesting are reversed from share based payments reserve. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share based payments reserve is transferred to retained earnings or deficit.

Share based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the Company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the share based payment.

*Loss per share*

Basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

*Fair value hierarchy*

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of cash and short term financial instruments approximates their carrying amounts due to the relatively short period to maturity. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been prioritized into three levels as per the fair value hierarchy.

Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 includes inputs that are observable other than quoted prices included in level one. Level 3 includes inputs that are not based on observable market data. Unless otherwise noted, all financial instruments are Level 1.

*Financial instruments*

The following is the Company's accounting policy for financial instruments under IFRS 9.

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.

(i) Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect the contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial assets classified in this category are carried at amortized cost using the effective interest method.

**World Class Extractions Inc.**  
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**3. Summary of significant accounting policies (continued)**

*Financial instruments (continued)*

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

This category only includes equity instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. The Company would classify such an investment as an equity instrument at FVTOCI. Equity instruments in this category are subsequently measured at fair value with changes recognized at other comprehensive income, with no recycling of gains or losses to profit or loss upon derecognition. Equity instruments at FVTOCI are not subject to an impairment assessment under IFRS 9.

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

This category includes derivative instruments and equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify as FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion 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. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

The Company has made the following classifications with respect to its financial instruments:

- Cash, and restricted cash are classified as FVTPL, which is measured at fair value.
- Accounts payable and accrued liabilities, share subscriptions payable and due to related parties are classified as other financial liabilities, which are measured at amortized cost, using the effective interest method.

(iv) Impairment of financial assets

The Company uses the expected credit loss model ("ECL") for calculating impairment and recognizes expected credit losses as a loss allowance for assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation of the asset's original effective interest rate.

(v) Derecognition

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statement of operations and comprehensive loss.

*Financial liabilities*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of operations and comprehensive loss.

*Recent accounting pronouncements*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

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**3. Summary of significant accounting policies (continued)**

*Recent accounting pronouncements (continued)*

*IFRS 16 – Leases*

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all lease with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. The Company is currently evaluating the impact on IFRS 16 on its financial statements and does not intend to early adopt the standard.

**4. Critical accounting estimates and judgments**

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (i) the recoverability of GST receivable that are included in the statement of financial position;
- (ii) the inputs used in accounting for share based payment transactions and in valuation of warrants included in financial assets at fair value through profit or loss; and
- (iii) management's judgment in determining the functional currency of the Company as Canadian Dollars.

Critical accounting judgments

*Estimated useful lives, impairment consideration and depreciation of property and equipment and intangible assets*

Depreciation of property and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

*Income taxes and recovery of deferred tax assets*

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

**5. Financial instruments and risk exposures**

Financial assets and financial liabilities were as follows:

	<b>December 31, 2018</b>
	<b>\$</b>
<hr/>	
<b>Financial Assets</b>	
Financial assets at FVTPL:	
Cash	360,601
Restricted cash	22,435,740
<b>Financial Liabilities:</b>	
Financial liabilities at amortized cost:	
Accounts payable and accrued liabilities	245,181
Share subscriptions payable	14,078
Due to related parties	34,848
<hr/>	

**World Class Extractions Inc.**  
**Notes to the Financial Statements**  
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**5. Financial instruments and risk exposures (continued)**

The Company's financial instruments consist of cash, restricted cash, accounts payable and accrued liabilities, share subscriptions payable and due to related parties.

The fair value measurement of assets and liabilities recognized on the statement of financial position are categorized into levels within a fair value hierarchy based on the nature of valuation inputs.

The fair value hierarchy has the following levels:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying value of cash, restricted cash, accounts payable and accrued liabilities, share subscriptions payable and due to related parties approximates the fair value because of the short-term nature of these instruments.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and commodity price risk. Risk management is carried out by the Company's management with guidance from the Audit Committee. It is management's opinion that the Company is not exposed to significant credit risk, currency or market risks arising from the financial instruments.

*Commodity price risk*

The Company is not exposed to any material commodity price risk.

*Sensitivity analysis*

The Company believes the sensitivity to a plus or minus 1% change in interest rates would not have a significant impact on the reported net loss for the period ended December 31, 2018.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The purpose of liquidity risk management is to maintain sufficient amount of cash to meet its liquidity requirements at any point in time. The Company does not yet generate revenues from operations and has been generating cash flows primarily from financing activities.

The following is an analysis of financial obligations based on their due dates:

	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Totals</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
<b>December 31, 2018:</b>				
Accounts payable and accrued liabilities	245,181	-	-	245,181
Share subscriptions payable	14,078	-	-	14,078
Due to related parties	34,848	-	-	34,848

There have been no changes to the Company's liquidity risk management policies during the year.

Considering the available liquidity as at December 31, 2018, the expected burn rates from operations and future commitments, the Company's exposure to liquidity risk as at December 31, 2018 is considered high. The Company expects to address this risk by raising funds through external financing as needed.

**World Class Extractions Inc.**  
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**5. Financial instruments and risk exposures (continued)**

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. All of the Company's cash is deposited with a highly-rated financial institution, and accordingly, management considers credit risk to be low. There have been no changes to the Company's credit risk management policies during the year.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due.

The Company's maximum exposure to credit risk is presented below:

	<b>Liquidity by period</b>			<b>Totals</b> <b>(\$)</b>
	<b>Less than 1 year</b> <b>(\$)</b>	<b>More than 1</b> <b>year</b> <b>(\$)</b>	<b>Non-liquid</b> <b>(\$)</b>	
<b>December 31, 2018:</b>				
Cash	360,601	-	-	360,601
Restricted cash	22,435,740	-	-	22,435,740

**6. Capital management**

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the board of directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserves and deficit which as at December 31, 2018 totaled \$34,047,070.

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures and other investing and financing activities. The forecast is updated based on activities related to its business activities.

The Company is not subject to any externally imposed capital requirements.

**7. Prepaid deposit**

	<b>December 31, 2018</b>
Deposits	\$650,912
Prepaid legal fees	77,335
<b>Total</b>	<b>\$728,247</b>

As at December 31, 2018, deposits of \$650,912 included deposit for purchasing equipment of \$645,658. The seller retains title to the equipment until full payment.



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**8. Property and equipment**

<b>Cost</b>	<b>Computer software and equipment</b>	<b>Demo equipment</b>	<b>Office furniture</b>	<b>Total</b>
Balance, January 25, 2018	\$ -	\$ -	\$ -	\$ -
Additions	14,538	66,043	3,007	83,588
Balance, December 31, 2018	\$ 14,538	\$ 66,043	\$ 3,007	\$ 83,588

<b>Accumulated depreciation</b>	<b>Computer software and equipment</b>	<b>Demo equipment</b>	<b>Office furniture</b>	<b>Total</b>
Balance, January 25, 2018	\$ -	\$ -	\$ -	\$ -
Additions	2,181	9,906	301	12,388
Balance, December 31, 2018	\$ 2,181	\$ 9,906	\$ 301	\$ 12,388

<b>Carrying value</b>	<b>Computer software and equipment</b>	<b>Demo equipment</b>	<b>Office furniture</b>	<b>Total</b>
Balance, January 25, 2018	\$ -	\$ -	\$ -	\$ -
Balance, December 31, 2018	\$ 12,357	\$ 56,137	\$ 2,706	\$ 71,200

**9. Intangible assets**

The right to the intellectual property was acquired on inception date January 25, 2018 through issuance 130,000,000 of common shares to the founders of the Company (Note 11 (a)) and are classified as definite life intangible asset. The intellectual property acquired is a unique ultrasonic extraction process from the cannabis flower to be used for vaporizers, edibles, topicals and beverages.

A continuity of the intangible assets for the period ended December 31, 2018 as follows:

<b>Cost</b>	<b>Intellectual property</b>	<b>Patent application cost</b>	<b>Total</b>
Balance, January 25, 2018	\$ -	\$ -	\$ -
Additions	13,000,000	101,367	13,101,367
Balance, December 31, 2018	\$ 13,000,000	\$ 101,367	\$ 13,101,367

<b>Accumulated depreciation</b>	<b>Intellectual Property</b>	<b>Patent application cost</b>	<b>Total</b>
Balance, January 25, 2018	\$ -	\$ -	\$ -
Additions	2,421,918	-	2,421,918
Balance, December 31, 2018	\$ 2,421,918	\$ -	\$ 2,421,918

<b>Carrying value</b>	<b>Intellectual Property</b>	<b>Patent application cost</b>	<b>Total</b>
Balance, January 25, 2018	\$ -	\$ -	\$ -
Balance, December 31, 2018	\$ 10,678,082	\$ 101,367	\$ 10,679,449

During the period, the Company incurred costs amount to \$101,367 regarding patent application. The patent is pending, and once approved it will be amortized on a straight-line basis over 5 years. If unsuccessful, the patent costs will be expensed in the fiscal period that it occurs.

**10. Related party transactions and balances**

All transactions were in the normal course of operations and were recorded at exchange values established, which the consideration is agreed upon by the related parties.

The amounts due to related parties in the amount of \$34,848 are unsecured, payable on demand, and without interest.

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**10. Related party transactions and balances (continued)**

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

- The Company paid or accrued fees to its senior officers totaling \$303,393 in management fees and \$22,847 in patent related legal fees.
- The Company granted stock options to its senior officers, directors and consultants totalling \$549,386 in share based compensation.

All related party balances are non-interest bearing, unsecured and have no fixed terms of repayment and have been classified as current.

**11. Share capital**

The Company is authorized to issue an unlimited number of common shares without par value. The holders of the common shares are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

During the period ended December 31, 2018, the Company issued:

- 130,000,000 common shares issued to the Company's founders at a fair value of \$0.10 per common share for a total of \$13,000,000 for intangible assets (Note 9); and
- Financing for 23,345,000 common shares at the price of \$0.10 per common share for gross proceeds of \$2,334,500. As a result of this private placement, the Company paid cash commissions of \$211,455 and issued 2,114,450 compensation warrants. The value of the compensation warrants was estimated to be \$167,684 using the Black-Scholes pricing option model and was disclosed as a separate component of shareholders' equity (see Note 12); and
- 172,474,320 common shares were subscribed for at \$0.13 per common share for gross proceeds of \$22,421,662. Total proceeds received and held in trust were \$22,435,740 as at December 31, 2018, due to over payment by the subscribers. As a result, an amount of \$14,078 has been recorded as share subscriptions payable to be refunded back to the subscribers.

**12. Share based payments and reserves**

The Company issued compensation warrants in connection with private placements (see Note 11). The following summarizes changes in compensation warrants granted from inception date (January 25, 2018) to December 31, 2018:

Issue Date	Expiry Date	Exercise Price (\$)	Opening Balance	Granted	Exercised	Expired	Closing Balance
June 8, 2018	June 8, 2020	0.10	-	2,114,550	-	-	2,114,550
Weighted average exercise price (\$)		0.10	-	0.10	-	-	0.10
Weighted average remaining contractual life (years)		1.44	-	1.44	-	-	1.44

For valuation purposes, the fair values of compensation warrants granted were estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions:

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**12. Share based payments and reserves (continued)**

Issue Date	Expiry Date	Exercise Price (\$)	Market Price (\$)	Risk Free Interest Rate (%)	Expected Volatility Range (%)	Average Expected Life (years)	Expected Dividend Yield (%)	Fair Value (\$)
June 8, 2018	June 8, 2020	0.10	0.10	1.9%	177%	2	0	167,684

The expected price volatilities were based on the average historic volatility of three similar companies adjusted for any expected changes to future volatility, since there is no historical price data for the Company.

The Company granted stock options to Company's senior officers, directors and consultants in connection with Stock Option Plan. The following summarizes changes in compensation options granted from inception date (January 25, 2018) to December 31, 2018:

Issue Date	Expiry Date	Exercise Price (\$)	Opening Balance	Granted	Exercised	Expired	Closing Balance
July 6, 2018	July 7, 2021	0.10	-	9,000,000	-	-	9,000,000
Weighted average exercise price (\$)			0.10	-	0.10	-	0.10
Weighted average remaining contractual life (years)			2.52	-	2.52	-	2.52

For valuation purposes, the fair values of compensation options granted were estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions:

Issue Date	Expiry Date	Exercise Price (\$)	Market Price (\$)	Risk Free Interest Rate (%)	Expected Volatility Range (%)	Average Expected Life (years)	Expected Dividend Yield (%)	Fair Value (\$)
July 6, 2018	July 7, 2021	0.10	0.10	1.96%	116%	3	0	625,884

The expected price volatilities were based on the average historic volatility of three similar companies adjusted for any expected changes to future volatility, since there is no historical price data for the Company.

**13. Basic and diluted loss per share**

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period:

	<b>December 31, 2018</b>
Loss attributable to common shareholders	\$4,138,521
Weighted average number of common shares	144,296,074
Basic and diluted loss per share	(0.03)
Weighted average number of common shares:	
Balance, January 25, 2018	130,000,000
Effect of common shares issued for private placements	14,296,074
Balance, December 31, 2018	144,296,074

The basic and diluted loss per share is the same as the outstanding options and warrants are anti-dilutive.

**World Class Extractions Inc.**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Expressed in Canadian Dollars)**

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**14. Segmented information**

The Company's operations comprise a single reporting operating segment engaged in the acquisition and extraction of oils and extracts from the cannabis flower to be used for vaporizers, edibles, topicals and beverages. As the operations comprise a single reporting segment, amounts disclosed in the financial statements for loss for the period also represent segment amounts. All of the Company's operations and assets are situated in Canada.

**15. Income taxes**

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statement of operations and comprehensive loss for the period from January 25, 2018 to December 31, 2018:

	<b>2018</b>
	<b>\$</b>
Net loss before tax	(4,138,521)
Statutory tax rate	26.5%
Expected income tax (recovery)	(1,096,708)
Non-deductible items	9,609
Change in tax rates	-
Share Issuance cost	(56,036)
Change in deferred tax asset not recognized	1,143,135
Total income tax expense (recovery)	-

The unrecognized deductible temporary differences as at December 31, 2018 is comprised of the following:

	<b>2018</b>
	<b>\$</b>
Non-capital losses carryforwards (Canada)	2,023,324
Total unrecognized deductible temporary differences	2,023,324

The Company has non-capital loss carryforwards of approximately \$2,023,324 which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in 2037.

**16. Commitments**

On October 1, 2018, World Class entered into a 10-year lease agreement with FV Pharma for an annual rent of \$20,000, terminating on October 30, 2028.

On January 1, 2019, the Company entered into a lease agreement with 2620509 Ontario Inc. for office facilities for annual rent of \$10,800 for two years.

Future minimum lease payments for the lease for each of the fiscal years ending December 31 are as follows:

2019	\$ 25,800
2020	30,800
2021	20,000
2022	20,000
2023+	115,000
Total	<u>\$211,600</u>

**World Class Extractions Inc.**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(Expressed in Canadian Dollars)**

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**17. Subsequent Events**

Letter of Intent with CBD Med Research Corp.

The Company executed a Letter of Intent ("LOI") dated August 4, 2018, as amended September 20, 2018 and as further amended October 18, 2018 with CBD Med Research Corp. ("CBD"), whereby CBD will be combined with the Company to continue the business of the Company as a producer of cannabis extractives.

Under the terms of the LOI, the proposed transaction will be effected by the acquisition of all of the issued and outstanding share capital of the Company in exchange for share capital of CBD, such that the Company will become a wholly-owned subsidiary of CBD. Concurrently with the completion of the acquisition, CBD will change its name to World Class Extractions Inc. ("Newco"), or such other name as the parties may agree and will carry on the business of the Company.

**SCHEDULE "D"**  
**MD&A OF THE ISSUER**

(See attached)

# **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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### REGISTRAR & TRANSFER AGENT

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### AUDITORS

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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

Gary F Zak  
Tel: 604.802.7551  
Email: [gzak1@shaw.ca](mailto:gzak1@shaw.ca)

### 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

**SCHEDULE "E"**  
**MD&A OF WORLD CLASS**

(See attached)

# **WORLD CLASS EXTRACTIONS INC.**

## **Management Discussion and Analysis**

**December 31, 2018**

## ***Introduction***

The following is Management's Discussion & Analysis (the "**MD&A**") of the consolidated financial position and results from operations of World Class Extractions Inc. (the "**Company**" or "**WCE**") for the period from January 25, 2018 and ended December 31, 2018. This MD&A should be read in conjunction with the Company's consolidated financial statements for its period ended December 31, 2018, along with accompanying notes to those statements for the period then ended.

The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars unless otherwise indicated. The Company's consolidated financial statements for its period ended December 31, 2018 were prepared in accordance with International Financial Reporting Standards ("**IFRS**").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "**Board**"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

WCE is a private company incorporated under the laws of Ontario on January 25, 2018. In August, 2018 the Company entered into a letter of intent ("**LOI**") with CBD Med Research Corp ("**CBD**"), whereby the companies will be combined. Subject to completion of the terms of the LOI the resulting combined company will list on the Canadian Securities Exchange ("**CSE**") and become a reporting issuer in the Provinces of British Columbia and Alberta.

## ***Additional Information***

Additional information relating to the Company is on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at [www.sedar.com](http://www.sedar.com).

## ***Highlights***

During the period ended December 31, 2018:

- The Company secured the intellectual property rights for a proprietary technology which has a number of advantages over conventional extraction methods.
- Entered into the LOI with CBD with the intention of listing the resulting company on the CSE.
- Raised \$2.1 million, net of costs, from a share issuance.
- Raised \$22.4 million, net of costs, from the issuance of subscription receipts. This cash is restricted pending the amalgamation, at which time the subscription receipts will be exchanged for common shares.

## ***Overview***

WCE was incorporated under the OBCA on January 25, 2018 as a private company. The Company is developing a unique extraction process to produce quality, potent cannabis extracts. Subject to the successful development of this extraction process and receiving the relevant licenses from Health Canada, the business of WCE is to commercialize its extraction technology, which uses ultrasound to effectively

produce extracts from cannabis and hemp and isolate essential compounds found in plant material (the “**WCE Technology**”).

The WCE Technology has a number of advantages over conventional extraction methods, including the ability to:

- (i) produce higher concentrated compounds;
- (ii) process full spectrum brand oil at larger volumes, since extraction occurs on a continuous basis, rather than in batches;
- (iii) utilize undried cannabis or hemp in the process; and
- (iv) reduce production time.

In addition, tests that the Company has performed indicate that the WCE Technology may be able utilize all parts of cannabis or hemp plants. WCE believes that the advantages of the WCE Technology will allow it to capitalize on the significant opportunities in the medical and recreational cannabis and hemp markets. The Company intends to utilize the WCE Technology to provide extraction services to producers of cannabis licensed under the *Cannabis Act* and related regulations, and to hemp farmers. The WCE Technology allows the Company’s prospective customers to eliminate designated drying areas in their production facilities and expand their active canopy for growing more cannabis or hemp. The Company’s mobile extraction services would also enable its customers to eliminate capital expenditures for in-house extraction equipment and reduce processing fees. Traditional extraction methods require cannabis or hemp to be dried and cured, which may take up to 70 days<sup>1</sup>, and consequently extend the production time for producing extracts. The WCE Technology would essentially eliminate this waiting period. Further, the WCE Technology minimizes by-product plant biomass produced, instead utilizing all parts of the cannabis or hemp plant (including roots) in the extraction process.

On November 20, 2018, the Company signed an agreement (the “**License Agreement**”) with FV Pharma Inc. (“**FV Pharma**”), a wholly-owned subsidiary of FSD Pharma Inc. (“**FSD**”), a reporting issuer listed on the CSE under the ticker “**HUGE**”. FV Pharma is a licensed producer in the Province of Ontario that received its license to cultivate cannabis on October 13, 2017. FV Pharma’s production facility is 630,000 square feet on a 70-acre plot of land in Cobourg, Ontario. WCE intends to build a commercial scale pilot plant (the “**WCE Facility**”) within FV Pharma’s facility (the “**FV Facility**”), following which, the Company will be able to provide extraction services directly to FV Pharma. WCE’s partnership with FV Pharma will be essential to the Company’s success as FV Pharma’s indoor cultivation space is the largest in Canada. Further, the WCE Facility’s proximity to Toronto will allow for reduction in transportation costs and delivery time to customers. The License Agreement also entails provisions for the distribution of the Company’s products through FV Pharma’s distribution channels, thereby allowing WCE to rapidly penetrate the recreational market in Canada.

To date, the Company has built a pilot extraction unit, which utilizes the WCE Technology. WCE has performed extensive testing of the WCE Technology using the pilot extraction unit, which it has conducted on certain botanicals, but not hemp or cannabis. These tests indicate that the WCE Technology has all of the advantages outlined above as compared to conventional extraction methods. In addition, the Company has (i) currently contracted for the production of two commercial units, which are currently being built in India, and WCE expects that those commercial units will be delivered and be operational in Canada by Q2 2019; and (ii) is in the process of building a stationary commercial unit which currently resides at the WCE Facility, which it expects to be finalized by Q3 2019.

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<sup>1</sup> Medium, “Cannabis Extractions: The Complete Guide”, January 6, 2017, online: <<https://medium.com/meetharmony/cannabis-extractions-the-complete-guide-151edb382d65>>.

### ***Key Performance Indicators***

Key performance indicators that the Company uses to manage its business and evaluate its financial results and operating performance include new customers, net investment in equipment, revenues, average yields, operating expenses and net income. The Company evaluates its performance on these metrics by comparing its actual results and normalized results to management budgets, forecasts and prior period performance.

### ***Recent Events***

On January 25, 2018, the inception date of the Company, the right to the WCE Technology intellectual property were acquired through issuance 130,000,000 of common shares to the founders of the Company. The shares were valued at \$0.10 each for an ascribed value of \$13,000,000.

On June 7, 2018 and June 15, 2018, a financing of an aggregate of 23,495,000 common shares was completed at the price of \$0.10 per common share for gross proceeds of \$2,349,500. The Company paid cash commissions of \$211,455 and issued 2,114,450 compensation warrants in relation to this placement.

On August 4, 2018, the Company executed the LOI with CBD, whereby CBD will be combined with the Company to continue the business of the Company as a producer of cannabis extractives.

Under the terms of the LOI, the proposed transaction will be effected by the acquisition of all of the issued and outstanding share capital of the Company in exchange for share capital of CBD, such that the Company will become a wholly-owned subsidiary of CBD. Concurrently with the completion of the acquisition, CBD will change its name to World Class Extractions Inc. ("Newco"), or such other name as the parties may agree and will carry on the business of the Company.

Pursuant to the terms of the LOI and in connection with the acquisition:

- CBD will amend its articles to effect a 3:1 share split of its issued common shares;
- The transaction will include a private placement of the Company in such amount and on such terms as the parties shall agree to, but in an amount not less than Cdn. \$1,000,000, which proceeds will be used towards the construction of the Company's cannabis operations, working capital and the cost of completing the transaction;
- Holders of outstanding common shares of the Company will receive one CBD common share for each share of the Company held; and
- All outstanding options to purchase Company shares will be exchanged, on an equivalent basis, for options to purchase Newco common shares, and all outstanding warrants to purchase Company common shares will be exchanged, on an equivalent basis, for warrants to purchase Newco common shares.

The Company completed a private placement of 172,474,320 subscription receipts ("**Subscription Receipt**") at a price of \$0.13 per Subscription Receipt for gross proceeds of \$22,421,662 that closed in tranches on October 30, 2018 and November 14, 2018, with a planned subsequent third tranche to close in late February, 2019 (the "**Offering**"). Immediately prior to the closing of the Amalgamation, each Subscription Receipt will convert, with no additional consideration or action by the holder into one (1) WCE Share on a post-WCE Stock Split basis. The gross proceeds of the Offering were delivered into escrow on behalf of the purchasers of Subscription Receipts and will be released from escrow as a result of the escrow release conditions having been satisfied upon completion of the Amalgamation.



In connection with the Offering, the Company will pay, on the completion of the Amalgamation, a corporate finance fee equal to 2% of the gross proceeds of the Offering, and a sales commission to 7% of the gross proceeds of the Offering. Additionally, WCE will grant corporate finance warrants to the finder equal to 2% of the Subscription Receipts sold pursuant to the Offering, and selling compensation warrants (collectively with the corporate finance warrants, the “**WCE Finder Warrants**”) equal to 7% of the Subscription Receipts sold pursuant to the Offering. Each WCE Finder Warrant will entitle the holder thereof to acquire one (1) WCE Share at a price of \$0.13 per WCE Share for a period of forty-two (42) months commencing on the date the Resulting Issuer Shares begin trading on the CSE.

Immediately following the WCE Stock Split, an aggregate of 15,000,000 WCE Shares will be issued to certain finders as consideration for assisting in arranging the Business Combination.

There are currently approximately 9,671,525 CBD common shares issued and outstanding, which will convert to 29,014,575 common shares of Newco after the share split. Excluding the common shares in the recent private placement which will be issued immediately prior to the amalgamation, there are currently approximately 153,495,000 common shares of the Company issued and outstanding. It is expected that prior to closing of the Transaction, that WCE will effect a 1.5-1 split of these common shares, into 230,245,500 shares of Newco.

Upon closing of the transaction, the proceeds of the Company’s recent financing of subscription receipts at \$0.13 per subscription receipt will be released to the Company and the subscription receipts will be exchanged for one common share of Newco.

It is expected that the post-closing capital structure, assuming that the subscription receipt financing is completed for gross proceeds of \$23,000,000, will appear as follows:

	<b>Common shares</b>
Current shareholders of CBD	29,014,575
Finder’s fees	15,000,000
Current shareholders of the Company	230,242,500
Issued on conversion of subscription receipts	176,923,072
	451,180,147

Accordingly, approximately 54.4% of Newco's shares will be held by former shareholders of the Company following the closing of the transaction, while Subscription Receipt holders will own 39.2% of Newco’s shares. Additionally, upon listing on the Canadian Stock Exchange (“CSE”), it is anticipated that there will be 15,923,077 finder warrants issued to purchase common shares of the Company at the price of \$0.13 per common share exercisable for a period of 42 months from the date of listing. The shares held by new principals of Newco will be subject to such escrow requirements as may be imposed by the securities regulatory authorities.

The definitive agreement will include a number of conditions, including but not limited to: requisite shareholder approvals (obtained), completion of the financing (completed), receipt of all necessary regulatory approvals including the voluntary delisting of CBD's common shares from the NEX board of the TSX Venture Exchange (obtained), the conditional approval of the CSE (in progress), satisfaction of the minimum listing requirements of the CSE and other closing conditions customary to transactions of the nature of the proposed transaction (in progress). The proposed transaction will be carried out by parties

dealing at arm's length to one another and therefore will not be considered to be a non-arm's-length transaction.

### Selected Financial Information

The table below summarizes key operating data for the period commencing January 25, 2018 and ending December 31, 2018.

	Period Ended December 31, 2018 \$
Total revenue	-
Operating costs	4,139,739
Net loss from operations	(4,138,521)
Total assets	34,341,177
Total liabilities	294,107
Total equity	34,047,070
Shares outstanding, end of period	325,969,320
Weighted average shares outstanding	144,296,074
Net loss per share	(0.03)

### Selected Quarterly Financial Information

The following quarterly results for the four most recent quarters have been prepared in accordance with IFRS as listed below.

Three Months (or Period) Ended	Cash And Restricted Cash	Current Liabilities	Revenue	Net Loss	Loss Per Share	Weighted Average Shares Outstanding
January 25, 2018 to March 31, 2018	396	35,000	-	(506,318)	(0.00)	130,000,000
June 30, 2018	1,889,906	145,524	-	(857,532)	(0.01)	135,706,556
September 30, 2018	1,617,011	177,945	-	(1,546,941)	(0.01)	153,345,000
December 31, 2018	22,796,341	294,107	-	(1,227,730)	(0.01)	153,345,000

**Note:** Shares outstanding and earnings per share have not been adjusted to reflect the share exchange ratio per the LOI.

### **Results of operations for the three months ended December 31, 2018 and the period from January 25, 2018 to December 31, 2018**

#### **Three-month period ended December 31, 2018**

The net loss for the three-month period ended December 31, 2018 was \$1,227,730. Operating expenses reflect depreciation of intellectual property, advertising, travel and consulting costs through efforts to showcase the technology, raise funds and pursue a CSE listing.

#### **Period from January 25, 2018 to December 31, 2018**

The net loss and comprehensive loss for the period ended December 31, 2018 was \$1,090,719. Operating expenses created substantially all the loss.

Operating expenses were \$4,138,521 for the period ended December 31, 2018. Significant 2018 expense items include:

- Depreciation expense of \$2,434,306 was incurred on the intellectual property, demo equipment, computers and office furniture.
- Share based compensation of \$625,884 was recorded in the third quarter as options were issued which vested immediately.
- Consulting expense was incurred to assist with establishing the business and to demonstrate and develop the technology.
- legal fees related to expenses of establishing and administering the Company and assisting with the purchase of the intellectual property.
- Management fees are recurring costs of operating the Company.
- Marketing and advertising was incurred to build awareness of the technology, to drive orders when the plant is operational.
- Office and general costs are recurring costs of operating the Company.
- Travel was required to meet with investors, with the builders of the plant in India, and for general corporate needs.

## Liquidity and Capital Resources

### *Cash and Working Capital*

The following table sets forth a summary of the Company's working capital position as of the dates presented:

	<b>As at December 31, 2018</b>
	<b>\$</b>
Cash and restricted cash	22,796,341
Working capital	23,296,421

The Company's principal source of liquidity as of December 31, 2018 was cash and restricted cash of \$22,796,341 as of December 31, 2018. While Management believes that with the going public transaction expected to be completed by spring 2019, the Company has sufficient funds to meet its obligations and short term working capital requirements, and to accomplish its short-term plans, the Company plans to continue to monitor closely its use of its available cash.

The Company may require substantial additional capital to fund additional growth in the business.

### *Other Assets (net)*

	<b>As at December 31, 2018</b>
	<b>\$</b>
Property and equipment	71,200
Intangible assets	10,679,449
	<u>10,750,649</u>

Property and equipment comprises demo equipment, computers and office equipment. Intangible

assets includes the intellectual property and legal costs to keep it in good standing.

### ***Liabilities***

	<b>As at December 31, 2018</b>
	<b>\$</b>
Accounts payables and other	245,181
Share subscriptions payable	14,078
Due to related parties	34,848
	<u>294,107</u>

Trade payables and other liabilities include obligations incurred in the normal course of business. Subscriptions payable relates over payments to the \$23,000,000 placement which will be reimbursed when the funds are no longer restricted. Due to related parties include obligations incurred in the normal course of business. All payables are due and will be paid when the restriction for the cash is removed.

### ***Common Shares***

	<b>As at December 31, 2018</b>
	<b>\$</b>
Common shares	<u>37,392,023</u>

During the period ended December 31, 2018 the following changes in common shares occurred:

- Issued 130,000,000 at an ascribed value of \$0.10 per share to acquire the intellectual property.
- Issued 23,345,000 common shares at a value of \$0.10 per share to raise gross proceeds of \$2,334,500. Cash costs of the placement were \$211,455, for net cash proceeds of \$2,138,045.
- Issued 172,474,320 common shares at \$0.13 per share for gross proceeds of \$22,421,662. These proceeds will be released to the Company on completion of the go public transaction. Subsequent to December 31, 2018, a further 4,448,752 common shares were issued at \$0.13.

### **Outstanding Share Data**

As at December 31, 2018, the Company had 153,345,000 shares outstanding As at the date of this MD&A, before the amalgamation, the Company continues to have 153,345,000 common shares issued and outstanding.

Shares and other capital instruments existing at the date of this MD&A and comparative shares at December 31, 2018, are as follows:

	<b>Feb. 8, 2019</b>	<b>Dec. 31, 2018</b>
Shares Outstanding	325,969,320	325,969,320
Share Warrants	2,114,450	2,114,450
Subscription Units - Warrants	-	-
Options	9,000,000	9,000,000
Total	<u>337,083,770</u>	<u>337,083,770</u>

Subsequent to a successful amalgamation and of the Subscription Receipt private placement for gross proceeds of \$23,000,000, the share capital of the company expected to be as follows:

	<b>Pre- Amalgamation</b>	<b>Post- Amalgamation *</b>
Shares Outstanding	153,495,000	230,242,500
Share Subscriptions	176,923,072	176,923,072
Finder's fees	15,000,000	15,000,000
CBD Shares	9,671,525	29,014,575
Shares outstanding	<u>355,089,597</u>	<u>451,183,147</u>
Share Warrants	2,114,450	3,171,825
Share Subscription Warrants	15,923,076	15,923,076
Options	<u>9,000,000</u>	<u>13,500,000</u>
Fully diluted shares outstanding	<u>382,127,123</u>	<u>483,775,048</u>

\* Adjusted for splits.

### ***Related Party Transactions***

All transactions were in the normal course of operations and were recorded at exchange values established, which the consideration is agreed upon by the related parties.

The amounts due to related parties in the amount of \$34,848 are unsecured, payable on demand, and without interest.

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

- The Company paid or accrued fees to its senior officers totaling \$303,393 in management fees and \$22,847 in patent related legal fees.
- The Company granted stock options to its senior officers, directors and consultants totaling \$549,386 in share based compensation.

All related party balances are non-interest bearing, unsecured and have no fixed terms of repayment and have been classified as current.

### ***Change of Directors***

Upon completion of the Amalgamation, it is anticipated that the Board will consist of Donal Carroll, Jon Bridgman, Gary F. Zak, Dr. K. Sethu Raman, and Binyomin Posen.

### ***Critical Accounting Policies and Estimates***

The Company's significant accounting policies are disclosed in Note 3 to the financial statements for the period ended December 31, 2018. Certain of these policies require the use of estimates or assumptions that in some cases may relate to matters that are inherently uncertain. The Company did not adopt any new significant accounting policies or estimates during this year.

### ***Financial Instruments and Other Instruments***

The Company's financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial

instruments approximates their carrying values.

### **Dependence on Key Employees**

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

### **Capital Management**

The Company considers its capital to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the operation of the extraction technology and business of the Company. The Board does not establish quantitative return on capital criteria for Management, but rather relies on the expertise of the Company's Management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management in the period ended December 31, 2018. The Company is not currently subject to externally imposed capital requirements.

### ***Off-Balance Sheet Arrangements***

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

### ***Risk Management***

The Company has risk management processes in place to monitor, evaluate and manage the principal risks it assumes in conducting its business activities. These risks include credit, liquidity, interest rate, and various sources of operational risk. The Company's approach to the management of risk has not changed.

### ***Outlook and Economic Conditions***

The landscape of the cannabis market in Canada has changed drastically in the past few months, and the demand for cannabis and cannabis infused products has grown quickly.

Canada legalized cannabis on October 17, 2018 ("**Legalization Day**"). The *Cannabis Act* came into force on Legalization Day, putting in place a new, strict framework for controlling the production, distribution, sale and possession of recreational cannabis in Canada. Predictably, the demand for cannabis products has exceeded supply. On October 18, 2018, just a day after Legalization Day, the Nova Scotia Liquor Corporation announced<sup>2</sup> that the entire province was out of cannabis oils and capsules and that small packaged dried flower and pre-rolls were in limited supply. In Quebec, the Société québécoise du cannabis

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<sup>2</sup> Source: Daily Hive (Buzz Connected Media Inc.), October 19, 2018, "One Canadian Province Confirms It's Already Experiencing a Weed Shortage", online: < <http://dailyhive.com/grow/nova-scotia-weed-shortage>>.

(“SQDC”) announced<sup>3</sup> that 12 stores were opened in the province of Quebec on Legalization Day, which attracted a large number of people who waited up to four hours to purchase recreational cannabis. SQDC recorded over 12,500 transactions in stores and 30,000 online orders. In British Columbia, as reported by Daily Hive<sup>4</sup>, the BC Cannabis Stores recorded 9,980 orders on Legalization Day, with 9,175 of those orders (91.9%) placed online.

Following the legalization of recreational cannabis in Canada, a substantially larger customer base has emerged, compared to the Canadian medicinal cannabis market. According to Mackie Research, the overall Canadian medicinal cannabis market is projected to be \$1.15 billion by 2020. Approximately 43% of this market is projected to be cannabis extracts and oils, of which the cannabis-infused beverage portion is expected to be 80%. Data from Canaccord Genuity Group Inc. (“Canaccord”) indicates annual recreational cannabis sales in Canada may reach \$6 billion by 2021. Canaccord believes “patients in Canada will consume more than 150,000 kg of cannabis per year by 2021, which could equate to \$1.8 billion in retail sales.” The legalization of recreational cannabis use is a transformational event, in that a vast illegal market is being replaced by legal sales worth as much as \$6 billion, by 2021. Research from CIBC World Markets indicates an even bigger market, estimating the Canadian cannabis market would reach \$10 billion if it were to be regulated like other retailers.

To cater to a rapidly growing market, it is crucial for licensed producers of cannabis to maintain an adequate supply of cannabis and cannabis-infused products. By partnering with World Class, licenced producers of cannabis will be able to effectively: (i) increase their allotted space for active canopy to increase their production yield; (ii) have access to a supply of higher-quality extracts; and (iii) reduce the production time associated with extracting.

### ***Risk Factors***

WCE shares should be considered highly speculative due to the nature of the Company’s proposed business and the present stage of its development. In evaluating the Company and its new business, investors should carefully consider the following risk factors, in addition to the other information contained in this MD&A. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company’s operations.

WCE’s actual operating results may be very different from those expected as at the date of this MD&A.

### **Specific Risks Related to the Transaction**

There is no assurance that the Amalgamation will be completed.

### **Risks Related to World Class’s Business and Industry**

#### ***Dependent on relationship with FSD Pharma Inc.***

The ability of WCE to carry on its business in extracting and processing cannabinoids derived from cannabis and hemp is dependent on obtaining all licences, including the licences to produce cannabis oil products, and adherence to all regulatory requirements related to such activities. At present, WCE’s ability

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<sup>3</sup> Source: Services Québec, October 16, 2018, online: “The Société Québécoise Du Cannabis Opens Its First Stores on October 17, 2018”, online:

< <http://www.fil-information.gouv.qc.ca/Pages/Article.aspx?lang=en&idArticle=2610164681>>.

<sup>4</sup> Source: Daily Hive (Buzz Connected Media Inc.), October 18, 2018, “BC Cannabis Stores Release Sales Numbers After First Day of Legalization”, online: < <http://dailyhive.com/vancouver/bc-cannabis-stores-sales-october-2018>>.

to carry on its business in extracting and processing is heavily dependent on its business relationship with FSD Pharma Inc. (“**FSD**”) and its ability to utilize FSD’s extraction license. FSD is currently in the process of completing its application for the required extraction licences; however, there is no guarantee that FSD will obtain this licences. Should Health Canada not grant FSD the licences, the business, financial condition and operating results of the Company could be materially adversely affected. In addition, a failure on the part of FSD or WCE to comply with the terms of any licence granted to FSD or WCE, if any and as applicable, or to renew such licences after their expiry dates, could have a material adverse impact on the business, financial condition and operating results of WCE.

### ***No Extraction Licence***

As of the date of this MD&A, WCE does not possess its own license to produce extracts from cannabis and hemp using the WCE Technology. Instead, WCE operates under an extraction license held by FV Pharma, pursuant to the terms of the License Agreement, which grants to FV Pharma a non-exclusive license to manufacture, commercialize, sell, and offer for sale, CBD, oil and other extracts extracted using the WCE Technology. WCE’s ability to produce extracts from cannabis and hemp on its own using the WCE Technology is dependent on the Company obtaining, in the future, an extraction license from Health Canada. Any extraction license granted to WCE will be subject to ongoing compliance and reporting requirements, and a failure to comply with the requirements of such licence, or any failure to maintain such licenses, would have a material adverse impact on the business, financial condition and operating results of WCE.

There can be no assurance that Health Canada will grant WCE an extraction license, and further, there can be no assurance that if granted, Health Canada will extend or renew such license or, if extended or renewed, that such license will be extended or renewed on the same or similar terms. Should Health Canada not grant, extend or renew the extraction license, or should Health Canada extend or renew such licenses on different terms, the business, financial condition and operating results of the Company would be materially adversely affected.

Government licenses are currently, and in the future may be, required in connection with WCE’s operations, in addition to other unknown permits and approvals which may be required. The Company cannot predict the time required to secure all appropriate regulatory approvals for its operations, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or a failure to obtain, the necessary regulatory approvals will significantly delay or prevent the development of WCE’s business and operations and could have a material adverse effect on WCE’s business, results of operations, financial condition and cash flows.

### ***Dependence on third party suppliers***

The Company’s business is dependent on its ability to source cannabis from FSD and other licensed producers and suppliers. A failure to source the cannabis required for WCE’s business and operations would have a material adverse impact on the business, financial condition and operating results of the Company. Real or perceived quality control problems with raw materials sourced from FSD or other third parties could negatively impact consumer confidence in WCE’s products, or expose it to liability. In addition, disruption in the operations of any such supplier or material increases in the price of raw materials, for any reason, such as changes in economic and political conditions, tariffs, trade disputes, regulatory requirements, import restrictions, loss of certifications, power interruptions, fires, hurricanes, drought or other climate-related events, war or other events, could have a material adverse effect on the Company’s business, results of operations, financial condition and cash flows.



### *Commercialization Risk*

As of the date of this MD&A, the Company has built a pilot extraction unit, which utilizes the WCE Technology. WCE's ability to build a commercial scale system and provide extraction services to the global market will require that its pilot extraction unit be scalable from laboratory, pilot and demonstration projects to large commercial-scale WCE Mobile Units in large-scale projects. At present, the assembly and test operation of the Company's pilot extraction unit takes place in a controlled assembly and test environment. However, the Company may be unable to control the environment in which large commercial-scale WCE Mobile Units are assembled, or in which they operate, and consequently, the Company's WCE Mobile Units may become non-functional, their results may be adversely affected and the assembled and tested WCE Mobile Units may become defective. In addition, the Company may not have identified all of the factors that could affect the extraction processes, with the result that WCE's pilot extraction unit may not perform as expected when applied at large commercial-scale, or that WCE may encounter operational challenges for which it may be unable to identify a workable solution. Any unanticipated issues in the extraction process, and other similar challenges could decrease the efficiency of the extraction process, create delays and increase the Company's costs, and lead WCE to be unable to scale up its extraction process in a timely manner, on commercially reasonable terms, or at all. If the Company is unable to replicate the test results of its pilot extraction unit at a large commercial scale, its ability to commercialize the WCE Technology will be adversely affected, and consequently, its ability to reach, maintain and increase the profitability of its business will be adversely affected.

### *Cannabis Sector Risks*

As discussed further below, subject to further clarity on the position of the U.S. Federal Government on the enforcement of U.S. federal laws relating to the cannabis industry, the Company may, in the future, be involved in select states within the United States, and may directly derive a portion of its revenues from, the cannabis industry in certain U.S. states, which industry is illegal under U.S. federal law. The Company may therefore be directly involved in the cannabis industry in the United States where local state law permits such activities, as well as the cannabis industry in Canada.

**As discussed under “United States Cannabis Industry Risk”, as a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA (as defined below) with respect to cannabis and there can be no assurance as to the timing or scope of any such potential amendments, there is a risk that U.S. federal authorities may enforce current federal law, which may adversely affect the planned future operations of the Company in the United States. As such, there are a number of risks associated with WCE's planned future operations in the United States, and such operations may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, WCE may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on WCE's ability to operate in the United States. The Company has not yet commenced any cannabis-related activities in the United States, nor has it determined in which states it will operate. Prior to commencing any such cannabis-related activities, WCE intends to obtain legal advice and develop a compliance program to ensure, to the greatest extent possible, that the Company conducts its operations in compliance with applicable state laws and limits its potential exposure arising from federal laws, and will do so for each state in which it proposes to operate.**

## *United States Cannabis Industry Risk*

Almost half of the U.S. states have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol (“THC”), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC.

Unlike Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the *Cannabis Act*, the United States largely regulates cannabis at the state level. To the Company’s knowledge, there are approximately 30 states, plus the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the U.S. state level, cannabis continues to be categorized as a controlled substance under the *Controlled Substances Act* (the “CSA”) in the United States and as such, it is illegal under federal law in the United States.

The U.S. Congress has passed appropriations bills in each of the last three years that have not appropriated funds for prosecution of cannabis offenses of individuals who are in compliance with state medical cannabis laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business - even those that have fully complied with state law - could be prosecuted for violations of federal law. If Congress restores funding, the U.S. federal government will have the authority to rely on the CSA’s five-year statute of limitations and prosecute individuals for violations of the law that occurred before it lacked funding. Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for WCE to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

As a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the “**Cole Memorandum**”) addressed to all U.S. district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the U.S., several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

However, on January 4, 2018, the U.S. federal government rescinded all previous nationwide guidance

specific to cannabis enforcement, including the Cole Memorandum. With the Cole Memorandum rescinded, U.S. federal prosecutors may exercise their discretion in determining whether to prosecute cannabis-related violations of U.S. federal law. It is possible that further regulatory developments in the U.S. could significantly adversely affect the business, financial condition and results of businesses involved in the cannabis industry.

Notwithstanding the foregoing, pursuant to the Rohrabacher Blumenauer Amendment (the “**RBA**”), until September 2018, the Department of Justice is prohibited from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws. In September 2018, Congress passed the Continuing Appropriations Act, 2019 which extends the deadline of the March 2018 omnibus spending bill until December 7, 2018. Should the RBA not be renewed upon expiration in subsequent spending bills there can be no assurance that the U.S. federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Any such proceeding could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could also have a material adverse effect on WCE’s business, revenues, operating results and financial condition as well as World Class’s reputation, even if such proceedings were concluded successfully in favour of the Company.

In addition, given the heightened risk profile associated with cannabis in the United States, the Canadian Depository for Securities Limited (“**CDS**”) may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis companies that have cannabis businesses or assets in the United States. It is not certain whether CDS will decide to enact such measures, nor whether it has the authority to do so unilaterally. However, if CDS were to decide that it will not handle trades in our securities, it could have a material adverse effect on the ability of investors to settle trades in a timely manner and on the liquidity of the Company’s securities generally.

### ***Regulatory risks***

Successful execution of WCE’s strategy is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The commercial medical cannabis industry is a new industry and the Company cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian medical cannabis industry. Similarly, WCE cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada’s compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company.

WCE will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company’s operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to WCE’s operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

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### ***Change in laws, regulations and guidelines***

The Company's operations are, and may in the future become, subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis, including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. To the knowledge of management, other than routine corrections that may be required by Health Canada from time to time, the Company is currently in compliance with all such laws; however, changes to such laws, regulations and guidelines due to matters beyond the control of WCE may cause adverse effects to its operations.

Health Canada inspectors routinely assess the Company's facilities against applicable regulations and provide follow up reports noting any observed deficiencies. WCE is continuously reviewing and enhancing its operational procedures and facilities both proactively and in response to routine inspections. The Company follows all regulatory requirements in response to inspections in a timely manner.

The Company endeavours to comply with all relevant laws, regulations and guidelines. To WCE's knowledge, it is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this MD&A.

### ***Reliance on Management and Key Personnel***

The Company believes that its success has depended, and continues to depend, on the efforts and talents of its executives and employees, including its Chief Executive Officer. WCE's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the loss of any of WCE's senior management or key employees could materially adversely affect its ability to execute its business plan and strategy, and it may not be able to find adequate replacements on a timely basis, or at all.

The Company does not maintain key person life insurance policies on any of our employees.

***Factors which may prevent realization of growth targets***

The Company is currently in the expansion from early development stage. WCE's growth strategy contemplates outfitting the Markham, Ontario facility with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, and further, that WCE may not have sufficient product available to meet the anticipated future demand when it arises, as a result of being adversely affected by a variety of factors, including some that are discussed elsewhere in these Risk Factors and the following:

- failure, or delays in, obtaining or satisfying conditions imposed by regulatory approvals
- facility design errors
- environmental pollution
- non-performance by third party contractors
- increases in materials or labour costs
- construction performance falling below expected levels of output or efficiency
- breakdown, aging or failure of equipment or processes
- contractor or operator errors
- operational inefficiencies
- labour disputes, disruptions or declines in productivity
- inability to attract sufficient numbers of qualified workers
- disruption in the supply of energy and utilities
- major incidents and/or catastrophic events such as fires, explosions or storms

World Class may experience additional expenditures related to unforeseen issues that have not been taken into account in the preparation of this MD&A.

***Additional financing***

The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of WCE's current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to WCE. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of WCE Shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase WCE's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. WCE may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

## ***Competition***

The industrial technology industry is intensely competitive in all its phases, and there is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources and extraction, and manufacturing and marketing experience than WCE. There can be no assurance that potential competitors of WCE, which may have greater financial, R&D, sales and marketing and personnel resources than the Company, are not currently developing, or will not in the future develop, products and strategies that are equally or more effective and/or economical as any products or strategies developed by WCE or which would otherwise render the Company's products or strategies obsolete. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of WCE.

## ***Risks Related to Intellectual Property***

The Company's success and ability to compete effectively will depend, in part, on its ability to maintain the proprietary nature of its technology and manufacturing and extraction processes, the ability to secure and protect its patents, trade secrets, trademarks and other intellectual property rights either developed internally or acquired, and to operate without infringing on the proprietary rights of others or having third parties circumvent the rights that it owns or licences.

At present, the Company has (1) provisional patent application pending in the United States. The patent position of a company is generally uncertain and involves complex legal, factual and scientific issues, several of which remain unresolved, and as such, there can be no assurance that the Company will be able to secure the patents applied for or develop other patentable proprietary technology and/or products. Furthermore, WCE cannot be completely certain that its future patents, if any, will provide a definitive and competitive advantage or afford protection against competitors with similar technology. There can be no assurance that any of WCE's patents will be sufficiently broad to protect the Company's technology or that they will not be challenged or circumvented by others, or found to be invalid. In addition, competitors or potential competitors may independently develop, or have independently developed products as effective as ours or invent or have invented other products based on our patented products.

The Company cannot determine with any certainty whether it has priority of invention in relation to any new product or new process covered by a patent application or if it was the first to file a patent application for any such new invention. Furthermore, in the event of patent litigation there can be no assurance that its patents, if any, would be held valid or enforceable by a court of competent jurisdiction or that a court would rule that the competitor's products or technologies constitute patent infringement. Claims that WCE's technology or products infringe on intellectual property rights of others could be costly to defend or settle, could cause reputational injury and could divert the attention of WCE's management and key personnel, which in turn could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

The Company relies on trade secrets, know-how and technology, which are not protected by patents, to maintain its competitive position. While the Company takes reasonable measures to protect this information, parties who have access to such confidential information, such as our current and prospective suppliers, distributors, manufacturers, commercial partners, employees and consultants, may disclose confidential information to our competitors, and it is possible that a competitor will make unauthorized use of such information. Any such unauthorized disclosure or use could affect WCE's competitive position and could materially and adversely affect the business, financial condition and results of operations of the Company.

In the event that WCE's intellectual property rights were to be infringed by, disclosed to or independently developed by a competitor, enforcing a claim against such third party could be expensive and time-consuming and could divert management's attention from our business. In addition, the outcome of such proceedings is unpredictable.

Any adverse outcome of such litigation or settlement of such a dispute could subject the Company to significant liabilities, and could put one or more of WCE's patents or patent application, as applicable, at risk of being not issued, of being invalidated, or of being interpreted narrowly.

### ***Client acquisition and retention***

The Company's success depends on its ability to attract and retain patients. There are many factors which could impact WCE's ability to attract and retain patients, including but not limited to the Company's ability to continually produce desirable and effective product, the successful implementation of WCE's patient-acquisition plan and the continued growth in the aggregate number of patients selecting medical cannabis as a treatment option and other companies producing and supplying similar products. The Company's failure to acquire and retain patients would have a material adverse effect on the business, financial condition and operating results of WCE.

### ***Research and development and product obsolescence***

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies, including new manufacturing and extraction processes, and the emergence of new industry standards may render WCE's technology, less competitive or less marketable. The process of developing the Company's technology is complex and requires significant continuing costs, development efforts and third party commitments. The Company's failure to develop new technologies and the obsolescence of existing technologies could adversely affect the business, financial condition and operating results of WCE. The Company may be unable to anticipate changes in its potential customer requirements that could make WCE's existing technology obsolete. The Company's success will depend, in part, on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of WCE's proprietary technology entails significant technical and business risks. The Company may not be successful in using its new technologies or exploiting its niche markets effectively or adapting its businesses to evolving customer or medical requirements or preferences or emerging industry standards.

### ***Unfavourable publicity or consumer perception***

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis and cannabis products produced or manufactured. Consumer perception of WCE's products and technologies can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical and recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's technology and extraction services and the business, results of operations, financial condition and cash flows of the

Company. WCE's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's extraction services and the resulting products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or WCE's products and services specifically, or associating the consumption of medical and/or recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

### ***Product liability***

As a manufacturer and distributor of products directly or indirectly designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products produced by WCE, or produced using outputs from the WCE Class Technology, caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect WCE's reputation with its clients and consumers generally, and could have a material adverse effect on the business, financial condition and operating results of WCE. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of WCE's products.

### ***Product recalls***

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products produced by the Company, or produced using outputs from the WCE Class Technology, are recalled due to an alleged product defect or for any other reason, WCE could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant Management attention. Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by WCE were subject to recall, the image of that product and WCE could be harmed. Any recall, including for any of the foregoing reasons, could lead to decreased demand for products produced by the Company and could have a material adverse effect on the results of operations and financial condition of WCE. Additionally, product recalls may lead to increased scrutiny of the operations of the Company by Health Canada or other regulatory agencies, requiring further Management



attention and potential legal fees and other expenses.

***Reliance on key inputs***

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies, specifically cannabis. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of WCE. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

***Difficulty to forecast***

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

***Operating risk and insurance coverage***

The Company has insurance to protect its assets, operations and employees. While WCE believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover WCE's liabilities or will be generally available in the future, or if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if WCE were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

***Management of growth***

The Company may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on WCE's business, financial condition, results of operations and prospects.

***Conflicts of interest***

World Class may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, World Class's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to World Class. In some cases, World Class's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to World Class's business and affairs and that could adversely affect World Class's operations. These business interests could require significant time and attention of World Class's executive officers and directors.

In addition, World Class may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or Companies with which World Class may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of World Class. In addition, from time to time, these persons may be competing with World Class for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of World Class's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of World Class are required to act honestly, in good faith and in the best interests of World Class.

### ***Unpredictable and volatile market price for Resulting Issuer Shares***

The market price for Resulting Issuer Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Resulting Issuer's control, including the following:

- actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations
- recommendations by securities research analysts
- changes in the economic performance or market valuations of companies in the industry in which the Resulting Issuer operate
- addition or departure of the Resulting Issuer's executive officers and other key personnel
- release or expiration of lock-up or other transfer restrictions on outstanding Resulting Issuer Shares
- sales or perceived sales of additional Resulting Issuer Shares
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors
- operating and share price performance of other companies that investors deem comparable to the Resulting Issuer
- fluctuations to the costs of vital production materials and services
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility
- operating and share price performance of other companies that investors deem comparable to the Resulting Issuer or from a lack of market comparable companies
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Resulting Issuer Shares may decline even if the Resulting Issuer's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Resulting Issuer's operations could be adversely affected and the trading price of the Resulting Issuer Shares might be materially adversely affected.

### ***No dividends***

The Resulting Issuer's current policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Resulting Issuer. Therefore, the Resulting Issuer does not

anticipate paying cash dividends on the Resulting Issuer Shares in the foreseeable future. The Resulting Issuer's dividend policy will be reviewed from time to time by its Board of Directors in the context of its earnings, financial condition and other relevant factors. Until the time that the Resulting Issuer does pay dividends, which it might never do, its shareholders will not be able to receive a return on their Resulting Issuer Shares unless they sell them.

### ***Future sales of Resulting Issuer Shares by existing shareholders***

Sales of a substantial number of Resulting Issuer Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Resulting Issuer Shares intend to sell Resulting Issuer Shares, could reduce the market price of our Resulting Issuer Shares. Holders of options to purchase Resulting Issuer Shares will have an immediate income inclusion for tax purposes when they exercise their options (that is, tax is not deferred until they sell the underlying Resulting Issuer Shares). As a result, these holders may need to sell Resulting Issuer Shares purchased on the exercise of options in the same year that they exercise their options. This might result in a greater number of Resulting Issuer Shares being sold in the public market, and fewer long-term holds of Resulting Issuer Shares by Management and our employees.

### **Cautionary Note Regarding Forward-Looking Statements**

This MD&A contains certain “forward-looking information” as defined in applicable securities laws (collectively referred to herein as “**forward-looking statements**”). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “budgeted”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statements.

Forward-looking statements are based upon certain assumptions and other important factors regarding present and future business strategies and the environment in which the Company will operate in the future, which could prove to be significantly incorrect. Forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company and/or its subsidiary to be materially different from those expressed or implied by such forward-looking statements.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. In particular, this MD&A contains forward-looking information relating to the Company's expectation that its sales force will grow and that such growth may enable the Company to more effectively penetrate the global marketplace. Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company. The material factors and assumptions include the Company being able to obtain the necessary director approvals. Risk factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information include, among other things: the failure to obtain the required directors' approvals; changes in tax laws, general economic and business conditions; and changes in the regulatory environment generally. The Company cautions the reader that the above list of risk factors is not exhaustive.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary note. Accordingly, readers should not place undue reliance on forward looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

This MD&A contains forward-looking statements with respect to World Class Extractions Inc. under the headings "Liquidity" and "Outlook". These forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements, in particular, present financial market uncertainty. The Company has assumed that financing alternatives remain available, albeit with terms that are not as attractive as was the case prior to the current worldwide financial market uncertainty. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time that they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of management, may ultimately prove to be incorrect. Except as required by law, the Company does not intend, and assumes no obligation, to update the forward-looking statements contained herein.