WORLD CLASS EXTRACTIONS INC. (formerly CBD Med Research Corp.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2019 and 2018

(Expressed in Canadian Dollars unless otherwise indicated)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING and NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of World Class Extractions Inc. (the "Company") for the three months ended March 31, 2019 and 2018 are the responsibility of the Company's management ("Management") and have been prepared by Management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for condensed consolidated interim financial statements.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professionals Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

WORLD CLASS EXTRACTIONS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (Unaudited)
(Expressed in Canadian Dollars)

AS AT	March 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash	**$20,553,291**	$360,601
Restricted cash	**-**	22,435,740
Loan receivable (note 5)	**500,000**	-
Accounts receivable and HST receivable	**106,741**	65,940
Prepaid expenses and deposits	**842,385**	728,247
	22,002,417	22,590,528
Non-current assets		
Property and equipment (net) (note 7)	**67,785**	71,200
Intangible assets (note 8)	**10,029,449**	10,679,449
TOTAL ASSETS	**$32,099,652**	$34,341,177
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$203,304**	$245,181
Share subscriptions payable	**-**	14,078
Due to related parties	**-**	34,848
Total liabilities	**203,304**	294,107
SHAREHOLDERS' EQUITY		
Share capital (note 10)	**38,188,412**	37,392,023
Reserves	**4,737,871**	793,568
Deficit	**(11,029,935)**	(4,138,521)
Total shareholders' equity	**31,896,348**	34,047,070
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$32,099,652**	$34,341,177

Nature of operations (note 1)
Commitments and Contingencies (notes 17)
Subsequent events (note 18)

APPROVED BY THE BOARD:

Signed, "Donal Carroll", Director

Signed, "Shimmy Posen", Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

WORLD CLASS EXTRACTIONS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

(Expressed in Canadian Dollars)

	ISSUED CAPITAL		RESERVES			
	Common Shares #	Share Capital $	Contributed Surplus $	Warrants $	Income (Deficit) $	Shareholders' Equity $
As at January 25 ,2018 (date of incorporation)	-	-	-	-	-	-
Shares issued for intangible assets (note 8)	130,000,000	13,000,000	-	-	-	**13,000,000**
Net income (loss) for the period	-	-	-	-	(506,318)	**(506,318)**
Balance – March 31, 2018	**130,000,000**	**13,000,000**	-	-	**(506,318)**	**12,493,682**
WCE shares issued to former CBD shareholders upon closing of Reverse Takeover Transaction ("RTO")	29,014,575	3,771,895	-	-	-	**3,771,895**
Shares issued for private placement (note 9)	23,495,000	2,349,500	-	-	-	**2,349,500**
Share issuance costs	-	(379,139)	-	-		**(379,139**
Fair value for issuance of options	-	-	167,684	-	-	**167,684**
Issued of share subscription receipts (notes 4 and 9)	172,474,320	22,421,662	-	-	-	**22,421,662**
Share-based compensation (note 10)	-	-	625,884	-	-	**625,884**
Net income (loss) for the period	-	-	-	-	(3,632,202)	**(3,632,202)**
Balance – December 31, 2018	**325,969,230**	**37,392,023**	**793,568**	-	**(4,138,520)**	**34,047,070**
WCE shares issued to former CBD shareholders upon closing of Reverse Takeover Transaction ("RTO")	29,014,575	3,771,895	-	-	-	**3,771,895**
Issuance of final subscription receipts (notes 4 and 9)	4,448,757	578,338	-	-	-	**578,338**
Less share issuance costs – cash and warrants (notes 9 and 11)	-	(5,073,324)	-	3,448,351	-	**1,887,809**
Issuance of common shares pursuant to share split 1.5:1	76,747,495	-,	-	-	-	-
WCE shares issued for finders' fees (notes 4 and 9)	15,000,000	1,950,000	-	-	-	**1,950,000**
			495,952	-		**495,952**
Share-based compensation expense for options (note 10)	-	-	(167,684)	167,684	-	-
Net (loss) for the period	-	-	-	-	(6,891,415)	**(6,891,415)**
Balance – March 31, 2019	**451,180,147**	**38,628,932**	**1,121,836**	**3,616,035**	**(11,029,935)**	**31,896,348**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

WORLD CLASS EXTRACTIONS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (Unaudited)
(Expressed in Canadian Dollars)

For the three months ended	March 31, 2019	March 31, 2018
Operating Expenses		
Listing fees (note 9)	**$1,980,351**	$-
Amortization (notes 7 and 8)	**655,568**	462,914
Share-based compensation	**495,952**	-
Travel and marketing	**457,778**	12,681
Consulting fees	**160,301**	-
Management fees	**72,000**	-
Regulatory and transfer agent fees	**32,584**	29,000
Office expenses	**17,487**	1,723
Professional and administration fees	**11,000**	-
Research and development	**3,619**	-
Total expenses	**3,886,640**	506,318
Other expenses (income):		
Non-cash loss on completion of the RTO	**3,086,633**	-
Interest (income) expense	**(74,958)**	-
Foreign exchange (gain) loss	**(6,900)**	-
Loss and comprehensive loss for the period	**$(6,891,415)**	$(506,318)
Basic and diluted loss per share	**$(0.02)**	$(0.00)
Weighted average common shares outstanding - Basic and diluted	**375,572,997**	94,943,820

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

WORLD CLASS EXTRACTIONS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (Unaudited)

(Expressed in Canadian Dollars)

For the three months ended	March 31, 2019	March 31, 2018
Cash flow from the following activities:		
Operating activities:		
Net (loss) for the year	**(6,891,415)**	(43,404)
Adjustment for:		
Non-cash loss on completion of RTO (note 4)	**3,086,633**	-
Amortization (notes 7 and 8)	**655,568**	-
Share-based compensation (note 10)	**328,268**	-
Warrants for financing	**3,616,035**	-
Non-cash items:		
Accounts and HST receivable	**(39,278)**	-
Prepaid expenses and deposits	**(111,109)**	-
Accounts payable and accrued liabilities	**(153,125)**	34,796
Net cash used in operating activities	**491,577**	(8,608)
Financing activities:		
Shares issued for private placements (note 10)	**578,339**	-
Less share issue costs – subscription receipts	**(5,503,844)**	-
Shares issued to finders	**1,950,000**	-
Restricted cash released	**22,435,740**	-
Net cash provided by financing activities	**19,460,235**	-
Investing activities:		
Cash acquired on completion of the RTO	**740,878**	-
Loan receivable	**(500,000)**	-
Net cash used in investing activities	**(240,878)**	(329,335)
Increase (decrease) in cash	**20,192,690**	(8,608)
Cash – beginning of period	**360,601**	145,458
Cash – end of period	**$20,553,291**	$136,850

Supplemental Information	**2019**	2018
Issuance of warrants	**$3,448,351**	$-

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS

Amalgamation/Reverse Takeover

World Class Extractions Inc. (previously CBD Med Research Corp.) (**the "Company" or "Issuer")** was incorporated under the laws of British Columbia on December 2, 1965, under the name "Luaaron Metals Ltd." Subsequent to this, there were several name changes and on July 17, 2014 the Company made a final name change to CBD Med Research Corp. ("**CBD"**). The head and registered office of the Company is located at 1200 – 750 West Pender Street, Vancouver, BC V6C 2T8. The corporate office is located at 1 Adelaide St. East, Ste. 801, Toronto, ON M5C 2V9.

On February 13, 2019, the Issuer, World Class Extractions Inc (Ontario) **("World Class"**), and CBD Acquisition Corp (Ontario) **("CBD ONT")** entered into a Business Combination Agreement (the **"Agreement"**), pursuant to which the parties completed a business combination by way of a three-cornered amalgamation (the "**Amalgamation**") under the Ontario Business Corporations Act (the "**Transaction" or "Reverse Takeover" or "RTO**"). Under the terms of the Agreement, (i) World amalgamated with CBD ONT to become a wholly owned operating subsidiary of the Issuer and carry on the existing business of World Class. The Issuer then filed a notice of alteration to change its name to "World Class Extractions Inc." (the "**Resulting Issuer**").

The Company is listed on the Canadian Securities Exchange **("CSE")** symbol "PUMP". The Company is developing a unique extraction process to produce quality, potent cannabis extracts. The business of the Company then 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**").

See note 4 – Reverse Takeover

These condensed consolidated interim financial statements were authorized for issue by the Company's board of the directors **(**the **"Board")** on May 30, 2019.

As at March 31, 2019, the Company had cash on hand, funds held in trust and short-term investments totaling $20,553,291 (December 31, 2018 - $360,601) to fund accounts payable and accrued liabilities of $203,304 (December 31, 2018 - $294,107). Further, the Company had an accumulated deficit of $11,029,935 (December 31, 2018 - $4,138,520) and working capital of $21,799,113 (December 31, 2018 – $23,296,421). Subsequent to December 31, 2018, the Company added $578,338 cash to the treasury upon closing of the final tranche of a $23,000,000 equity private placement ("2018 Subscription Receipts"). Additionally, the balance of this financing, previously held as "Restricted Cash" was released to the Company.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IAS 34 - Interim Financial Reporting using the accounting policies consistent with IFRS as issued by the IASB. They do not include all of the information required for full annual financial statements.

2. BASIS OF PRESENTATION, continued

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS policies issued and outstanding as of the date the Board of Directors approved these interim The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS policies issued and outstanding as of the date the Board of Directors approved these condensed consolidated interim financial statements on May 30, 2019. The same accounting policies and methods of computation are followed in these condensed consolidated interim financial statements as those applied in note 2 of the Company's most recent annual financial statements for the year ended December 31, 2018 and have been consistently applied throughout all periods presented, as if these policies had always been in effect except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2019 could result in the restatement of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities, which are measured at fair value, as detailed in the Company's accounting policies.

Functional and presentation currency

The Company and its Canadian subsidiary's functional currency, as determined by Management, is the Canadian dollar. The condensed consolidated interim financial statements are presented in Canadian dollars.

Basis of Consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly owned subsidiary: World Class. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Significant accounting judgments and estimates

The application of the Company's accounting policies in compliance with IFRS requires the Company's management "Management") to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that Management has made at the financial position reporting date, 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:

2. BASIS OF PRESENTATION, continued

(i) the inputs used in accounting for share-based payment transactions and in valuations of warrants included in financial assets at fair value through profit and loss;

(ii) the recoverability of HST receivable that are included in the statement of financial position;

(iii) management's judgment in determining the functional currency of the Company as Canadian Dollars;

(iv) the valuation of Intellectual Property **("IP")** on the statement of financial position; and

(v) the valuation of the amalgamation with World Class.

3. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies and methods of computation are followed in these condensed consolidated interim financial statements as those applied in note 3 of the Company's most recent annual financial statements for the year ended December 31, 2018 and have been consistently applied throughout all periods presented, as if these policies had always been in effect except as noted below.

Newly adopted accounting standards

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.

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

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

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

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

IFRS 9 uses an expected credit loss impairment model as opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Newly adopted accounting standards, continued

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 expired. 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.

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. The new standard has been adopted by the Company but the potential impact on the condensed consolidated interim financial statements as at March 31, 2019, has not been evaluated.

IFRIC 23, Uncertainty over Income Tax Treatments

New standard to clarify the accounting for uncertainties over income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The application of the new standard had no impact on the condensed consolidated interim financial statements as at March 31, 2019.

4. REVERSE TAKEOVER

On February 13, 2019, the Issuer, World Class Extractions Inc. **(“World” or “WCE”**), completed its RTO of World Class Extractions Inc (Ontario), **(“World Class”)** pursuant to which World Class acquired all of the issued and outstanding shares of CBD for the issuance of 29,014,575 shares of the Issuer. CBD did not have any significant operations at the time of the RTO. Following the closing of the Transaction, the Company changed its name to World Class Extractions Inc. and reconstituted its Board and senior management (“Management”), at that time.

Share Structure

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;

(Expressed in Canadian Dollars)

4. REVERSE TAKEOVER, continued

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. The finders' shares were also assigned a fair value of $0.13 per share being the purchase price of the shares offered by a subscriptions receipts private placement **("Subscription Receipts Purchase Price").**

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.

Fair Value Assigned to the Consideration Paid

As a consequence of the Amalgamation (note 1- Nature of Operations), the shareholders of World Class acquired control over the combined entity. CBD was an inactive shell company and did not meet the definition of a business. Therefore, the Transaction was outside of the scope of IFRS 3 "Business Combinations" and was accounted for using the reverse takeover method of acquisition accounting under IFRS 2 "Share-based payments".

The consideration paid by World Class to acquire CBD was measured on the basis of the fair value of the equity instruments issued considering the price per share of the subscription receipt offering closing concurrently with the Transaction. In accordance with IFRS 2, any excess of the fair value of the shares issued by WCE over the value of the net assets of CBD is recognized in the condensed consolidated interim financial statements of comprehensive loss as "non-cash loss on the completion of the RTO".

The fair value of the consideration is as follows:

Purchase price	
29,014,575 shares of World Class Extractions Inc.	**$3,771,895** (1)
Allocation of Purchase Price	
Cash	$740,878
Sales tax receivable	1,523
Prepaid expenses and deposits	3,029
Equipment (net)	2,153
Accounts payable	(62,321)
Non-cash loss on completion of RTO	3,086,633
	$3,771,895

(1) Valued at the Subscription Receipts Purchase Price.

(Expressed in Canadian Dollars)

4. REVERSE TAKEOVER, continued

As a result of obtaining 100% of the shares of World Class, 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 World Class resulted in the former shareholders of World Class holding a majority of the issued and outstanding shares of WCE. Under this method of accounting, the Company (the legal subsidiary) is deemed to the be acquirer and CBD (the legal parent) is deemed to be the acquired company.

Shares held by new principals of the Company will be subject to such escrow requirements as may be imposed by securities regulatory authorities. **See note 10 - Share capital.**

5. LOAN RECEIVABLE

On March 20, 2019, the Company announced that it had entered into a binding letter of intent **("LOI"**) with Quadron Cannatech Corporation, **("Quadron"),** to proceed with a business combination by way of a statutory plan of arrangement (the "Arrangement"), pursuant to which WCE has agreed to acquire, either directly or indirectly or through a wholly-owned subsidiary, all of the issued and outstanding common shares of Quadron. Final terms of the Arrangement will be set out in an agreement to be entered into by the parties. (the **"Arrangement Agreement"**). See note 17 – Commitments.

Concurrent with entering into the Arrangement, the Company agreed to lend $500,000 to Quadron, pursuant to an assignable, unsecured promissory note. The "Note" bears interest at 4.5% per annum, to be capitalized into the principal of the Note. The Principal and any accumulated interest is due September 26, 2019 (the **"Indebtedness"**). If the Arrangement is not completed, the Indebtedness owing shall become due and payable, forthwith. The proceeds of the loan shall be used as working capital.

6. PREPAID EXPENSES AND DEPOSITS

	Three months ended March 31, 2019	Three months ended March 31, 2018
Equipment deposits [1]	**$756,767**	$-
Legal fees retainers paid	**77,335**	**-**
Rent security deposit	**5,255**	-
Prepaid expense acquired on RTO	**3,029**	-
	$842,386	$-

(1) Extraction equipment ordered but not delivered. Title is retained by the supplier until delivery.

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

Cost		Computer software and equipment		Demo equipment [1]		Office furniture		Total
Balance, - December 31, 2018	$	7,398	$	-	$	-	$	7,398
Acquired upon Amalgamation		14,538		66,043		3,007		83,588
Balance – December 31, 2018		21,936		66,043		3,007		90,986
Additions		-		-		-		-
Balance, March 31, 2019	**$**	**21,936**	**$**	**66,043**	**$**	**3,007**	**$**	**90,986**

Accumulated depreciation		Computer software and equipment		Demo equipment		Office furniture		Total
Balance, December 31, 2018	$	(5,245)	$	-	$	-	$	(5,245)
Acquired upon Amalgamation		(2,181)		(9,906)		(301)		(12,388)
Balance – December 31, 2018		(7,426)		(9,906)		(301		(17,633)
Additions		(1,223)		(4,210)		(135)		(5,568)
Balance, March 31, 2019	**$**	**(8,649)**	**$**	**(14,116)**	**$**	**(436)**	**$**	**(23,201)**

Carrying value		Computer software and equipment		Demo equipment		Office furniture		Total
Balance, December 31, 2018	$	14,510	$	56,137	$	2,706	$	73,353
Balance, March 31, 2019	**$**	**13,287**	**$**	**51,927**	**$**	**2,571**	**$**	**67,785**

Depreciation is recognized in the statements of comprehensive loss and is based on the estimated useful lives of the assets, at the following rates:

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

8. 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 (**see note 10 – Share Capital**) 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.

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS, continued

A continuity of the intangible assets for the period ended March 31, 2019 as follows:

Cost	Intellectual property		Patent application cost		Total
Balance, December 31, 2018	$	13,000,000	$	101,367	$ 13,101,367
Additions		-		-	
Balance, March 31, 2019	**$**	**13,000,000**	**$**	**101,367**	**$ 13,101,367**

Accumulated depreciation	Intellectual Property		Patent application cost		Total
Balance, January 25, 2018	$	-	$	-	$ -
Additions		(2,421,918)		-	(2,421,918)
Balance, December 31, 2018	$	2,421,918	$	-	$ (2,421,918)
Additions		(650,000)		-	(650,000)
Balance, March 31, 2019	**$**	**3,071,918**	**$**	**-**	**$ (3,071,918)**

Carrying value	Intellectual Property		Patent application cost		Total
Balance, December 31, 2018	$	10,578,082	$	101,367	$ 10,679,449
Balance, March 31, 2019	**$**	**9,928,082**	**$**	**101,367**	**$ 10,029,449**

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

Amortization is recognized in the statements of comprehensive loss and calculated using the following terms and methods:

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

During the year ended December 31, 2018, the Company incurred costs of $101,367 regarding patent application. To date the patent is still 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.

9. SHARE CAPITAL

Authorized:

Unlimited number of common shares, with no par value. All shares issued are fully paid.

Issued and Outstanding:

The number of issued and outstanding common shares at March 31, 2019 is 451,180,147 (December 31, 2018 – 9,761,525).

(a) On January 25, 2018, World Class issued 130,000,000 (195,000,000 post-amalgamation) common shares at a fair value of $0.10 ($0.067 post-amalgamation) per common share for a total of $13,000,000, for IP rights. **See note 8 - Intangible Assets.**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL, continued

On June 7, 2018, World completed a financing for 23,145,000 (34,717,500 post-amalgamation) common shares at the price of $0.10 ($0.067 post-amalgamation) per common share for proceeds of $2,314,500. **(“2018 World Financing”)**. In connection with this financing, World Class paid cash commissions of $211,455 and issued 2,114,450 (3,171,675 post-amalgamation) compensation warrants. **See note 11 – Warrants**.

(b) On June 15, 2018, World Class completed a second tranche of the 2018 World Financing for 350,000 (525,000 post-amalgamation) common shares at the price of $0.10 ($0.067 post-amalgamation) per common share for proceeds of $35,000.

Prior to the Amalgamation, and pursuant to the Agreement:

(c) the Company issued 19,943,050 common shares to the shareholders of CBD, on a 3-for-1 split basis;

From October 30, 2018 to February 19, 2019:

(d) the Company issued a total of 29,014,575 WCE common shares to shareholders of CBD in exchange for 29,014,975 old shares of CBD;
(e) the Company issued a total of 230,242,500 WCE common shares to the shareholders of World Class on a 1.5-for-1 split basis; **items (a) to (c) above**;
(f) the Company issued a total of 15,000,000 WCE common shares as finders’ fees related to certain persons assisting with the Transaction; the cost assigned to these shares was $0.13 per share and was recorded as listing fees on the statement of loss pursuant to IFRS 2;
(g) the Company completed a non-brokered private placement of subscription receipts (“Subscription Receipts”) at a price of $0.13 per Subscription Receipt (the “**WCE Financing**”). The Company issued a total of 176,923,072 common shares for gross proceeds of $23,000,000. The Company agreed to pay compensation to certain agents. As a result, commissions totaling $2,054,096 were paid in cash and a total of 194,358 broker warrants were issued in connection with the WCE Financing. **See note 11 – Warrants.** These costs are recorded on the statement of financial position as share issue costs.

Shares held in escrow

Pursuant to an escrow agreement dated March 11, 2019, (the **“Escrow Agreement**”), a total of 9,450,000 common shares, held by principals of the Company, are held in escrow and shall be released from escrow on the following dates:

Number of Common Shares	% of Outstanding Common Shares	Release Schedule
9,450,000	2.10%	10% released on March 13, 2019; 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 the securities subject to escrow, the Company has entered into lock-up agreements with five major shareholders of the Company. The locked-up securities shall be released as follows: 25% were released on March 21, 2019 **(“Date of Listing”)** on the CSE, and a further 25% shall be released on the 90, 180 and 270-day anniversaries of the Date of Listing.

10. SHARE-BASED COMPENSATION

Stock Option Plan ("SOP")

The Company maintains a stock option plan under which directors, officers, employees and consultants of the Company (the "Grantees") and its affiliates are eligible to receive stock options.

Pursuant to the SOP, the Board may in its discretion grant to eligible Grantees, the option to purchase common shares at the fixed price over a defined future period. Generally, the options vest over six months from the date of grant. The SOP is a rolling plan under which the maximum number of common shares reserved for issuance is 10% of the issued shares of the Company at the time of granting the options. At March 31, 2019, there is a total of 21,078,015 (December 31, 2018 – nil) stock options available for granting under the Plan.

The SOP is intended to enhance the Company's ability to attract and retain highly qualified officers, directors, key employees and consultants, and to motivate such persons to serve the Company and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company.

Stock Options

i) On July 6, 2018, World Class granted 9,000,000 (13,500,000 post-amalgamation) stock options to directors and officers. Pursuant to the Agreement, these options were exchanged for options to purchase WCE common shares on a 1.5 for 1 basis. Each option is exercisable to acquire one common share at a price of $0.10 ($0.067 post-amalgamation). These options expire on July 7, 2021. A fair value of $625,884 was assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 116%, a risk-free interest rate of 1.96% and an expected life of 3 years. During the three months ended March 31, 2019, $nil (To December 31, 2018 – $625,884) was recorded as stock-based compensation expense.

ii) On March 18, 2019, the Company granted 10,600,000 stock options to directors, officers and consultants. Each option is exercisable to acquire one common share at a price of $0.17. These options expire on March 19, 2022. A fair value of $926,440 was assigned to the options using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 3.5% and an expected life of 3 years. During the three months ended March 31, 2019, $495,952 (To December 31, 2018 – $nil) was recorded as stock-based compensation expense.

(Expressed in Canadian Dollars)

10. SHARE-BASED COMPENSATION, continued

iii) The following summarizes the stock options activity during the three months ended March 31, 2019 and 2018:

	Issued Number of Options	Weighted Average Exercise Price	Estimated Fair Value
Balance - December 31, 2018	**13,500,000**	**$0.067**	**$625,884**
Issued	10,600,000	0.17	495,948
Balance – March 31, 2019	**24,100,000**	**$0.11**	**$1,121,832**

iv) The following summarizes the stock options outstanding at March 31, 2019:

Issued Number of Options	Exercisable Number of Options	Exercise Price	Expiry Date	Estimated Fair Value
13,500,000	13,500,000	$0.067	July 7,2021	$625,884
10,600,000	5,300,000	$0.17	March 19, 2022	495,948
24,100,000	**18,800,000**			**$1,121,832**

The weighted average contractual life remaining for stock options as at March 31, 2019 is 2.58 years. (December 31, 2018 – XX years).

The above stock options were not included in the computation of diluted net loss per share for the periods presented as they are anti-dilutive.

11. WARRANTS

i) On June 7, 2018, World Class issued 2,114,550 (3,171,825 post-amalgamation) compensation warrants in connection with certain 2018 private placements. The warrants have an exercise price of $.067 and expire on June 9, 2020. A fair value of $167,684 was assigned to the warrants using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 177%, a risk-free interest rate of 1.9% and an expected life of 2 years. During the three months ended March 31, 2019, $nil (To December 31, 2018 – $167,684) was recorded as share issue costs.

ii) From October 30, 2018 to February 19, 2019, the Company issued 15,923,077 warrants to certain consultants, as consideration for services rendered. The warrants have an exercise price of $0.13 and expire on September 22, 2022. A fair value of $1,509,508 was assigned to the warrants using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 3.5% and an expected life of 3.0 years. During the three months ended March 31, 2019, $1,509,508 (To December 31, 2018 – $nil) was recorded as share issue costs.

iii) From October 30, 2018 to February 19, 2019, the Company issued 15,910,575 warrants to certain agents, acting in the course of the WCE Financing. The warrants have an exercise price of $0.13 and expire on September 22, 2022. A fair value of $1,508,323 was assigned to the warrants using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%,

(Expressed in Canadian Dollars)

11. WARRANTS, continued

expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 3.5% and an

iv) expected life of 3 years. During the three months ended March 31, 2019, $1,508,323 (To December 31, 2018 – $nil) was recorded as share issue costs.

v) On March 18, 2019, the Company issued an aggregate of 5,600,000 warrants in connection with the WCE Financing. The three-year warrants have exercise prices of $0.13 - $0.17 per common share. A fair value of $438,360 was assigned to the warrants using the Black-Scholes option pricing model using the following assumptions: expected forfeiture rate of 0%, expected dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 3.5% and an expected life of 2 years. During the three months ended March 31, 2019, $430,520 (To December 31, 2018 – $nil) was recorded as share issue costs.

vi) On March 26, 2019, the Company entered into a revenue collaboration agreement that included consideration of cash and the issuance of 40,000,000 warrants, to be issued only as certain milestones are achieved. During the three months ended March 31, 2019, no warrants were issued as no milestones were achieved to period end.

vii) The following summarizes the warrant activity during the three months ended March 31, 2019:

	Number of warrants issued	Weighted average exercise Price	Estimated fair value
Balance – December 31, 2018	**3,171,825**	**$0.067**	**$167,684**
Issued	15,923,077	$0.13	1,509,508
Issued	15,910,575	$0.13	1,508,323
Issued	5,600,000	$0.13-$0.17	430,520
Balance – March 31, 2019	**40,605,477**	**$0.13**	**$3,616,035**

viii) The following summarizes the outstanding warrants and brokers' warrants at March 31, 2019:

Issued Number of Warrants	Exercise Price	Expiry Date	Estimated Fair Value
3,171,825	$0.067	June 9, 2020	$167,684
5,600,000	$0.13-0.17	March 21, 2021	$430,520
15,923,077	$0.13	September 22, 2022	$1,509,508
15,910,575	$0.13	September 22, 2022	$1,508,323
40,605,477			**$3,616,035**

The weighted average contractual life remaining for warrants as at March 31, 2019 is 3.09 years (December 31, 2018 – 1.19 years).

The above warrants have not been included in the computation of diluted net loss per share as they are anti-dilutive. Warrant-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions described in note 10 and 11 can materially affect the fair value estimates.

12. 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 March 31, 2019, the Company had a cash and cash equivalents balance of $20,584,066 (December 31, 2018 - $476,140) to settle current liabilities of $266,298 (December 31, 2018 - $61,927). 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 any 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 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's financial instruments consist of cash, and accounts payable and accrued liabilities.

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 the valuation inputs.

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.

(Expressed in Canadian Dollars)

- 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.

12. FINANCIAL INSTRUMENTS, continued

As at March 31, 2019 and December 31, 2018, cash and cash equivalents, and short-term investments are assessed to be Level 1 instruments.

13. 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 extraction technology operations 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 three months ended March 31, 2019, the third tranche of the SRO from 2018 added $578,338 to the treasury. Restricted cash totaling $22,421,662 from the SRO was released during the reporting period leaving the Company with available cash of $20,553,291 at period end.

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's capital resources are largely determined by the strength of the cannabis markets and by the status of the Company's technology progress in relation to these markets, and its ability to compete for investor support of its technical capability. The Company is not subject to any externally imposed capital requirements and during the three months ended March 31, 2019 there has been no change to the capital management strategy of the Company.

14. KEY MANAGEMENT COMPENSATION EXPENSE

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company ("Key Management").

During the three months ended March 31, 2019 and 2018, the remuneration of Key Management was:

For the three months ended March 31,	**2019**	2018
Management fees corporate	**$72,000**	$10,500
Share-based compensation for key management	**203,526**	-
Total key management compensation expense	**$275,526**	$10,500

15. RELATED PARTY TRANSACTION

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. During the three months ended March 31, 2019 and 2018, the Company entered into the following transactions with related parties:

(a) A total of $36,000 (2018 - $nil), plus applicable taxes was charged to the Company by a management company controlled by the Chief Financial Officer ("CFO"), on account of accounting consulting fees.

16. 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 assets are situated in Canada.

17. COMMITMENTS AND CONTINGENCIES

Consulting Agreements

The Company's CEO provides financial/accounting and management services to the Company pursuant to an annual, renewable consulting agreement. The CEO's annual compensation is $144,000. Early termination of the agreement requires 14 days written notice. At March 31, 2019 (2018 - $nil), a total of $12,000 was due and owing to the CEO for unpaid management fees. This sum is unsecured, non-interest bearing, and due on demand.

The Company's CFO provides financial/accounting and management services to the Company pursuant to an annual, renewable consulting agreement, through a personal management company. The CFO's annual compensation is $144,000. Early termination of the agreement requires 14 days written notice.

Other Agreements

(a) Hemp Supply Agreement

On February 28, 2019, the Company signed a supply agreement with certain suppliers to purchase approximately 1,000 kg of hemp crop an agreed price of $100 per kg.

(b) Continuing Agreements with FV Pharma

- License agreement – The Company has agreed to build a commercial scale pilot extractions plant within FV Pharma's production facility; this will allow the Company to be able to provide extraction services directly to FV Pharma. This agreement also includes provisions for the distribution of the Company's products through FV Pharma's distribution channels.
- Lease agreement – This agreement allows the Company to occupy a space in FV Pharma's facility for the purpose of creating extracting manufacturing capabilities and any other ancillary related products containing cannabis. The term of the lease is ten (10 years) from the date of execution of the definitive lease agreement.

17. COMMITMENTS AND CONTINGENICES, continued

(c) Office Lease Agreement

On October 31, 2018, the Company entered a two-year agreement to lease office space in Etobicoke, Ontario at a monthly cost of $3,000. The lease expires on October 31, 2021.

(d) Revenue Collaboration Agreement

On March 21, 2019, the Company and Parity Partners PBC **("Parity")** entered into a definitive agreement which provides that Parity shall, in exchange for financing and certain compensation, from the Company, provide the following services (**the "Services"):**

i) Source appropriate locations in the United States to locate the Company's proprietary extractions machines;
ii) Obtain all licenses and approvals necessary for the Company to extract oils containing THC, CBD and other cannabinoids from hemp and cannabis plants (the **"US Extraction Services");**
iii) Supply the raw materials necessary for the Company to perform US Extraction Services; and
iv) Develop a market for the US Extraction Services and the products produced out of the US Extraction Services, including by employing salespeople and developing relationships with distributors.

Compensation for the Services shall be payable by cash and the issuance of warrants, contingent upon Parity achieving agreed upon revenue and net profit milestones.

See note 5 – Loan Receivable.

See note 15 – Related Party Transaction.

See note 18 – Subsequent Events.

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 the Company may cause adverse effects to its operations.

The Company is continuously reviewing and enhancing its operational procedures and facilities on a proactive basis. 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 the Company's knowledge, it is in compliance with all such laws, regulations and guidelines.

18. SUBSEQUENT EVENTS

Subsequent to March 31, 2019, the following events occurred:

i) The Company retained the services of Mackie Research Capital Corporation to act as a financial advisor to the Company. Compensation for such services includes the issuance of 3,000,000 common share purchase warrants to purchase 3,000,000 common shares for a period of 36 months from issue, at an exercise price of $0.18 per share. Vesting of the warrants is conditional on the daily volume weighted average trading price of the WCE common shares exceeding $0.18 for 20 consecutive trading days within six months of issuance

ii) The Company listed its common shares on the Frankfurt Stock Exchange, symbols "WCF" and "WKN A2PF9C"

iii) The Company and Quadron agreed upon and entered into a definitive arrangement agreement providing for the merger of the companies. **("Arrangement Agreement**"). Pursuant to the terms of the Arrangement Agreement, a) the Company has agreed to acquire all of the issued and outstanding shares of Quadron and b) shareholders of Quadron will receive two common shares of the Company for every Quadron share held. Further details of the Arrangement are discussed in the Company's Annual Information Form, ("AIF") filed at www.sedar.com on May 8, 2019.

iv) The Company has retained Hybrid Financial Ltd. and Ascension Millionaires Club Inc. to enhance the Company's market awareness. Compensation for such service includes a monthly fee of $15,000 and stock options to purchase 350,000 common shares at $0.17 per share at any time on or before April 8, 2021.

v) The Company subscribed for 2,000 senior secured convertible debentures and 11,111,111 common share purchase warrants issued by Alkaline Spring, for $2,000,000. The debentures mature in two years, are priced at $1,000 per debenture, bear interest at 9% per annum and are convertible into common shares of Alkaline Spring at an initial price of $0.18 per share, subject to downward adjustment in certain circumstances. The Alkaline warrants are
exercisable into one further share at a price of $0.25 for a period of three years. As a substantial investor, the Company is entitled to receive further rights, the details of which are discussed in the Company's AIF.

vi) The Company granted 2,050,000 stock options to consultants, to purchase 2,050,000 common shares at $0.17 per share. Part of the options vest on the date of grant and the remainder vest over certain future (set) dates. The expiry dates of the options occur from April 8, 2021 to April 8, 2024.

vii) The Company granted 5,000,000 stock options to consultants, to purchase 5,000,000 common shares at $0.21 per share. 1,250,000 of the stock options will vest on the date of the Arrangement, with another 1,250,000-stock options vesting in increments successively every six months thereafter. The options are exercisable for three years from the date of the Arrangement however if the Arrangement is not completed by July 1, 2019, all of the stock options will expire.

viii) The Company issued 3,000,000 common share purchase warrants to consultants as consideration for services rendered. The warrants have an exercise price of $0.18 per share and expire on September 22, 2022.

ix) Pursuant to the Note, the Company advanced a further $1,250,000 to Quadron, for working capital.