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

CONSOLIDATED FINANCIAL STATEMENTS

For the Four-Month Period Ended April 30, 2019 and
the Period from January 25, 2018 to December 31, 2018

(Expressed in Canadian Dollars unless otherwise indicated)

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Independent Auditor's Report

To the Shareholders of World Class Extractions Inc. (formerly CBD Med Research Corp.):

Opinion

We have audited the consolidated financial statements of World Class Extractions Inc. (formerly CBD Med Research Corp.) and its subsidiary (the “Company”), which comprise the consolidated statements of financial position as at April 30, 2019 and December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders’ equity and cash flows for the period from January 1, 2019 to April 30, 2019 and from January 25, 2018 (date of incorporation) to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at April 30, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the period from January 1, 2019 to April 30, 2019 and from January 25, 2018 (date of incorporation) to December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated 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 Management’s Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

MNP LLP

August 28, 2019

Chartered Professional Accountants

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

AS AT	Note	April 30, 2019	December 31, 2018
ASSETS			
Current assets			
Cash		**$ 16,002,152**	$ 360,601
Restricted cash		**-**	22,435,740
Short term investments	3	**275,500**	-
Loans receivable	5	**1,757,767**	-
Convertible loan receivable	6	**1,954,442**	-
Accounts receivable and Sales tax receivable		**191,689**	65,940
Prepaid expenses and deposits		**776,129**	728,247
		20,957,679	23,590,528
Non-current assets			
Investment	6	**493,139**	-
Series B convertible preferred stock	6	**1**	-
Right-to-use asset	13	**100,347**	-
Property and equipment (net)	8	**332,811**	71,200
Intangible assets (net)	9	**9,824,654**	10,679,449
TOTAL ASSETS		**$ 31,708,631**	$ 34,341,177
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 289,765**	$ 245,181
Share subscriptions payable		**-**	14,078
Due to related parties	17	**29,235**	34,848
Current portion of lease obligations	14	**6,281**	-
		325,281	**294,107**
Non-current liabilities			
Non-current portion of lease obligations	14	**103,165**	-
Total liabilities		**428,446**	294,107
SHAREHOLDERS' EQUITY			
Share capital	10	**40,349,053**	37,392,023
Reserves	11, 12	**3,305,673**	793,568
Deficit		**(12,374,541)**	(4,138,521)
Total shareholders' equity		**31,280,185**	34,047,070
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 31,708,631**	$ 34,341,177

Nature of operations (note 1)

Commitments (note 20)

Subsequent events (note 22)

APPROVED BY THE BOARD:

Signed, "Donal Carroll", Director   Signed, "Chand Jagpal", Director

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

		ISSUED CAPITAL		RESERVES			
	Note	Number of Common Shares	Share Capital $	Contributed Surplus $	Warrants $	Deficit $	Shareholders' Equity $
Balance – January 25, 2018 (date of incorporation)		**23,014,575**	**-**	**-**	**-**	**-**	**-**
Shares issued for intangible assets	10	-	13,000,000	-	-	-	**13,000,000**
Shares issued for private placement	10	-	2,349,500	-	-	-	**2,349,500**
Share issuance costs and issuance of warrants	10	-	(379,139)	-	167,684	-	**(211,455)**
Share subscriptions at $0.13 (subscription received)	10	-	22,421,662	-	-	-	**22,421,662**
Share issuance of CBD common shares	10	6,000,000	-	-	-	-	**-**
Share-based compensation	11, 12	-	-	625,884	-	-	**625,884**
Net loss for the period		-	-	-	-	(4,138,521)	**(4,138,521)**
Balance – December 31, 2018		**29,014,575**	**37,392,023**	**625,884**	**167,684**	**(4,138,521)**	**34,047,070**
Share capital issued	10	230,242,500	3,771,895	-	-	-	**3,771,895**
Shares issued for subscription offering at $0.13	10	176,923,072	23,000,000	-	-	-	**23,000,000**
Less: subscription received	10	-	(22,421,662)	-	-	-	**(22,421,662)**
Share issuance costs and issuance of warrants	10, 12	-	(3,343,203)	-	1,273,203	-	**(2,070,000)**
Shares issued for finders' fees	10	15,000,000	1,950,000	-	-	-	**1,950,000**
Share-based compensation expense for options	11	-	-	1,238,902	-	-	**1,238,902**
Net loss for the period		-	-	-	-	(8,236,020)	**(8,236,020)**
Balance – April 30, 2019		**451,180,147**	**40,349,053**	**1,864,786**	**1,440,887**	**(12,374,541)**	**31,280,185**

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Note		Four months ended April 30, 2019		From January 25, 2018 (date of incorporation) to December 31, 2018
Operating Expenses					
Amortization	8, 9	**$**	**870,198**	$	2,434,306
Consulting fees			**223,938**		186,516
Lease interest	14		**4,603**		-
Management fees	17		**110,175**		303,393
Office expenses			**21,607**		75,055
Professional fees			**361,292**		150,337
Regulatory and transfer agent fees			**17,902**		-
Research and development			**27,716**		-
Share-based compensation	11, 12		**1,238,902**		625,884
Travel and marketing			**804,590**		364,248
Total expenses			**3,680,923**		4,139,739
Other expenses (income):					
Non-cash loss on completion of RTO	4		**5,092,471**		-
Interest (income) expense	5, 6		**(83,224)**		-
Foreign exchange (gain) loss			**(6,570)**		(1,218)
Unrealized gain on convertible loan and warrants	15		**(447,580)**		-
Loss and comprehensive loss for the period		**$**	**(8,236,020)**	$	(4,138,521)
Basic and diluted loss per share		**$**	**(0.02)**	$	(0.03)
Weighted average common shares outstanding - Basic and diluted			**375,572,997**		144,296,074

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

CONSOLIDATED STATEMENTS OF CASH FLOW

(Expressed in Canadian Dollars)

	Four months ended April 30, 2019	From January 25, 2018 (date of incorporation) to December 31, 2018
Cash flow from the following activities:		
Operating activities:		
Net (loss) for the period	**$ (8,236,020)**	$ (4,138,521)
Adjustment for:		
Non-cash loss on completion of RTO (Note 4)	**5,092,471**	-
Share-based compensation (Note11, 12)	**1,238,902**	625,884
Amortization (Notes 8 and 9)	**870,198**	2,434,306
Unrealized (gain) on convertible loan and warrants	**(447,580)**	-
Lease interest	**4,603**	-
Interest (income)	**(7,767)**	-
Non-cash items:		
Accounts and HST receivable	**(125,749)**	(65,940)
Prepaid expenses and deposits	**(47,882)**	(82,589)
Accounts payable and accrued liabilities	**42,918**	245,181
Due to related parties	**(5,613)**	34,848
Net cash used in operating activities	**(1,621,519)**	(946,831)
Financing activities:		
Proceeds from subscription of shares (Note 10)	**-**	22,421,662
Change in restricted cash	**-**	(22,435,740)
Shares issued for private placements, net of share issuance cost (Note 10)	**21,113,928**	2,138,045
Share subscription payable	**-**	14,078
Net cash provided by financing activities	**21,113,928**	2,138,045
Investing activities:		
Cash acquired on completion of the RTO	**(275,500)**	-
Loan receivable	**(3,750,000)**	-
Prepaid deposits of equipment	-	(645,658)
Patent application costs	-	(101,357)
Cash acquired from RTO	**445,494**	-
Purchase of equipment	**(270,852)**	(83,588)
Net cash used in investing activities	**(3,850,858)**	(830,603)
Increase in cash	**15,641,551**	360,601
Cash – beginning of period	**360,601**	-
Cash – end of period	**$ 16,002,152**	$ 360,601

Please refer to Note 18 for supplemental cash flow information.

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

1. NATURE OF OPERATIONS

World Class Extractions Inc. (previously CBD Med Research Corp.) (the "CBD" or "Company") 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 World Class Extractions Inc. ("WCE"). The head and registered office of the Company is located at Suite 308 - 9080 University Crescent, Burnaby, BC, V5A 0B7.

On March 11, 2019, the Company completed its reverse takeover transaction (the "Transaction" or "RTO") (Note 4) with World Class Extraction (Ontario) Inc. (formerly World Class Extraction Inc.) ("WCE"), a private company incorporated under the laws on Ontario on January 25, 2018. Pursuant to the RTO, CBD acquired all of the issued and outstanding shares of WCE for the issuance of 1 CBD share for each WCE share. CBD did not have any significant operations at the time of the Transaction. Following the closing of the Transaction, CBD changed its name to World Class Extractions Inc.

World Class Extractions Inc. is a private company incorporated under the laws of Ontario.

The Company is listed on the Canadian Securities Exchange **("CSE**") under the symbol "PUMP" and on the Frankfurt Stock Exchange under the symbol "WCF" and "WKN:A2PF9C". 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.

On July 5, 2019, the Board of directs filed a change of year end to change the Company's year end from December 31 to April 30, effective for the period ended April 30, 2019 to align its reporting periods with Quadron (see Note 22). As a result of the change in year end, comparative amounts are not directly comparable with current period's amounts.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies set out in Note 3 have been applied consistently to all periods presented in these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors of the Company on August 28, 2019.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial consolidated statements have been prepared using the accrual basis of accounting except for cash flow information.

2. BASIS OF PRESENTATION (continued)

Significant Estimates and Judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances, but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results may differ from these estimates.

The information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is as follows:

Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Stock options and warrants

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company’s future operating results or on other components of shareholders’ equity.

Fair value of investment in warrants

Management uses Black-Scholes option pricing model in measuring the fair value of investment in warrants, where active market quotes are not available. In applying the valuation technique, management is required to determine and make assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate. Such assumptions are inherently uncertain and changes in these assumptions affect the fair value estimates.

2. BASIS OF PRESENTATION (continued)

Property and Equipment

The estimated useful lives of assets are reviewed by management and adjusted if necessary. To estimate equipment's useful life, management must use its past experience with the same or similar assets and may review engineering estimates and industry practices for similar pieces of equipment and apply statistical methods to assist in its determination of useful life.

Intangible assets
The useful lives of intangible assets have been determined based on management estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods.

Impairment of long-lived assets
Determining the amount of impairment of long-lived assets requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many of factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments in the Company' long term assets such as development assets.

The information about significant areas of judgment considered by management in preparing the consolidated financial statements is as follows:

i. the determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management;

ii. the determination if an acquisition meets the definition of business or whether assets are acquired;

iii. the determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets;

iv. the assessment of whether a contract is or contains a lease, whether the Company obtains substantially all the economic benefits from the use of that asset and whether the Company has the right to direct the use of the asset; and

v. the determination of the Company's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash include cash on deposit and highly liquid short-term interest-bearing variable rate investments which are readily convertible into a known amount of cash. Cash is held with Canadian financial institutions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Short term investments

As at April 30, 2019, the Company had a guaranteed investment certificate ("GIC") held at the Bank of Montreal, valued at $275,500 (December 31, 2018 - $nil) with an interest rate of prime less 2.7%, and matures on February 5, 2020.

c) Convertible loan receivable

The convertible loan receivable consists of a convertible loan receivable component and a separate equity conversion feature component. The convertible loan 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 recognized at fair value through profit and loss.

d) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. The consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiary's functional currency. All significant intercompany balances, transactions and any unrealized gains and losses arising from intercompany transactions, have been eliminated. The Company's subsidiary is as follows:

Entity	Country of Incorporation	Operations	Effective Interest
World Class Extraction (Ontario) Inc.	Canada	acquisition and extraction of oils and extracts from the cannabis flower to be used for vaporizers, edibles, topicals and beverages	100%

e) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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% - 55% declining balance
Furniture, fixtures and equipment	20% declining balance
Leasehold improvement	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.

f) Right-to-use Asset

Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct cost (e.g., commissions) and an estimate of restoration, removal and dismantling costs. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made, and the related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment. Right-of-use assets are subject to impairment testing under IAS 36 Impairment of Assets. Other leases are operating leases and are recognized on a straight-line basis in the Company's consolidated statements of loss and comprehensive loss. Please also see Note 13.

g) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment of non-financial assets

The carrying amounts of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be individually tested are grouped together into the smallest group of assets that generate cash inflows or CGUs.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

i) 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. 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.

h) Share-based payments

The stock option plan allows Company directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based payment reserve to share capital.

In situations where equity instruments are issued to non-employees and some or all of the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payment, otherwise, share-based payments are measured at the fair value of the services received.

The fair value is measured at grant date and each tranche is recognized 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 reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instrument measurement and valuation

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly
- Level 3 - Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 15 to these consolidated financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

j) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principle and interest on the principle amount outstanding, and it is not designated as FVTPL.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

Financial assets at FVTPL
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of operations and comprehensive loss in the period in which they arise. The Company's convertible loan receivable and investments are classified as FVTPL.

Financial assets at FVTOCI
Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. None of the Company's financial assets are classified as FVTOCI.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

(i) Financial assets (continued)

Financial assets at amortized cost
Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. The Company's financial assets at amortized cost comprise cash, restricted cash, short-term investments and loans receivable.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of operations and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

(ii) Financial liabilities

The Company classified its financial liabilities as subsequently measured at amortized cost which include trade and other payables. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

(iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For interest receivables and loans receivable the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decreases can be objectively related to an event occurring after the impairment was recognized.

l) Loss per share

Basic loss per share represents the loss for the period, divided by the weighted average number of common shares issued and outstanding during the period. Diluted earnings represents the profit or loss for the period, divided by the weighted average number of common shares issued and outstanding during the period plus the weighted average number of dilutive shares that could result from the exercise of stock options, warrants and other similar instruments where the inclusion of these items would not be anti-dilutive. When a loss per share calculation based on the fully diluted number of shares would be less than the loss per share calculated on the basic number of shares, diluted loss per share is anti-dilutive and accordingly, the diluted loss per share would be the same as basic loss per share.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Income tax

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 shareholders' equity, in which case it is recognized in shareholders' equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date applicable to the period in which realization or settlement can reasonably be expected.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

n) Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from share capital.

The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the issuance date of the unit offering and any residual remaining is allocated to common share purchase warrants. Subsequent to the initial recognition of warrants, any modification to the original terms of the warrants attached to units that were initially recognized in accordance with the residual value approach does not result in a re-measurement adjustment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Intangible assets

Expenditures on the research phase of projects are recognized as an expense as incurred.

Cost that are directly attributable to a project's development phase are recognized as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Company intends to and has sufficient resources to complete the project
- the Company has the ability to use or sell the internally developed equipment and machines
- the equipment and machines will generate probable future economic benefits

Development costs not meeting these criteria for capitalization are expensed as incurred.

Directly attributable costs include employee costs incurred on equipment and machine development along with an appropriate portion of relevant overheads and borrowing costs.

All finite-lived intangible assets, including capitalized internally developed assets, are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. Any capitalized internally developed asset that is not yet complete is not amortized but is subject to impairment testing.

Amortization has been included within depreciation, amortization and impairment of non-financial assets. Subsequent expenditures on the maintenance of developed assets are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss within other income or other expenses.

Amortization is calculated using the following terms and methods:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Newly adopted accounting standards

The following amendment was adopted by the Company for the four months ended April 30, 2019, others are not applicable:

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 Company adopted IFRS 16 by applying a modified retrospective approach, under which the transition impact is recognized as an adjustment to the opening balance of retained earnings on the adoption date with no restatement of comparative information.

In order to implement the IFRS 16 standard, the Company developed new processes and controls to track and account for leases, including the lease identification, initially and subsequently measuring lease-related assets and liabilities, lease and non-lease components identification, and collecting the disclosure information.

The Company reviewed all its agreements, to determine if they met the “lease” criteria (according to the IFRS 16) at the inception of the contract. A lease is a contract or part of a contract, that conveys the right to control the use of an identified asset (the underlying asset) for a certain period (term) in exchange for consideration. IFRS 16 applies a control model for the identification of leases, distinguishing between leases and service contracts based on whether there is an identified asset controlled by the customer.

Initial recognition and measurement

Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee’s initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs. The Company is not obligated to incur any initial direct costs, restoration, removal and dismantling costs at the end of lease terms.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Lessees increase the carrying amount of lease liability to reflect interest and reduce carrying amount of the lease liability to reflect lease payments made.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Newly adopted accounting standards (continued)

IFRS 16 Leases (continued)

Presentation

The Company presented the Right-of-use assets separately from other assets on the consolidated statements of financial position, and Depreciation expenses are presented separately in the consolidated statements of operations and comprehensive loss.

Lease liabilities are presented separately from other liabilities on the statement of financial position. Interest expense is presented separately in the statement of operation and comprehensive income (loss). In the statement of cash flows, principal payments are presented within financial activities and interest payments are presented in the operating activities.

Elections

- The Company, as a practical expedient, elected, by class of underlying asset, not to separate non-lease from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

- The Company has also elected to expense the lease payments and not recognize lease assets and lease liabilities for leases with a lease term of 12 months or less.

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 consolidated financial statements as at April 30, 2019.

4. REVERSE TAKEOVER

On March 11, 2019, the Company completed its RTO (Note 1). The RTO was completed by way of a “three-cornered amalgamation” under the provisions of the Business Corporations Act whereby CBD Acquisition Corp., a wholly-owned subsidiary of CBD incorporated on January 30, 2019, amalgamated with WCE and continue as one amalgamated corporation ("Amalco") as a wholly-owned subsidiary of CBD. Prior to the closing the Transaction, CBD split its common shares on the basis of 1 old share for 3 new shares (“CBD Shares”), and WCE split its common shares on the basis of 1 old share for 1.5 new share (“WCE Shares”). Under the terms of the arrangement, CBD acquired all of the issued and outstanding shares of WCE on a 1 to 1 basis, for a total of 230,242,500 CBD Shares.

(Expressed in Canadian Dollars)

4. REVERSE TAKEOVER (continued)

In accordance with IFRS 3 "Business Combinations", the substance of the transaction was a reverse takeover of a non-operating company. The transaction does not constitute a business combination since CBD does not meet the definition of a business under IFRS 3. Thus, the transaction was accounted for using the reverse takeover method of acquisition accounting under IFRS 2 "Share-based payments". Under this basis of accounting, the consolidated financial statements are presented as a continuation of the legal acquiree, WCE, except for the capital structure which is that of CBD. In addition, the net identifiable assets of CBD are deemed to be acquired by WCE.

For the Company's consolidated financial statements as at December 31, 2018, the Company had disclosed the ending number of shares to be 325,969,320, which was the number of shares of WCE prior to the transaction, which includes 172,474,320 share subscriptions. The number of shares has been revised to 29,014,575 to reflect the number of shares of the legal acquirer in the RTO, CBD.

The consideration paid by WCE to acquire CBD was measured on the basis of the fair value of the notional equity instruments deemed to have been 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 the Company over the value of the net monetary assets of CBD is recognized in the consolidated statements of comprehensive loss, as a listing fee. The fair value of the consideration of $3,771,895 has been allocated as follows:

Purchase Price		
29,014,575 shares issued at $0.13	$	3,771,895
Total Purchase Price	$	3,771,895

Allocation of Purchase Price		
Cash	$	445,495
Short term investments		275,500
Prepaid expenses and deposits		6,250
Sales tax receivable		2,940
Convertible notes receivable		1
Series B convertible preferred stock		1
Equipment (net)		2,153
Accounts payable		(102,416)
Non-cash loss on completion of RTO		3,142,471
	$	3,771,895

In addition, finders' fees of 15,000,000 common shares, valued at $1,950,000, was issued and has been recorded in share capital and non-cash loss on completion of the RTO.

5. LOANS RECEIVABLE

(a) On March 20, 2019, the Company loaned to Quadron Cannatech Corporation $500,000, which is payable before or on September 26, 2019, and bears an interest rate of 4.5%.

(b) On April 15, 2019, the Company loaned to Quadron Cannatech Corporation $1,250,000, which bears an interest rate of 4.5%.

During the four-months ended April 30, 2019, the Company accrued $7,767 interest income on the loans.

6. CONVERTIBLE LOAN RECEIVABLE

(a) During the year ended December 31, 2016, the CBD 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.

CBD 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.

(b) On April 8, 2019, the Company announced it had entered into an agreement to invest up to $3 million (the "Alkaline Financing") by way of a private placement in Alkaline Spring Inc. ("Alkaline Spring"), a privately-held, Alberta-based natural alkaline water company. In connection with the closing of the first tranche of the Alkaline Financing, the Company invested $2 million in consideration for 2,000 senior secured convertible debentures ("Alkaline Debentures"), 11,111,111 common share purchase warrants ("Alkaline Warrants"), and certain investor rights. The Alkaline 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 ("Liquidity Event"). The Alkaline Warrants are each exercisable into one further share at a price of $0.25 for a period of three years.

Given that the Liquidity Event is not expected to occur by August 31, 2019, the Alkaline Debentures are assumed to have automatically accelerated to maturity such that the fair value at reporting date of April 30, 2019 approximated the face value. The Alkaline Warrants have been fair valued using Black Scholes Model with stock price of $0.12, volatility of 85.0%, risk free rate of 1.6% dividend yield of 0.00% and weighted average like of 2.91 years. The fair value of the Alkaline Warrant is $493,139 as of April 30, 2019. The convertible loan receivable and the warrants have been classified as a Level 3 in the fair value hierarchy (Note 15).

(Expressed in Canadian Dollars)

7. PREPAID EXPENSES AND DEPOSITS

	April 30, 2019	December 31, 2018
Equipment deposits (1)	$770,875	$645,657
Legal retainers	-	77,335
Rent security deposit	5,254	5,255
	$776,129	$728,247

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

8. PROPERTY AND EQUIPMENT

Cost		Computer software and equipment		Demo equipment		Leasehold Improvements and Office Furniture		Total
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
Additions		7,398		218,350		50,348		276,096
Balance, April 30, 2019	**$**	**21,936**	**$**	**284,393**	**$**	**53,355**	**$**	**359,684**

Accumulated depreciation		Computer software and equipment		Demo equipment		Office furniture		Total
Balance, January 25, 2018	$	-	$	-	$	-	$	-
Additions		(2,181)		(9,906)		(301)		(12,388)
Balance – December 31, 2018		(2,181)		(9,906)		(301)		(12,388)
Additions		(8,179)		(5,884)		(422)		(14,485)
Balance, April 30, 2019	**$**	**(10,360)**	**$**	**(15,790)**	**$**	**(723)**	**$**	**(26,873)**

Carrying value		Computer software and equipment		Demo equipment		Office furniture		Total
Balance, December 31, 2018	$	12,357	$	56,137	$	2,706	$	71,200
Balance, April 30, 2019	**$**	**11,576**	**$**	**268,603**	**$**	**52,632**	**$**	**332,811**

During the period ended April 30, 2019, the Company incurred costs of $50,348 for leasehold improvement of the lease facility and $218,350 for parts built for the facility equipment. Both the lease facility and the equipment were not ready for use as at April 30, 2019. As such, there were no amortization expense recorded for the leasehold improvement and equipment additions.

(Expressed in Canadian Dollars)

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 (**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.

A continuity of the intangible assets for the period ended April 30, 2019 as follows:

Cost	Intellectual property		Patent application cost		Total	
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
Additions		-		-		-
Balance - April 30, 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		(854,795)		-		(854,795)
Balance - April 30, 2019	**$**	**(3,276,713)**	**$**	**-**	**$**	**(3,276,713)**

Carrying value	Intellectual Property		Patent application cost		Total	
Balance - December 31, 2018	$	10,578,082	$	101,367	$	10,679,449
Balance - April 30, 2019	**$**	**9,723,287**	**$**	**101,367**	**$**	**9,824,654**

During the four months ended April 30, 2019, the Company incurred costs of $nil (2018 - $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.

10. 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.

The shares issued by the Company prior to the reverse takeover are not reflected in the statements of changes in equity as the number of shares have been revised to reflect the number of shares of CBD (Note 4).

During the period ended December 31, 2018, the Company issued:

(a) After accounting for the 1 for 3 share split, CBD issued 6,000,000 common shares for warrants exercised and had 29,014,575 common shares issued and outstanding.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

(b) 195,000,000 common shares (prior to a 1:1.5 share split 130,000,000 shares) issued to the Company's founders at a fair value of $0.067 per common share (prior to a 1:1.5 share split $0.10 per common share) for a total of $13,000,000 for intangible assets (Note 9); and

(c) Financing for 35,242,500 common shares (prior to a 1:1.5 share split 23,495,000) at the price of $0.067 per common share (prior to a 1:1.5 share split $0.10 per common share) for gross proceeds of $2,349,500. As a result of this private placement, the Company paid cash commissions of $211,455 and issued 3,171,825 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

(d) 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.

During the four-month ended April 30, 2019:

(a) the Company completed a non-brokered private placement at a price of $0.13 per share. 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 $2,070,000 were paid in cash and a total of 15,923,077 broker warrants were issued in connection with the WCE Financing. **See Note 12 – Warrants.** These costs are recorded on the consolidated statement of financial position as share issue costs.

(b) the Company issued a total of 15,000,000 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 non-cash loss on completion of RTO on the consolidated statements of loss and comprehensive loss pursuant to IFRS 2;

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.

10. SHARE CAPITAL (continued)

Shares held in escrow (continued)

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. At April 30, 2019 a total of 945,000 escrowed shares have been released to the escrowed shareholders.

11. 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 April 30, 2019, there is a total of 18,968,015 (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 13,500,000 (9,000,000 pre 1:1.5 split) stock options to directors and officers. Each option is exercisable to acquire one common share at a price of $0.067 ($0.10 pre 1:1.5 split). These options expire on July 7, 2021.

ii) On March 18, 2019, the Company granted 10,600,000 stock options to directors, officers and consultants. A total of 5,300,000 (50%) of the stock options vested on the grant date and the remaining 50% will vest on September 18, 2019. Each option is exercisable to acquire one common share at a price of $0.17. These options expire on March 19, 2022.

iii) On April 8, 2019, the Company granted 350,000 stock options to consultants. Each option is exercisable to acquire one common share at a price of $0.17. A total of 175,000 (50%) of the stock options vested on the grant date and the remaining 50% will vest on July 8, 2019. The options expire on April 8, 2024.

iv) On April 8, 2019, the Company granted 300,000 stock options to consultants. Each option is exercisable to acquire one common share at a price of $0.17. These options vested on the grant date and have any expiry date of April 8, 2021.

(Expressed in Canadian Dollars)

11. SHARE-BASED COMPENSATION (continued)

Stock Options (continued)

v) On April 8, 2019, the Company granted 1,400,000 stock options to consultants. Each option is exercisable to acquire one common share at a price of $0.13. A total of 500,000 of the stock options vested on the grant date and the remaining will vest in increments of 100,000 on the eight date of each month. These options have an expiry date of April 8, 2024.

The following summarizes the stock options activity during the four months ended April 30, 2019 and the period from January 25, 2018 (date of incorporation), to December 31, 2018:

	April 30, 2019			December 31, 2018		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Oustanding and exercisable, beginning of period	13,500,000	$	0.10	-	$	-
Granted	12,650,000	$	0.17	13,500,000	$	0.10
Total Outstanding	26,150,000	$	0.05	13,500,000	$	0.10
Total Outstanding and Exercisable	19,775,000	$	0.10	13,500,000	$	0.10

The following summarizes the stock options outstanding at April 30, 2019:

Expiry Date		Exercise Price	Contractual Life (Years)	Number of Options
July 7, 2021	$	0.07	1.13	13,500,000
April 8, 2021	$	0.17	0.02	300,000
March 19, 2022	$	0.17	1.17	10,600,000
April 8, 2024	$	0.13-0.17	0.33	1,750,000
			2.65	26,150,000

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:

	2019	2018
Volatility Rate	90%	116%
Risk-free rate	1.60% - 1.63%	1.96%
Dividend yield rate	0.00%	0.00%
Weighted average life	2-5 years	3 years

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.

(Expressed in Canadian Dollars)

12. WARRANTS

i) On June 7, 2018, World Class issued 3,171,825 (2,114,550 pre 1:1.5 split) compensation warrants in connection with certain 2018 private placements. The warrants have an exercise price of $.067 and expire on June 9, 2020.

ii) On March 11, 2019, the Company issued 15,923,077 warrants to in connection with the WCE Financing. The warrants have an exercise price of $0.13 and expire on September 22, 2022.

iii) On March 18, 2019, the Company issued an aggregate of 5,600,000 warrants to certain consultants, for services rendered. The two-year warrants have exercise prices of $0.13 - $0.17 per common share and expire on March 21, 2021.

iv) On April 18, 2019, the Company issued 3,000,000 warrants to financial advisor to the Company. The warrants have an exercise price of $0.18 and expire on April 18, 2022.

The following is a summary of warrant transactions for the four months ended April 30, 2019 and the period from January 25, 2018 (date of incorporation), to December 31, 2018:

	April 30, 2019		December 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	3,171,825	$ 0.07	-	$ -
Granted	24,523,077	$ 0.14	3,171,825	$ 0.07
Balance, end of period	27,694,902	$ 0.13	3,171,825	$ 0.07

The following warrants were outstanding and exercisable as at April 30, 2019 and December 31, 2018:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Options
June 9, 2020	$ 0.07	0.13	3,171,825
March 21, 2021	$ 0.13-0.17	0.38	5,600,000
April 18, 2022	$ 0.18	0.32	3,000,000
September 22, 2022	$ 0.13	1.95	15,923,077
		2.79	27,694,902

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:

	2019	2018
Volatility Rate	90%	177%
Risk-free rate	1.63%-1.79%	1.90%
Dividend yield rate	0.00%	0.00%
Weighted average life	2-3 years	2 years

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.

(Expressed in Canadian Dollars)

13. RIGHT-OF-USE ASSET

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct costs, and an estimate of restoration, removal and dismantling costs. As a result of IFRS 16 adoption, $106,509 of right-of-use asset was recognized as at January 1, 2019. There was no impact to opening retained earnings.

The right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment. The Company depreciates the right-of-use assets on a straight-line basis, over the lease term. The follow table provides a reconciliation of the carrying amount of right-of-use assets on initial adoption of the lease standard on January 1, 2019 pertaining to the Company's facility lease:

Cost		**Facility**
Balance – January 1, 2019	$	106,509
Additions		-
Balance, April 30, 2019	**$**	106,509

Accumulated depreciation		**Facility**
Balance – January 1, 2019	$	-
Additions		(6,162)
Balance, April 30, 2019	**$**	**(6,162)**

Carrying value		**Facility**
Balance, April 30, 2019	**$**	**100,347**

14. LEASE OBLIGATION

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, using the effective interest method for the present value determination.

As the rate implicit in the lease cannot be readily determined, the Company applied an average incremental borrowing rate. The Company used an 14% discount rate to calculate the present value of its lease payments.

The Company's lease is for a period of 10 years, the leases contain no renewal option. The following table represents lease obligation for the Company:

		As at April 30, 2019
Current	$	(6,281)
Non-current		(103,165)
Total lease obligation	**$**	**(109,446)**

The following table presents the contractual undiscounted cashflows for lease obligation as at April 30, 2019:

		As at April 30, 2019
Less than one year	$	(20,000)
One to five years		(80,000)
More than 5 years		(90,000)
Total undiscounted lease obligation	**$**	**(190,000)**

Total interest expense on lease liabilities for the period ended April 30, 2019 was $4,603.

15. 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 April 30, 2019, the Company had a cash balance of $16,002,152 (December 31, 2018 - $360,601) to settle current liabilities of $325,281 (December 31, 2018 - $294,107). 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 loans payable and receivable which are 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 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.

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS (continued)

The following table reconciles level 3 fair value measurements from January 25, 2018 to April 30, 2019:

Balance – January 25, 2018	$	-
Additions		-
Balance, December 31, 2018	**$**	-
Convertible loan receivable (Note 6)		2,000,000
Unrealized loss on convertible loan receivable		(45,559)
Unrealized gain on investment (Note 6)		493,139
Balance, April 30, 2019	$	**2,447,580**

16. 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.

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 four months ended April 30, 2019, the completion of the Subscription Receipts Financing added $20,930,000 to unrestricted cash (period from January 25, 2018 to December 31, 2018 - $2,138,045) was raised through the issuance of common shares.

The Company is primarily dependent on the capital markets as its source of operating capital and the Company's capital resources are largely determined by the strength of the cannabis company 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.

17. RELATED PARTY TRANSACTION

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.

As at April 30, 2019, the amounts due to related parties was $29,235 (December 31, 2018 - $34,848) are unsecured, payable on demand, and without interest.

		April 30, 2019		**December 31, 2018**
Chief Operating Officer	$	12,000	$	6,000
CFO		13,560		16,848
CEO of CBD		3,675		-
CEO of WCE		-		12,000
	$	**29,235**	**$**	**34,848**

(Expressed in Canadian Dollars)

17. RELATED PARTY TRANSACTION (continued)

During the period from January 25, 2018 (date of incorporation) to 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 ($96,000 to CFO, $100,000 to CEO, $48,000 to COO, and $59,393 to a consultant) 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 ($382,484 to CFO, $6,954 to a director, and $159,948 to corporate secretary).

During the four months ended April 30, 2019, the Company entered into the following transactions with related parties:

- The Company paid or accrued fees to its senior officers totaling $171,496 in management and consulting fees ($48,000 to CFO, $48,000 to CEO of WCE, $14,175 to CEO of CBD, $24,000 to COO, and $37,321 to a consultant).
- The Company paid or accrued listing fees of $208,527 related to the RTO Transaction to a company to which the corporate secretary is related.
- The Company granted stock options to its senior officers and directors totaling $188,939 in share-based compensation ($41,525 to CEO, $31,144 to CFO, $8,305 to COO, $66,440 to directors, and $41,525 to corporate secretary).

All related party balances are non-interest bearing, unsecured and have no fixed terms of repayment and have been classified as current.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Information	2019 $	2018 $
Issuance of broker warrants	**1,273,203**	-
Share issued to finders	**1,950,000**	-
Shares issued for intangible assets	**-**	13,000,000
Shares issued for compensation warrants	**-**	$167,684

19. 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 consolidated financial statements for loss for the period also represent segment amounts. All of the Company's assets are situated in Canada.

20. COMMITMENTS

(a) 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 April 30, 2019 a total of $nil was due and owing to the CEO, for unpaid management fees (2018 - $12,000). This sum is unsecured, non-interest bearing, and due on demand.

i) **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.

ii) **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 the Company will pay to Hybrid a monthly fee of $15,000, and has granted a total of 350,000 ancillary related products containing cannabis. The term of the lease is ten (10 years) from the date of execution of the definitive lease agreement.

(b) Office Lease Agreement

On October 31, 2018, the Company entered a 2-year agreement to lease office space in Etobicoke, Ontario at a monthly cost of $2,300. The lease expires on October 31, 2020.

On December 4, 2018, the Company entered into 1-year-1-month lease agreement for leased premises in Etobicoke, Ontario, commencing December 1, 2018 and ending on December 31, 2020. The minimum base rent is $700 per month for the period from December 1, 2018 to November 30, 2019 and $800 per month from December 1, 2019 to October 31, 2020.

(c) 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

(Expressed in Canadian Dollars)

21. COMMITMENTS (continued)

(c) Revenue Collaboration Agreement (continued)

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.

(d) Market Awareness Contracts

On April 8, 2019, the Company engaged Hybrid Financial Ltd. (“Hybrid”) and Ascension Millionaires Club Inc. (“Ascension”) to the Company to enhance its market awareness:

Hybrid’s engagement is for an initial term of six (6) months. In consideration for its services, common share purchase options (the “Hybrid Options”) to purchase 350,000 common shares of the Company at a price equal to $0.17, at any time on or before April 8, 2024. The Hybrid Options are subject to a vesting schedule; 175,000 Hybrid Options vested immediately and the remaining 175,000 options shall vest on July 8, 2019.

Ascension’s engagement is for a term of twelve (12) months, during which Ascension will provide investor relations and communication services to the Company. In consideration for its services, the Company will pay to Ascension a monthly fee of $10,000, and grant to Ascension WCE Share purchase options (the “Ascension Options”) to purchase 300,000 WCE Shares at a price of $0.17, at any time on or before April 8, 2021. Issuance of Securities to Consultant. The Company also issued 1,400,000 WCE Share purchase options (the “Consultant Options”) to an arm’s length consultant. The Consultant Options are exercisable at a price of $0.13 during a period of five (5) years from the date of issuance, and are subject to a vesting schedule, with 500,000 Consultant Options vesting immediately and the balance to vest in 100,000 increments each month during the term of the consultant’s engagement.

22. 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 ended April 30, 2019 and December 31, 2019:

	2019	2018
	$	$
Net loss before tax	(8,236,020)	(4,138,521)
Statutory tax rate	26.5%	26.5%
Expected income tax (recovery)	(2,182,545)	(1,096,708)
Non-deductible items	1,738,139	9,609
Change in tax rates	27	-
Share Issuance cost	-	(56,036)
Change in deferred tax assets not recognized	444,379	1,143,135
Total income tax expense (recovery)	-	-

(Expressed in Canadian Dollars)

22. INCOME TAXES (continued)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Details of deferred tax assets (liabilities) are as follows:

	2019 $	2018 $
Non-capital loss carryforwards	118,318	-
Property and equipment	(2,120)	-
Right-to-use asset	(26,592)	-
Lease obligations	29,003	-
Convertible loan	(118,609)	-
Net deferred tax assets (liabilities)	-	-

The unrecognized deductible temporary differences as at April 30, 2019 and December 31, 2018 is comprised of the following:

	2019 $	2018 $
Non-capital losses carryforwards	3,054,012	2,023,324
Property and equipment	1,480	-
Intangible assets	2,765,251	-
Financing costs	3,361	-
Total unrecognized deductible temporary differences	5,824,104	2,023,324

The Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $3,054,012 (2018: $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 the following years:

Expiry	$
2038	1,576,841
2039	1,477,171
Total	3,054,012

23. SUBSEQUENT EVENTS

Completion of Arrangement with Quadron

On June 17, 2019 the Company completed the plan of arrangement (the **"Arrangement")** with Quadron Cannatech Corporation **("Quadron"),** pursuant to the provisions of the Business Corporations Act (British Columbia). As a result, the Company acquired 71,650,447 common shares of Quadron (the **"Quadron Shares"**) which represents 100% of Quadron's issued and outstanding shares and issued 143,300,894 shares of the Company. Under the terms of the Arrangement, each former Quadron shareholder becomes entitled to receive two common shares of the Company for each Quadron Share held prior to the Arrangement (the **"Consideration**"). In addition, options and warrants to purchase Quadron Shares will continue to remain outstanding as options and warrants of the Company, which, upon exercise, will entitle the holders to receive the Consideration that such holders would have been entitled to be issued if, prior to the closing date of the Arrangement, such holders had exercised their options or warrants. On June 17, 2019, the Quadron Shares were delisted from the Canadian Securities Exchange ("CSE") as of the close of trading. The Company has not yet completed a provisional allocation of the purchase price to the net assets acquired.

23. SUBSEQUENT EVENTS (continued)

Other subsequent events

On June 9, 2019, 5,015,531 shares of the Company were issued in connection with fees paid for the Quadron Arrangement. 3,915,521 shares were issued to a Company associated with a Director of the Company. 1,100,000 were issued to a Company for services rendered in connection with the Quadron arrangement.

On July 9, 2019, 700,000 shares of the Company were issued in connection with the exercise of options at an exercise price of $0.10 per share

On May 1, 2019 the Company granted 5,000,000 stock options to two officers of WCE that were former officers of Quadron. The options have an exercise price of $0.21 per share. 2,500,000 shares vested on the completion date of the Plan of Arrangement with Quadron (June 17, 2019). The balance of the options vest increments of 1,250,000 options every 6 months thereafter

On June 10, 2019 the Company granted 300,000 options to a consultant at an exercise price of $0.17 per share. 150,000 options vested on the date of issuance and 150,000 options will vest on the 6 month anniversary of the option grant.

On July 6, 2019, the Company granted 13,500,000 options at an exercise price of $0.067 per share. The options vested immediately on grant. Of the total option grants, 3,450,000 options and 150,000 options were granted to two former directors of the Company and 8,250,000 options were granted to the former CFO and director of the Company.