WORLD-CLASS EXTRACTIONS

WORLD CLASS EXTRACTIONS INC.

(formerly CBD Med Research Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three Months Ended July 31, 2019

(expressed in Canadian Dollars unless otherwise indicated)

1 INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is a review of the financial condition and results of operations by the management ("Management") of World Class Extractions Inc. ("WCE" or the "Company") for the three months ended July 31, 2019 (the "Reporting Period"). This MD&A is prepared as at September 27, 2019, unless otherwise indicated, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended July 31, 2019 ("**Interim Financial Statements**"), the consolidated audited financial statements for the four months ended April 30, 2019 (**"Consolidated Financial Statements")** and the annual consolidated audited financial statements for the year ended December 31, 2018 **("Annual Financial Statements")** and the notes related thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") – http://www.sedar.com and are also available on the Company's website http://www.wcextractions.com.

2 CAUTIONARY NOTE

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

Forward-looking statements are based on the beliefs of the Company's management, as well as on assumptions, which such management believes to be reasonable based on information currently available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation those risks outlined in section 15 - Risks and Uncertainties.

3 DISCUSSION AND ANALYSIS

This report is dated September 27, 2019. On July 5, 2019, the Board of director 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. As a result of the change in year end, comparative amounts are not directly comparable with current period's amounts.

World Class Extractions Inc.

World Class Extractions Inc. (previously CBD Med Research Corp.) 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").

On March 11, 2019, the Company completed its reverse takeover transaction (the "Transaction" or "RTO") with World Class Extraction (Ontario) Inc. (formerly World Class Extraction Inc.) ("WCE"), pursuant to which CBD acquired all of the issued and outstanding shares of WCE for the issuance of 1 CBD share for each WCE share. 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 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. **See Note 4 in Consolidated Financial Statements**.

The Company is currently seeking a listing on the OTCQB Venture Market, a US trading platform that is operated by the OTC Markets Group in New York.

Completion of Arrangement with Quadron

Quadron is a Vancouver-based company incorporated on November 7, 2011 under the *British Columbia Business Corporations Act*. Quadron became a reporting issuer in British Columbia and Alberta on July 25, 2012, and in Ontario on February 24, 2017. Quadron, through its wholly owned subsidiaries, provides turn-key extraction and processing solutions for the cannabis industry including proprietary industrial grade equipment, custom built processing facilities, ancillary products, and scientific services.

The Company was listed on the Canadian Securities Exchange ("CSE") under the trading symbol "QCC". As a result of the business combination with the Company, Quadron delisted from the CSE as at the close of trading on June 17, 2019, and Quadron ceased to be a reporting issuer on August 22, 2019.

On June 17, 2019, the Company and Quadron completed their previously announced plan of arrangement (the "Arrangement") under the provisions of the *Business Corporations Act*, pursuant to which the Company acquired all of the common shares of Quadron following Quadron's amalgamation with the Company's wholly-owned subsidiary, 1212476 B.C. Ltd. to form a new wholly owned subsidiary of the Company continuing as "Quadron Cannatech Corporation" ("Amalco"). Under the terms of the Arrangement, each former Quadron shareholder received two common shares of the Company. In addition, options and warrants to purchase Quadron shares will continue to remain outstanding as options and warrants of the Company. The Company paid $280,500 and issued 5,015,531 common shares of the Company to financial advisors as acquisition fees. **See Note 4 in Consolidated Financial Statements**.

Quadron Transaction - Genetic Properties Inc.

On October 24, 2018, the Company entered into a binding letter of intent with Genetic Properties Inc. ("GPI") and its shareholders, pursuant to which the Company would acquire up to a one-third equity interest in GPI (the "LOI"). GPI, a private company based in Toronto, Ontario, intended to apply for a non-cultivation processing license with Health Canada under the *Cannabis Act* (the "License"). During the four months ended April 30, 2019, GPI and the Company failed to enter into a definitive agreement and the LOI was terminated.

Directors, Officers and Management of the Company

Following the business combination with Quadron, the Company's board of directors was reconstituted, and the appointment of Anthony Durkacz as Chair was announced. The new directors, officers and management of the Company are as follows:

- Anthony Durkacz, Director and Chair of Board of Directors
- Donal Carroll, Director
- Chand Jagpal, Director
- Dr. Raza Bokhari, Director
- Rosy Mondin, Chief Executive Officer (CEO) and Director
- Leo Chamberland, President
- Zara Kanji, Chief Financial Officer (CFO)
- Shane Lander, Chief Innovation Officer (CIO)
- Tamas Jozsa, President, Soma Labs Scientific Inc.

Registered and Records Office | Head Office

The registered and records office of the Company is located at: Suite 308 - 9080 University Crescent, Burnaby, BC, V5A 0B7.Telephone:1 (604) 473 9569. Email: info@wcextractions.com. Website: http://www.wcextractions.com

Exchange Listings

The Company's common shares ("Common Shares") are traded on the Canadian Securities Exchange ("CSE") under the symbol "PUMP". During the reporting period, the Company's shares also started trading on the Frankfurt Exchange, symbol "WCF" and "WKN: A2PF9C". The Company is currently seeking a listing on the OTCQB Venture Market, a US trading platform that is operated by the OTC Markets Group in New York.

Nature of Operations and Company Focus

The Company manufactures industrial grade extraction systems for cannabis and hemp processing, focussing on extraction, compound isolation and formulation technologies and processes. The business of the Company is to commercialize its extraction and processing systems utilizing various technologies to effectively produce extracts and concentrates from cannabis and hemp, and isolate essential compounds found in plant material. The Company is working to become the Canadian leader of advanced industrial-scale cannabis and hemp extraction systems, technologies and processes by providing cost-effective and at-scale production to produce high margin, high-quality extracts and premium derivative products and consumer brands.

With acquisition of Quadron, the Company, through its subsidiary, provides ancillary equipment, products and services, designed and structured to cannabis industry participants.

4 HIGHLIGHTS

Finance/Corporate:

- Completed a reverse takeover transaction, changed its name and listed its common shares on the Canadian Securities Exchange ("CSE") under symbol PUMP;
- Completed the third and final tranche of a $23,000,000 Subscriptions Receipt financing ("2018 Subscription Receipts Offering" or "SRO") that leaves the Company well financed for the conduct of business;
- Formed new Board of Directors (the "Board");
- Completed the plan of arrangement and merger with Quadron
- Entered into a hemp supply agreement – See section 16 – Commitments and Contingencies; and
- Announced it had entered into a revenue collaboration agreement with Parity Partners PBC ("Parity"); See section 16 – Commitments and Contingencies.

Technical:

- Progress continues on the manufacturing of new extraction equipment; delivery is scheduled for the end of the calendar year 2019; and
- Management believes the synergy with Quadron is optimal – the Company is well-financed and its unique-patent pending technology should provide higher yields of full spectrum cannabis oil at faster rates and larger volumes than current extraction techniques while Quadron's extraction and processing systems are automated and have been simplified relative to comparable technologies.

5 OVERALL PERFORMANCE – Financial position, results of operations and cash flows

Financial Position

On July 31, 2019, the Company had cash (available and restricted) of $13,901,616 (April 30, 2019 - $16,002,152) to settle current liabilities of $1,474,093 (April 30, 2019 - $325,281). WCE assumed an interest-bearing GIC in the amount of $275,500 which matures February 9, 2020.

Loan Receivable

On February 25, 2019, the Company and two other entities ("Purchasers") entered into a supply and loan agreement with a supplier. Pursuant to this agreement, Purchasers agreed to purchase up to 1,000 kilograms of the supplier's 2018 hemp crop. In addition, the Purchasers agreed to make a loan to the supplier in the principal amount of $500,000 for the supplier to purchase equipment and to fund expenses approved by the Purchasers. The Purchasers guarantee to purchase at least $1,000,000 in product from the supplier where $500,000 will be paid by this loan. On May 7, 2019, the Company loaned $166,607 to the supplier pursuant to the agreement.

Convertible Loan Receivable

(a) During the year ended December 31, 2016, the Company entered into a definitive agreement (the "Agreement") with Medipacs Inc., based in San Diego, California. Medipacs has developed technology configured into a small (hand-size) infusion pump that can be easily attached to animals and humans to deliver precise pain medication of both standard and large molecule liquids.

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

(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. As of July 31, 2019, the fair value of the Alkaline Debentures has not been significantly changed. Therefore, a gain or loss on the valuation of Alkaline Debentures is not recorded for the three months ended July 31, 2019.

Prepaid Equipment

During the Reporting Period, WCE continued to make instalments on the Ultrasound Pilot. Delivery of the Ultrasound Pilot is expected for the end of the calendar year 2019. To July 31, 2019, WCE has prepaid a total of $857,213 (April 30, 2019 - $770,875) for pre-ordered extraction equipment. Title to the extraction equipment will be transferred upon delivery and upon delivery of the equipment, Management will estimate the useful life of the asset(s) and commence depreciating it as required.

Other prepayment to vendors includes $50,000 advanced to a supplier to grow a crop of Hemp and provide extraction services to extract oil and other by products. The supplier and the Company will share proceeds from the extracted products with 1/3 share to the Company and 2/3 share to the supplier.

Intangible Assets

Upon incorporation, World Class issued 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 common shares to secure the intellectual property **("IP")** rights for a proprietary technology (**See Note 10 – Intangible Assets in the Interim Financial Statements).** The Company regularly assesses the IP for viability and (possible) impairment, and is amortizing the IP's assigned value, on a five-year straight-line basis.

During the Reporting Period, no additional intellectual property ("IP") was purchased, and certain patents are still pending. The Company continues to amortize the IP on a straight-line basis.

Development assets additions of $510,775 relate to the development of extraction and machine systems being developed by the Company. The useful life on these is estimated at 5 years and amortized accordingly.

Acquisitions

(a) Reverse takeover

On March 11, 2019, the Company completed its RTO. 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.

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		275,000
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.

(b) Quadron Cannatech Corporation ("Quadron")

On June 17, 2019, the Company purchased 100% of the issued and outstanding shares of Quadron Cannatech Corporation, which was incorporated under the British Columbia Business Corporations Act on November 7, 2011. Quadron, through its wholly owned subsidiaries, provides turn-key extraction and processing solutions for the cannabis industry including proprietary industrial grade equipment, custom build processing facilities, ancillary products, and scientific services. The combined entities will leverage Quadron's technical expertise established customer base and seasoned management team with the Company's unique patent-pending technology and strong cash position resulting from the private placements. Quadron shares, options and warrants were exchanged at a ratio of 1 to 2.

On closing, 143,300,894 common shares were issued to former shareholders of Quadron at a price of $0.14 for consideration of $20,062,125. 13,205,000 replacement options and 21,438,716 replacement warrants were granted to former Quadron options and warrants holders. The fair value of the common shares issued as consideration for the transaction was based on June 17, 2019 closing price of the Company on the CSE of $0.14 per share. The fair value of the options was estimated to be $1,308,130 using a Black-Scholes model, whereby $1,097,418 has been included as consideration paid as it related to pre-combination services and the residual $210,712 fair value will be recognized as stock compensation expense rateably over the post-combination vesting period. The fair value of the warrants was estimated to be $1,375,462 using a Black-Scholes model, where this value has been included as consideration paid. In connection to this acquisition, the Company incurred a cash payment of $280,500 and issued 5,015,531 common shares at a price of $0.14 to financial advisors. These were expensed as acquisition fees.

The following table summarizes the fair value of the consideration transferred and the estimated fair values assigned to each major class of assets acquired and liabilities assumed at June 17, 2019 acquisition date:

Total Consideration		
Common shares to Quadron shareholders	$	20,062,125
Fair value of replacement of options issued		1,097,418
Fair value of replacement of warrants issued		1,375,462
Total Consideration	$	22,535,006
Net identifiable assets acquired (liabilities assumed)		
Cash and cash equivalents	$	1,603,965
Accounts receivable		610,620
Inventory		1,531,463
GST recoverable		181,091
Prepaid expenses and other		87,597
Deposits		36,115
Plant and equipment		260,186
Intangible assets		1,357
Accounts payable		(225,056)
Customer deposits		(422,179)
Related party		(6,177)
Intercompany loan		(2,754,837)
Net assets acquired	$	904,145
Purchase price allocation		
Net identifiable assets acquired	$	904,145
Goodwill		21,630,861
	$	22,535,006

Goodwill arose in the acquisition as the cost of acquisition included a control premium. In addition, the consideration paid for the acquisition reflected the benefit of expected revenue growth and future market development. These benefits were not recognized separately from goodwill, as they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

In the period from June 17, 2019 to July 31, 2019, the operations of Quadron contributed revenues of $106,314 and a net loss of $542,963. If the acquisition had occurred on May 1, 2019, management estimates that the unaudited consolidated revenue would have been 274,116 and an unaudited consolidated net loss would have been 4,765,094 for the three months ended July 31, 2019.

The accounting for the acquisition has been provisionally determined at July 31, 2019. The fair value of net assets acquired and total consideration have been determined provisionally and subject to adjustment within one year from the acquisition date. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, goodwill may be adjusted retrospectively to the acquisition date in future reporting periods.

Result of operations

The net loss and comprehensive loss for the three months ended July 31, 2019 was $4,222,132 (July 31, 2018 – $286,880). Significant operations expenses for the Reporting Period included:

- Sales revenue was $167,802 (July 31, 2018 - $Nil). Revenue during the period was generated by the Company's wholly owned subsidiaries. The increase in sales revenue is primarily due to an increase in sales by all three subsidiaries. The subsidiaries had the following breakdown of revenues:
    - Soma Labs Scientific Inc.: $402
    - Greenmantle Products Limited: $140,000
    - Cybernetic Control Systems Inc.: $27,400
- Cost of sales was $69,074 (July 31, 2018 - $Nil). These costs are reflective of the cost of parts and labour to build equipment, the cost of inventory involved in offering ancillary products as part of service agreements and labour and materials in providing equipment automation work. The increase in cost of sales is directly related to the increase in sales revenues. The subsidiaries had the following breakdown of cost of sales:
    - Soma Labs Scientific Inc.: $16,849
    - Greenmantle Products Limited: $90,590
    - Cybernetic Control Systems Inc.: ($38,365)
- Acquisition fees of $982,675 (July 31, 2018 – $Nil) were related to cash payment of $280,500 and issuance of 5,015,531 common shares at a price of $0.14 to financial advisors for the acquisition of Quadron;
- Amortization expense of $702,611 (July 31, 2018 – $Nil) was recorded for intellectual property, demo equipment, computers and office furniture;
- Consulting fees were $262,773 (July 31, 2018 - $168,091). The fees are related to management's efforts to source additional business opportunities to enhance and supplement the amalgamated entities' current business model.
- Development and research of $254,258 (July 31, 2018 - $8,802) is due to increased staffing and material costs, as the Company works to develop, commercialize and enhance its product lines.
- Professional fees of $359,549 (July 31, 2018 – $62,908) were legal and accounting fees related to the closing of the third tranche of the financing, the closings of the RTO and CSE listing and the closing of the Quadron acquisition;
- Management fees were $54,500 (July 31, 2018 – $Nil). These expenses include fees paid to an external company for accounting services, corporate secretarial services and administrative maintenance of the Company's books and records. Management fees also includes amounts paid to the current CFO.

- Remuneration and benefits were $237,519 (July 31, 2018 – $Nil). These expenses are for wages paid to employees of Soma Labs and Cybernetic who are responsible for product development, customer service, inventory control, laboratory maintenance and sales management.
- Share-based payments of $993,135 (July 31, 2018 – $Nil) was recorded for options issued which vested during the period.
- Travel of $365,734 (July 31, 2018 – $Nil) was incurred to a) travel to meet with the manufacturers of the equipment in India, and to build awareness of the technology and to drive orders when the equipment is operational and b) to meet with investors and brokers to develop and distribute marketing materials;

Cash Flows

For the three months ended July 31, 2019, the Company has the following cash flow activities:

Cash Flow Activities	Three months ended July 31, 2019	Three months ended July 31, 2018
Operating	**(1,883,724)**	(319,265)
Financing	**(446,599)**	2,048,374
Investing	**229,788**	(6,306)
Increase (decrease) in cash during the period	**(2,100,536)**	1,722,803

<u>Operating Activities</u>

Operating activities generated a net cash outflow of $1,883,724. The increased use of cash is primarily attributable to marketing to attract new customers, research and development of current potential new product lines, purchasing of inventory and increase in staffing all related to an expected further expansion of the Company's revenue.

<u>Financing Activities</u>

Financing activities generated net cash inflows to the Company of $229,788, primary due to $70,000 from issuance of common shares for options exercised and $1,323,465 acquired upon the acquisition of Quadron.

<u>Investing Activity</u>

The significant cash outflow from the investing activities was primary due to purchase of equipment and expenditures on intangible assets.

6 OPERATIONS REVIEW

During the three months ended July 31, 2019, Management focused on:

- Completing the business acquisition of Quadron;
- Seeking out and securing strategic partnerships, by entering into agreements for: adequate hemp supply, for space to build a commercial scale pilot plant, and strategic alliances with established and licensed providers to facilitate operations in Canada and the United States ("US Extraction Services");
- Identifying and structuring a proposed amalgamation with an established operating company, to capitalize on the strengths of both entities; and
- Increasing marketing efforts to build awareness of the Company's unique IP and its potential.

Key Performance Indicators

Key performance indicators that the Company uses to manage its business and evaluate its financial results and operating performance include new customers, net investment in equipment, revenues, average yields, operating expenses and net income. The Company evaluates its performance on these metrics by comparing its actual results and normalized results to management budgets, forecasts and prior period performance.

General Description of the Business

Cannabis extraction is a critical step in the production of value-added products such as cannabis oils, gel caps, vape-able products, edibles, topicals and beverages, to name a few. With the upcoming legalization of these products, the cannabis industry is experiencing rapid growth in demand for high-quality extracts derived from cannabis and hemp, as well as for cannabinoid isolates such as CBD and THC, amongst others. As the industry matures, there is a need for industrial-scale innovation and efficient extraction and processing equipment and technologies. Current industry methods of extraction lack the scale, consistency and repeatability required to adequately serve the expected demand from global consumer and healthcare cannabis and hemp markets.

The Company is developing advanced industrial-scale extraction and processing systems for cannabis and hemp, focussing on extraction, compound isolation and formulation technologies and processes. The business of the Company is to commercialize its extraction and processing systems utilizing various technologies to effectively produce extracts and concentrates from cannabis and hemp, and isolate essential compounds found in the plant material (the "**WCE Technology**").

In addition to equipment manufacturing, the Company is establishing extraction and processing facilities through strategic joint venture partnerships, including custom facility engineering designs, in-house oil production for wholesale distribution, toll processing (white label extracted and formulated cannabis oil for independent brands), the development of ancillary consumption devices and continued R&D. By way of these strategic partnerships, the Company is capable of performing toll processing extraction with third-party license holders for a fee. The Company is also developing pre-processing technologies for the raw cannabis and hemp material for efficient input extraction and processing.

The Company is working to become the Canadian leader of advanced industrial-scale cannabis and hemp extraction systems, technologies and processes by providing cost-effective and at-scale production of consistent, high-quality extracts and premium derivative products and consumer brands.

Joint-Venture Partnerships

The Company designs, builds and operates full scale extraction set-ups in licensed facilities on a revenue sharing basis. The Company continues to actively seek opportunities to build further strategic joint-venture partnerships for the establishment of licensed extraction and processing facilities for the extraction and processing of cannabis and hemp biomass.

FV Pharma Inc. Joint Venture

The Company has now entered into a joint-venture partnership with FV Pharma Inc. (the "**Joint Venture**"). FV Pharma, a license holder under the *Cannabis Act*, is the owner of a property with a 620,000 sq ft building in Cobourg, Ontario, formerly Kraft Canada's production facility, located about a one-hour drive from Toronto. Under this multi-year joint venture agreement, the Company, under the direction of FV Pharma, will develop, manage and operate a large-capacity cannabis and hemp extraction and processing facility (the "**Facility**"). The parties each have a 50% interest in the Joint Venture. Equipped with numerous on-site resources, the Facility is built with logistical advantages, making it a favourable location for third-party toll processing contracts which will provide World-Class with ongoing revenue.

The Facility will be deployed in multiple phases to satisfy the increasing market demand as the legal recreational market for cannabis extracts and extract-based products is rapidly approaching. The initial phase, which is scheduled to commence production in December 2019, is comprised of several BOSS CO2 Extraction Systems as well as WCE's BEAST Ethanol Extraction System, along with all the ancillary equipment required for the preparation of the biomass, as well as filtration, refining and distillation processes including remediation equipment to clean and remove undesirable elements from the oil. With ample room to expand, the Facility will initially have an extraction and processing capacity of up 5,000 pounds of biomass per day. As market demand increases, additional equipment will be deployed to accommodate the extraction and processing of up to 75,000 pounds per day.

Research and Development

The Company strategically invests in and undertakes continuous research, development and innovation to provide unparalleled insight and solutions to overcome the extraction and processing challenges facing this rapidly evolving and dynamic industry. The Company is commercializing its extraction and processing systems, utilizing various technologies to effectively produce extracts and concentrates from cannabis and hemp and isolate essential compounds found in plant material (the "**WCE Technology**").

The Company has built a pilot extraction unit utilizing the WCE Technology with the inclusion of ultrasound to effectively extract cannabinoids from cannabis and hemp (the "**WCE Ultrasound Pilot**"). The Company contracted to produce the WCE Ultrasound Pilot in India, and subsequently brought the project to Canada to complete its development.

The Company believes that the advantages of the WCE Technology will allow it to capitalize on the significant opportunities in the recreational and medicinal cannabis and hemp markets. The Company intends to utilize the WCE Technology to provide extraction and processing services to license holders under the *Cannabis Act* (Canada) and related regulations.

Specialized Skill and Knowledge

WCE Technology – Patent Application

The Company has previously filed, and will continue to file, patent applications directed to its proprietary systems and methods for producing cannabis extracts. Such systems and methods are believed to be novel and non-obvious, based on the ability of the WCE Technology to produce extracts that have substantially greater concentrations of target cannabinoids and possess minimal contaminants.

Additional advantages of the WCE Technology and the WCE Ultrasound Pilot include the ability to process very large volumes of cannabis and hemp plant material.

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

The Company does not currently have its own Standard Processing License, as required by Health Canada to extract the oils from cannabis and hemp. The Company intends to utilize the WCE Technology to provide extraction services to license holders under the *Cannabis Act* (Canada) and related regulations.

Competitive Conditions

The Company believes that changes to Canadian legislation in the *Cannabis Act* (Canada) provide attractive 'early mover opportunities' in areas other than simple cultivation and sale of cannabis. These emerging opportunities include the extraction and processing of cannabis and hemp into oil (extracts and concentrates), and the utilization of these extracts and concentrates into value-added cannabis and hemp derivative consumer products.

In Canada, in late 2019, extracts are expected to be widely distributed and marketed at the wholesale and retail levels for use alone or as a base ingredient in the newly legalized cannabis product categories (such as infused edibles, vaporizer compounds and beverages, to infused cosmetics and medicinal compounds).

The Company is currently focused on the commercialization of its products in Canada and will continuously re-evaluate commercialization opportunities in the United States and globally when and if such commercialization becomes viable and/or legislative changes occur.

The Stage of Development of New Principal Products

As of the date of this report, not all of the Company's principal products and services are fully developed or yet made available to the market, and their commercialization had not yet begun. The Company intends to focus on manufacturing and developing unique consumer products using the WCE Technology which the Company believes will give it a competitive advantage in the sale of products manufactured with cannabinoid oil extracted from hemp and cannabis.

The Company can, subject to the successful development of the WCE Technology and the WCE Ultrasound Pilot and the receipt of all relevant licenses from Health Canada, provide the following services to customers:

End User Products

The Company will develop, produce and distribute products to end users in partnership with license holders, subject to Health Canada approval. As of the date of this report, the Company does not possess a license to sell products directly to end users.

End user products which the Company may develop, produce and distribute could include cannabis and hemp extracts and concentrates for: vaporizing or dabbing, tinctures, topicals, capsules and pills, beverages, and other ingestible and edible products.

Brands

The Company is looking to acquire and is in negotiation with a number of recognized brands in order to enhance its ability to sell high quality extract and concentrates through licenced distributors.

Intangible Properties

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

Development assets additions of $510,775 relate to the development of extraction and machine systems being developed by the Company. The useful life on these is estimated at 5 years and amortized accordingly.

Cycles

The Company's business is not expected to be cyclical or seasonal. Market demand for wholesale of cannabis and hemp oils are not projected to vary significantly from month-to-month.

Foreign Operations

As of the date of this report, the Ultrasound Pilot located in India were under construction and have been shipped to Canada to complete its development. Furthermore, the Company has entered into a Collaboration Agreement with Parity which relates to, among other things, the US Extraction Services. The Company does not intend to have operations in India and does not currently have any operations in any other foreign jurisdiction outside of Canada, and as such, there are no material risks associated with the construction of the Ultrasound Pilot in India. As of the date of this report, the Company had not yet received revenue relating to the Collaboration Agreement. The Company has identified certain risks related to U.S. operations, which are further described under "*United States Cannabis Disclosure*".

7 SUMMARY OF QUARTERLY RESULTS

Quarters Ended	Revenue ($)	Net Loss ($)	Loss per Share ($)
July 31, 2019	167,802	4,222,132	0.01
April 30, 2019	-	8,236,020	0.02
March 31, 2019	-	6,891,415	0.02

The Company applied for a change on year end on July 5, 2019. For the quarter ended March 31, 2019 and pursuant to the change in year end, the quarter ended April 30, 2019, the Company completed into the RTO with CBD and entered into a LOI with Quadron. Significant expenses during the quarter ended April 30, 2019 include a non-cash loss on completion of RTO of $5,092,473, share-based payment pursuant to the grant of options of $1,238,901, amortization on IP and equipment of $870,198, travel expenses of $804,590, professional fees of $361,292, management fees of $110,175 and consulting fees of 223,938.

Significant expenses during the quarter ended July 31, 2019 include acquisition fees of $982,675 for the acquisition of Quadron, amortization on intangible and tangible assets of $702,611, share-based payment pursuant to the grant of options of $993,135, travel expenses of $365,734, consulting fees of $262,773, development & research of $254,258 and management fees of $54,500.

The Company was a private company prior to March 11, 2019, as such, quarterly results were not published.

8 LIQUIDITY AND CAPITAL RESOURCES

The Company considers the capital that it manages to include share capital, reserves, and deficit, which at July 31, 2019 is $51,358,368 (April 30, 2019 - $31,280,185). The Company manages and makes adjustments to its capital structure based on the funds needed in order to support the development of extraction technology. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets.

Funding Outlook

At July 31, 2019 the Company is well positioned to conduct its operations and meet its financial obligations. However, depending on the strategies followed and any future expansion going forward, additional financing may be required. At that time, Management would most likely be considering different sources of potential funding, including further equity issuances, the issuance of debt, the sale of assets and the exercise of warrants and stock options.

9 FINANCIAL MANAGEMENT RISK

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign exchange rate risk). Risk management is carried out by Management with guidance from the Audit Committee under policies approved by the Board. The Board also provides regular guidance for overall risk management. There have been no significant changes in the risks, objectives, policies and procedures during the reporting period.

Credit Risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company has no significant concentration of credit risk arising from its operations. Cash is held at select Canadian financial institutions, from which Management believes the risk of loss to be low.

Liquidity Risk

Liquidity risk arises through an excess of financial obligations over financial assets at any point in time. The Company's approach to managing liquidity risk is to maintain sufficient readily available cash to continue operations and meet its financial obligations 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 July 31, 2019, the Company had a cash and cash equivalents balance of $13,901,616 (July 31, 2019 - $16,002,152) to settle current liabilities of $1,474,093 (April 30, 2019 - $325,281). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The liquidity risk at Reporting Period end, is immaterial.

Market risk

Market risk is the risk related to changes in the market prices, such as fluctuations in foreign exchange rates and interest rates that will affect the Company's net earnings or the value of its financial instruments.

Interest rate risk

Cash balances are deposited in highly accessible and low-interest bank accounts that are used for short-term working capital requirements. The Company regularly monitors compliance to its cash management policy. 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 exposed to interest rate risk on loans receivable with Quadron, however post year end, the Company has merged with Quadron. The Company is not exposed to interest rate risk in respect of any loans payable which are subject to a fixed rate of interest.

Foreign currency risk

Certain of the Company's expenses are incurred in USD and are therefore subject to gains or losses due to fluctuations in this currency relative to the Canadian Dollar, in which currency funds are raised through equity placements. Management believes that the foreign exchange risk derived from currency conversions is best served by not hedging its foreign exchange risk. At July 31, 2019 and April 30, 2019, the Company's exposure to foreign currency risk with respect to amounts denominated in USD was minimal.

Sensitivity analysis

As of July 31, 2019 and April 30, 2019, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to their short-term nature.

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:

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.

The measurement of the Company's financial instruments is disclosed in Note 16 to the Interim Consolidated Financial Statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

10 ACCOUNTING POLICIES

The following amendment was adopted by the Company for the 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. When applying the modified retrospective approach, the Company used the following practical expedients on a lease-by-lease basis:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases and,
- Use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

As a result of IFRS 16 adoption, $106,509 of right-of-use asset and lease liability were recognized as at January 1, 2019. There was no impact to opening retained earnings.

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.

11 EQUITY

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.

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.

(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; 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; 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. 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;

During the three months ended July 31, 2019:

(a) the Company issued 143,300,894 common shares at a price of $0.14 for consideration of $20,062,125 for the acquisition of Quadron.

(b) The Company issued a total of 5,015,531 common shares at a price of $0.14 for consideration of $702,174 to financial advisors as success fees for the acquisition of Quadron.

(c) The Company issued 700,000 common shares for gross proceeds of $70,000 for options exercised.

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. At July 31, 2019 and April 30, 2019, a total of 945,000 escrowed shares have been released to the escrowed shareholders.

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 July 31, 2019, there is a total of 10,886,039 (April 30, 2019 – 18,968,015) 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 an expiry date of April 8, 2021.

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.

vi) On June 17, 2019, the Company granted 13,205,000 replacement options to the former Quadron option holders. The fair value of the options were estimated to be $1,308,130 using a Black-Scholes model, whereby $1,097,418 has been included as consideration paid as it related to pre-combination services and the residual $210,712 fair value will be recognized as stock compensation expense rateably over the post-combination vesting period.

vii) On May 1, 2019, the Company granted 10,000,000 stock options, exercisable at a price of $0.21 per option, to Quadron's officers. 2,500,000 option vests on the date on which the acquisition of Quadron completed (June 17, 2019) and the balance of stock options vest in increments of 1,250,000 options every 6 months. These options have an expiry date of April 30, 2022

viii) On June 10, 2019, the Company granted 300,000 stock options to a consultant. Each option is exercisable to acquire one common share at a price of $0.17. A total of 150,000 options vested on the grant date and the remaining will vest 6 months after. These options have an expiry date of June 10, 2022.

ix) During the three months ended July 31, 2019, 300,000 stock options expired unexercised, and 700,000 stock options were exercised at a price of $0.10.

The following summarizes the stock options activity during the three months ended July 31, 2019 and the four months ended April 30, 2019:

	July 31, 2019			April 30, 2019		
	Number of Options	Weighted Average Exervise Price		Number of Options	Weighted Average Exervise Price	
Outstanding, beginning of period	26,150,000	$	0.05	13,500,000	$	0.10
Grant and issuance	23,505,000	$	0.17	12,650,000	$	0.17
Exercised	(700,000)	$	0.10	-	$	-
Cancelled	(300,000)	$	0.17	-	$	-
Total Outstanding	48,655,000	$	0.17	26,150,000	$	0.05
Total Outstanding and Exercisable	30,886,875	$	0.14	19,775,000	$	0.10

The following summarizes the stock options outstanding at July 31, 2019:

Expiry Date	Exercise Price		Contractual Life (Years)	Number of Options
February 21, 2022	$	0.100	2.57	3,000,000
March 9, 2023	$	0.200	3.61	4,665,000
March 9, 2023	$	0.200	3.61	200,000
October 15, 2023	$	0.125	4.21	1,712,500
February 12, 2024	$	0.100	4.54	2,927,500
July 7, 2021	$	0.067	1.94	13,500,000
March 19, 2022	$	0.170	2.64	10,300,000
April 8, 2024	$	0.170	4.69	350,000
April 8, 2021	$	0.170	1.69	300,000
April 8, 2024	$	0.130	4.69	1,400,000
April 30, 2022	$	0.210	2.75	10,000,000
June 10, 2022	$	0.170	2.86	300,000
	$	0.141	2.80	48,655,000

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:

	July 31, 2019	April 30, 2019
Volatility Rate	95% - 127%	90%
Risk-free rate	1.34% - 1.56%	1.60% - 1.63%
Dividend yield rate	0%	0%
Weighted average life	2.63 - 4.66 years	2-5 years

Warrants

i) 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.

x) On June 17, 2019, the Company granted 21,438,716 replacement warrants to the former Quadron warrant holders. The fair value of the warrants was estimated to be $1,375,462 using a Black-Scholes model, where the value has been included as consideration paid.

The following is a summary of warrant transactions for the three months ended July 31, 2019 and the four months ended April 30, 2019:

	July 31, 2019		April 30, 2019	
	Number on Warrants	Weighted Average Exercise Price	Number on Warrants	Weighted Average Exercise Price
Balance, beginning of period	27,694,902	$ 0.13	3,171,825	$ 0.07
Granted	21,438,716	$ 0.33	24,523,077	$ 0.14
Balance, end of period	49,133,618	$ 0.22	27,694,902	$ 0.13

The following warrants were outstanding and exercisable as at July 31, 2019:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of options
October 31, 2020	$ 0.150	1.25	7,153,000
January 18, 2020	$ 0.420	0.47	14,285,716
June 6, 2020	$ 0.067	0.85	2,466,975
June 14, 2020	$ 0.067	0.87	704,850
September 22, 2022	$ 0.130	3.15	15,923,077
March 21, 2021	$ 0.170	1.64	2,000,000
March 21, 2021	$ 0.130	1.64	2,000,000
March 21, 2021	$ 0.150	1.64	1,600,000
April 18, 2022	$ 0.180	2.72	3,000,000
	$ 0.218	1.75	49,133,618

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:

	July 31, 2019	April 30, 2019
Volatility Rate	275% - 176%	90%
Risk-free rate	0.0144	1.63%-1.79%
Dividend yield rate	0.00%	0.00%
Weighted average life	0.59 - 1.38 years	2-3 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.

12 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

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 July 31, 2019, the amounts due to related parties was $66,928 (April 30, 2019 - $29,235) are unsecured, payable on demand, and without interest.

	July 31, 2019	April 30, 2019
Chief Operating Officer	$ -	$ 12,000
Director	18,490	13,560
CEO of CBD	-	3,675
President	24,420	-
CFO	13,000	-
Former Corporate Secretary	11,018	-
	$ 66,928	**$ 29,235**

During the three months ended July 31, 2019 and 2018, the Company entered into the following transactions with related parties:

For the three months ended	**July 31, 2019**	July 31, 2018
Management fees	$ 52,500	$ -
Consulting fees	53,000	32,000
Accounting fees	8,000	-
Legal fees	148,201	-
Remuneration and benefits	75,000	-
Share-based payments	375,859	-
	$ 712,560	$ 32,000

- Management fees consist of $36,000 to director and $16,500 to CFO.
- Consulting fees consist of $53,000 to the president of the Company (2018: $12,000 to Chief Operating Officer and $20,000 to former CEO of CBD).
- Accounting fees consist of $8,000 to CFO.
- Legal fees consist of $900 to CEO, $5,568 to director and $141,733 to former corporate secretary.
- Remuneration and benefits consist of $27,500 to CEO and $47,500 to president of Soma.
- Share-based payments consist of $87,949 to directors, $40,884 to former directors, $25,553 to former corporate secretary, $217,495 to president, $2,940 to CFO and $1,038 to president of Soma.

For the acquisition of Quadron, the Company incurred $240,000 cash payment and issued 3,915,531 common shares as acquisition fees to a company with a director in common.

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

13 PROPOSED TRANSACTIONS

The Company has no proposed transaction as at July 31, 2019 or as of the date of this report. From time to time, and like other developing technology enterprises, the Company may acquire or dispose of operations or enterprises with a synergy to meet the Company's skill set.

14 CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 2 and 3 of the Notes to the Interim Financial Statements for the three ended July 31, 2019 and Consolidated Financial Statements for the four months ended April 30, 2019 that are available on SEDAR at www.sedar.com.

15 RISKS AND UNCERTAINTIES

Although Management attempts to mitigate risks associated with exploration and mining and minimize their effect on the Company's financial performance, there is no guarantee that the Company will be profitable in the future and the Company's Common Shares should be considered speculative.

Dependency on relationships with Joint Venture Partners – The ability of the Company to carry on its business in extracting and processing cannabinoids derived from cannabis and hemp and establishing extraction and processing facilities is dependent on obtaining all required licences, including the licences to produce cannabis oil products, and adherence to all regulatory requirements related to such activities.

The Company intends to rely on joint venture partnerships with *Cannabis Act* license holders and at present, the Company's ability to carry on its business in extracting and processing is heavily dependent on its ability to establish joint venture partnerships with license holders.

No Standard Processing License – As of the date of this report, the Company does not possess its own Standard Processing License to produce extracts from cannabis and hemp using the WCE Technology. The Company's ability to produce extracts and concentrates from cannabis and hemp *on its own* using the WCE Technology is dependent on the Company obtaining, in the future, a Standard Processing License from Health Canada. Any Standard Processing License granted to the Company will be subject to ongoing compliance and reporting requirements, and a failure to comply with the requirements of such licence, or any failure to maintain such licenses, would have a material adverse impact on the business, financial condition and operating results of the Company.

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

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

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

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

Cannabis Sector Risks – As discussed further below, subject to further clarity on the position of the U.S. Federal Government on the enforcement of U.S. federal laws relating to the cannabis industry, the Company may, in the future, be involved in select states within the United States, and may directly derive a portion of its revenues from, the cannabis industry in certain U.S. states, which industry is currently illegal under U.S. federal law. The Company may therefore be directly involved in the cannabis industry in the United States where local state law permits such activities, as well as the cannabis industry in Canada. **See "*Description of the Business – Risk Factors – United States Cannabis Industry Risk*"** in the Company's Annual Information Form ("AIF") filed on www.sedar.com on May 8, 2019.

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 or in the process of being assessed for compliance with all such laws, regulations and guidelines.

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

Factors Which May Prevent Realization of Growth Targets – The Company is currently in the expansion from early development stage. The Company's growth strategy contemplates outfitting its joint venture partnerships with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, and further, that the Company may not have sufficient product available to meet the anticipated future demand when it arises, as a result of being adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

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

The Company may experience unforeseen additional expenditures.

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

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

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

At present, the Company has one (1) provisional patent applications pending in the United States. The patent position of a company is generally uncertain and involves complex legal, factual and scientific issues, several of which remain unresolved, and as such, there can be no assurance that the Company will be able to secure the patents applied for or develop other patentable proprietary technology and/or products. Furthermore, the Company cannot be completely certain that its future patents, if any, will provide a definitive and competitive advantage or afford protection against competitors with similar technology. There can be no assurance that any of the Company's patents will be sufficiently broad to protect the Company's technology or that they will not be challenged or circumvented by others, or found to be invalid. In addition, competitors or potential competitors may independently develop, or have independently developed products as effective as ours or invent or have invented other products based on our patented products.

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

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

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

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

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

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

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

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

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

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

Operating Risk and Insurance Coverage – The Company has insurance to protect certain assets, operations and employees. Such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future, or if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

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

Conflicts of Interest – The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

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

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.
Unpredictable and Volatile Market Price for Common Shares – The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

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

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

Company's operations could be adversely affected, and the trading price of the Common Shares might be materially adversely affected.

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

16 COMMITMENTS AND CONTINGENCIES

Hemp Supply Agreement

On February 25, 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 per each 1% CBD of Product purchased by the Company. In connection with the agreement, the Company also advanced $166,607 to the supplier. See Note 5 – Consolidated Financial Statements

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.

The Company is negotiating the final terms of this agreement.

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.
- On March 6, 2018, the Company entered into a 5-year lease agreement for leased premises in New Westminster, British Columbia, commencing June 1, 2018 and ending on May 31, 2023. The minimum base rent is $13,350 per month.

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 certain services.

Under the terms of the Collaboration Agreement:

Parity would:

i) source appropriate locations in the United States to locate WCE Inc.'s proprietary extraction machines;
ii) obtain all licenses and approvals necessary for WCE Inc. to extract oils containing THC, CBD, and other cannabinoids from hemp and cannabis plants (the **"Extraction Services");**
iii) supply the raw materials necessary to perform the Extraction Services; and
iv) develop a market for the Extraction Services and the products produced out of the Extraction Services.

and WCE would:

i) reimburse Parity for the employment of Parity's staff, other than its sales staff and pay for the delivery and installation of the WCE Machines.

In return for providing the services described above, the parties will split the net income arising out of the venture, with 75% being allocated to WCE and 25% to Parity.

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. About Alkaline Spring Inc. Alkaline Spring Inc. is a Canadian-owned Alberta-based water company

17 OUTSTANDING SHARES

As of the date of this report, there were 600,196,572 common shares, 48,655,000 stock options and 49,133,618 warrants outstanding.

18 OTHER MATTERS

Legal proceedings

The Company is not aware of any legal proceedings.

Contingent liabilities

At the date of report, management was unaware of any outstanding contingent liability relating to the Company's activities.

19 OTHER REQUIREMENTS

Additional disclosure of the Company's material documents, information circular, material change reports, new release, and other information can be obtained on SEDAR at www.sedar.com.

20 APPROVAL

The board of Directors of the Company has approved the disclosure contained in this Management Discussion and Analysis. A copy will be provided to anyone who requests it.

On Behalf of the Board of Directors,

"Anthony Durkacz"

Anthony Durkacz, Chair of the board

September 27, 2019