



WORLD-CLASS Extractions

FRA: WCF OTCQB: WCEXF CSE: PUMP

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

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars unless otherwise indicated)

INDEX	PAGE(S)
Consolidated Statements of Financial Position	2
Consolidated Statements of Loss and Comprehensive Loss	4
Consolidated Statements of Changes in Shareholders' Equity	5
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8-63

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of World Class Extractions Inc. (formerly CBD Med Research Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2020 and April 30, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at April 30, 2020 and April 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$48,563,523 and had total cash used in operations of \$9,429,266 for the year ended April 30, 2020 and as of that date, had an accumulated deficit of \$60,914,506. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these

consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

Montreal, Quebec

August 31, 2020

MNP SENCRL, srl
MNP SENCRL, srl¹

¹FCPA auditor, FCA, public accountancy permit no. A122514

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

AS AT	Note	April 30, 2020	April 30, 2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 5,632,160	\$ 16,002,152
Short term investments		-	275,500
Accounts receivable	5	1,255,621	-
Sales tax receivable	6	483,274	191,689
Loans receivable	7	360,018	1,757,767
Convertible loan receivable	7, 16	-	1,954,442
Inventory	8	322,376	-
Prepaid expenses and deposits	9	450,465	776,130
Total current assets		8,503,914	20,957,680
Non-current assets			
Goodwill	4, 11	8,767,399	-
Investment	7	-	493,139
Right-of-use asset	19	937,867	100,347
Property and equipment (net)	10	1,150,650	332,811
Intangible assets (net)	11	851,225	9,824,654
Total non-current assets		11,707,141	10,750,951
TOTAL ASSETS		\$ 20,211,055	\$ 31,708,631

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

AS AT	Note	April 30, 2020	April 30, 2019
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 1,302,058	\$ 289,765
Customer deposits	13	490,412	-
Due to related parties	26	375,759	29,235
Current portion of lease obligations	20	174,853	6,281
Convertible debt	15	1,996,405	-
Derivative liability	15	1,021,729	-
Loans payable – current	14	125,000	-
Liabilities of discontinued operations	28	7,201	-
Total current liabilities		5,493,417	325,281
Non-current liabilities			
Non-current portion of lease obligations	20	840,866	103,165
Loans payable – noncurrent	14	80,000	-
Total non-current liabilities		920,866	103,165
Total liabilities		6,414,283	428,446
SHAREHOLDERS' EQUITY			
Share capital	16	61,756,937	40,349,053
Reserves	17,18	7,517,342	3,305,673
Deficit		(60,914,506)	(12,374,541)
Equity attributable to holders of the parent		8,359,773	31,280,185
Non-controlling interest	4, 29	5,436,999	-
Total shareholders' equity		13,796,772	31,280,185
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 20,211,055	\$ 31,708,631

Nature of operations and going concern (Note 1)

Commitments (Note 31)

Subsequent events (Note 32)

APPROVED BY THE BOARD:

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

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

	Note	For the year ended	
		April 30, 2020	April 30, 2019
Sales	21	\$ 1,108,292	\$ -
Cost of Sales		(584,963)	-
Gross Profit		523,329	-
Operating expenses			
Selling expenses	22	1,005,170	1,162,615
General and administrative expenses	22	9,293,522	3,334,014
Impairment loss	22	35,212,172	-
Depreciation and amortization	10, 11, 19	2,375,327	3,302,934
Total operating expenses		47,886,191	7,799,563
Loss before other expenses		(47,362,862)	(7,799,563)
Other income (expenses)			
Acquisition fees	4	(1,226,606)	-
Unrealized loss on fair value of warrants	7	(493,139)	-
Non-cash loss on completion of RTO	4	-	(5,092,471)
Interest income	7	352,468	81,924
Unrealized gain (loss) on fair value of convertible loan	7	218,496	447,580
Interest expense and bank charges	15	(51,077)	(257)
Other income	23	203,225	7,788
Total other income (expenses)		(996,633)	(4,555,436)
Loss from continuing operations		(48,359,495)	(12,354,999)
Loss from discontinued operations	29	(204,028)	-
Net loss and comprehensive loss for the year		\$ (48,563,523)	\$ (12,354,999)
Attributable to:			
Equity holders of the Parent		\$ (48,539,965)	\$ (12,354,999)
Non-controlling Interests		(23,558)	-
Net loss and comprehensive loss for the year		\$ (48,563,523)	\$ (12,354,999)
Weighted average number of common shares outstanding - basic and diluted		582,157,676	375,572,997
Loss per share for Net Loss Attributable to Equity Holders of the Parent			
from Continuing Operations		\$ (0.08)	\$ (0.03)
from Discontinued Operations		(0.00)	-
Basic and diluted loss per share		\$ (0.08)	\$ (0.03)

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Note	ISSUED CAPITAL		RESERVES			Non-controlling interest	Shareholders' Equity
		Number of Common Shares ¹	Share Capital \$	Options \$	Warrants \$	Deficit \$		
Balance, May 1, 2018		23,014,575	-	-	-	(19,542)	-	(19,542)
Shares issued for intangible assets		-	13,000,000	-	-	-	-	13,000,000
Shares issued for private placement	4a, 16	230,242,500	6,121,395	-	-	-	-	6,121,395
Shares issuance costs and issuance of warrants	4a, 16	-	(3,722,342)	-	1,440,887	-	-	(2,281,455)
Share subscriptions at \$0.13 (subscription received)	4a, 16	176,923,072	45,421,662	-	-	-	-	45,421,662
Share issuance of CBD common shares	4a, 16	6,000,000	-	-	-	-	-	-
Shares issued for finders' fees	4a, 16	15,000,000	1,950,000	-	-	-	-	1,950,000
Settlement of preferred shares		-	-	-	-	-	-	-
Subscription received	4a, 16	-	(22,421,662)	-	-	-	-	(22,421,662)
Share-based payments	4a, 16	-	-	1,864,786	-	-	-	1,864,786
Net loss for the year		-	-	-	-	(12,354,999)	-	(12,354,999)
Balance, April 30, 2019		451,180,147	40,349,053	1,864,786	1,440,887	(12,374,541)	-	31,280,185

¹ 2018 figures were adjusted to reflect the share split on February 28, 2019

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Note	ISSUED CAPITAL		RESERVES			Non-controlling interest	Shareholders' Equity
		Number of				Deficit		
		Common Shares ¹	Share Capital \$	Options \$	Warrants \$	\$		
Balance, April 30, 2019		451,180,147	40,349,053	1,864,786	1,440,887	(12,374,541)	-	31,280,185
Shares issued for acquisition of Quadron Cannatech Corp. ("Quadron")	4b,16	143,300,894	20,062,125	-	-	-	-	20,062,125
Shares issued to financial advisors as success fees	4b,16	5,015,531	702,175	-	-	-	-	702,175
Options issued for acquisition of Quadron	4b, 17	-	-	1,011,295	-	-	-	1,011,295
Warrants issued for acquisition of Quadron	4b, 17	-	-	-	805,727	-	-	805,727
Stock options exercised	16, 17	700,000	143,584	(73,584)	-	-	-	70,000
Shares issued for acquisition of Pineapple Express Delivery Inc. (PED)	4c,16	25,000,000	500,000	-	-	-	-	500,000
Value of Non-controlling interest at date of acquisition	4c	-	-	-	-	-	5,460,557	5,460,557
Share-based payments	17	-	-	2,468,231	-	-	-	2,468,231
Net loss for the year		-	-	-	-	(48,539,965)	(23,558)	(48,563,523)
Balance, April 30, 2020		625,196,572	61,756,937	5,270,728	2,246,614	(60,914,506)	5,436,999	13,796,772

¹ 2018 figures were adjusted to reflect the share split on February 28, 2019

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

	For the year ended	
	April 30, 2020	April 30, 2019
Cash flows from (used in) operating activities:		
Net loss and comprehensive loss for the year	\$ (48,563,523)	\$ (12,354,999)
Items not involving cash:		
Non-cash loss on completion of RTO (Note 4)	-	5,092,471
Bad debt expense	47,318	-
Depreciation and amortization	2,375,327	3,302,934
Acquisition fees, net of cash paid	702,175	-
Non-cash adjustment for leases	36,407	-
Impairment loss	35,212,173	-
Share-based payments	2,468,231	1,864,786
Gain on forbearance	(218,496)	-
Unrealized loss on warrants	493,139	-
Unrealized gain on convertible loan	(45,558)	(447,580)
Unrealized gain on derivative liability	(35,014)	-
Financing costs	72,666	4,603
Accrued interest income	(198,118)	(7,767)
Change in non-cash operating working capital:		
Short term investments	275,500	-
Accounts receivable	(545,095)	(191,485)
GST recoverable	(76,262)	-
Inventory	(2,197,328)	-
Prepaid expenses	477,261	(776,129)
Accounts payable and accrued liabilities	79,902	257,820
Customer deposits	68,233	-
Amounts payable to related parties	134,595	(88,747)
Liabilities of discontinued operations	7,201	-
	(9,429,266)	(3,344,093)
Cash flows from (used in) investing activities:		
Purchase of convertible loan receivable	-	(2,000,000)
Net cash acquired in acquisition of QCC	603,964	-
Net cash paid for PED acquisition	(708,471)	-
Cash acquired from RTO	-	445,494
Payment for loan receivable	(331,500)	(1,750,000)
Purchase of intangible assets	-	(101,367)
Purchase of short-term investment	-	(275,500)
Purchase of equipment, net of disposals	(414,493)	(363,249)
	(850,500)	(4,044,622)
Cash flows from (used in) financing activities:		
Proceeds from loans payable	80,000	-
Payments for lease obligations	(223,975)	-
Shares issued for cash	69,999	23,251,973
	(73,976)	23,251,973
Foreign exchange effect on cash	(16,250)	-
Change in cash and cash equivalents for the year	(10,369,992)	15,863,258
Cash and cash equivalents, beginning of the year	16,002,152	138,894
Cash and cash equivalents, end of the year	\$ 5,632,160	\$ 16,002,152

Supplemental cash flow information (Note 28)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

World Class Extractions Inc. (previously CBD Med Research Corp.) (the "CBD") 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 February 28, 2019, the Company changed its name to World Class Extractions Inc. ("World-Class" or "WCE" or "the Company"). The head office and registered office of the Company is located at Suite 308 - 9080 University Crescent, Burnaby, BC, V5A 0B7.

On March 11, 2019, CBD completed its reverse takeover transaction (the "Transaction" or "RTO") (Note 4) with World Class Extractions (Ontario) Inc. (formerly World Class Extractions Inc.) ("WCE Ontario"), a private company incorporated under the laws in Ontario on January 25, 2018. Pursuant to the RTO, CBD acquired all of the issued and outstanding shares of WCE for the issuance of 1 CBD share for each WCE share. CBD did not have any significant operations at the time of the Transaction. Following the closing of the Transaction, WCE Ontario became a wholly-owned subsidiary of WCE. During the year ended April 30, 2020, WCE Ontario's name was changed its name to World Class Extractions (Subco) Inc. and the company continued its registration from Ontario to British Columbia (See Note 4 – Acquisitions).

On June 17, 2019, the Company and Quadron Cannatech Corporation ("Quadron") completed their previously announced plan of arrangement (the "Arrangement") (Note 4(b)) under the provisions of the British Columbia Business Corporations Act ("BCBCA"), 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 were replaced with 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 – Acquisitions). On March 6, 2020, Quadron, World Class Extractions (Subco) Inc. and WCE amalgamated to form WCE.

On March 27, 2020, the Company signed a definitive investment agreement with Pineapple Express Delivery Inc. ("Pineapple Express Delivery" or "PED"), a privately held, Toronto-based company offering different types of legal delivery services (including same day and next day) to the cannabis sector in Canada. Under the terms of the acquisition, the Company purchased 8,333,333 units (the "Units") of PED, at a price of \$0.06 per Unit for aggregate gross proceeds of \$500,000. Each Unit consists of one common share and one half of one share purchase warrant, with each full warrant exercisable at \$0.30 for a period of two years. The 8,333,333 common shares of PED held by the Company represent approximately 21.55% of the current issued and outstanding share capital of PED. However, through the execution of voting trust agreements with significant shareholders of PED, the Company acquired a total voting interest of 80%. As part of the transaction, PED utilized a portion of the financing proceeds to purchase 25,000,000 common shares of World-Class at a price of \$0.02 per share. These shares are subject to a statutory hold period expiring on August 1, 2020 (see Note 4 – Acquisitions).

The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "PUMP" and on the Frankfurt Stock Exchange under the symbol "WCF" and "WKN:A2PF9C". On January 22, 2020, the Company's common shares commenced trading on the OTCQB Venture Market, a US trading platform that is operated by the OTC Markets Group in New York, under the symbol: "WCEXF".

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

The Company, previously focused on research and development, is exploring opportunities to deploy and operate revenue-generating, purpose-built extraction and processing facilities for cannabis and hemp. World-Class deploys and manages extraction and processing centres through alliances with licensed entities in Canada. With the recent acquisition of PED, the Company also added cannabis delivery to its businesses.

The Company operates through its two wholly-owned subsidiaries: Soma Labs Scientific Inc., and Greenmantle Products Inc., both based in the Lower Mainland of British Columbia and its partially-owned subsidiary, Pineapple Express Delivery. Inc. based in Burlington, Ontario.

- Soma Labs Scientific Inc., (“**Soma Labs**”) incorporated under the *Business Corporations Act* of the Province of British Columbia on January 8, 2016, is a designer, manufacturer, and supplier of extraction and processing equipment and solutions. Soma Labs works with industry partners to design and establish extraction and processing facilities for cannabis and hemp oil production.
- Greenmantle Products Ltd. (“**Greenmantle**”), incorporated under the *Business Corporations Act* of the Province of British Columbia on January 15, 2016, specializes in cannabis product development with expertise in vape hardware design, formulation science, and packaging.

Pineapple Express Delivery Inc. (“**PED**”), incorporated under the *Business Corporations Act* on February 15, 2018, specializes in legal cannabis delivery services (including same day and next day) with several contracts in place with Licensed Producers (“LP’s”) for delivery within select provinces in Canada. On July 5, 2019, the Board of Directors (the “Board”) filed a change of year end to change the Company’s year end from December 31 to April 30, effective for the period ended April 30, 2019 to align its reporting periods with Quadron (see Note 4).

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. This is causing significant financial market and social dislocation. This has also resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on the Company’s future financial results.

Going Concern

The Company incurred a net loss of \$48,563,523 for the year ended April 30, 2020 (April 30, 2019 - \$12,354,999). As at April 30, 2020, the Company had a history of losses and an accumulated deficit of \$60,914,506 (April 30, 2019 - \$12,374,541). Total cash used in operations for the year ended April 30, 2020 amounted to \$9,429,266 (April 30, 2019 - \$3,344,093).

The ability of the Company to continue as a going concern is dependent on achieving profitable operations, positive operating cash flows and obtaining the necessary financing to develop the current products (Note 26 – Capital Management). The outcome of these matters cannot be predicted at this time. The Company will continue to review the prospects of raising additional debt and equity financing to support its operations until such time that its operations become self-sustaining, to fund its research and development activities and to ensure the realization of its assets and discharge of its liabilities. While the Company is exerting its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for future operations. These factors indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

The Company still relies on securing additional funds from either issuance of debt or equity financing for cash consideration. Management has been successful in raising capital through periodic private placements of the Company's common shares in the past, however there is no certainty that financing will be available in the future or that management's planned actions to address this situation will be successful. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future rather than a process of forced liquidation. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of Compliance and Presentation

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

These consolidated financial statements are presented in Canadian dollars (CAD), except where otherwise indicated. CAD is the Company's and its subsidiaries' functional currency.

The consolidated financial statements were approved by the Board of Directors of the Company on August 31, 2020.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, share-based compensation, consideration and acquisitions, which are stated at their fair value.

Significant Estimates, Assumptions and Judgments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

Significant Estimates, Assumptions and Judgments (continued)

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

Income taxes

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

Stock options and warrants

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

Fair value of financial instruments

Certain of the Company's assets and liabilities are measured at fair value. In estimating fair value the Company uses market-observable data to the extent it is available. In applying the valuation technique, management is required to determine and make assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate. Such assumptions are inherently uncertain and changes in these assumptions affect the fair value estimates.

Convertible debt conversion option

The identification of convertible debt components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent measurement of interest on the liability component. The determination of fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates, and the presence of any derivative financial instruments. Additionally, significant judgment is required when accounting for the redemption, conversion or modification of these instruments.

Inventories

Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in the statement of loss and comprehensive loss in the period for any difference between book value net realizable value.

The impairment loss of inventories assessment requires a degree of estimation and judgment. The level of the provision is assessed by taking into account recent sales experience, the ageing of inventories, damaged, obsolete, slow moving inventories and other factors that affect inventory obsolescence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

Significant Estimates and Judgments (continued)

Useful lives of property and equipment and intangible assets

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

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

Impairment of non-financial assets

Determining the amount of impairment of non-financial assets requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many of factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These factors include economic and market conditions, discount rates, growth rates and the future cash flows of the cash generating units (CGU's) to which the asset belongs to. The changes may result in future impairments in the Company's long-term assets.

Goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to their recoverable amount. When impairment indicators are present, the recoverable amount of the CGU or the group of CGUs, which is the higher of its estimated fair value less costs to sell and its value in use, is determined. Significant judgment is involved in estimating the model inputs used to determine the recoverable amount of the CGUs, in particular future cash flows, discount rates and terminal growth rates, due to the uncertainty in the timing and amount of cash flows and the forward-looking nature of these inputs. Future cash flows are based on financial plans agreed by management, which are estimated based on forecast results, business initiatives, planned capital investments and returns to shareholders. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

Determination of CGUs

CGUs are determined based on the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets. Management judgment is required to identify the cash generating units ("CGU") of the Company.

Allowance for expected credit loss (ECL)

The Company recognizes an impairment loss allowance for ECL on accounts receivable, using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

Significant Estimates and Judgments (continued)

Leases

The application of IFRS 16 – Leases, requires the Company to make judgments and estimates that affect the measurement of right-of-use assets and liabilities. In determining the lease term, all facts and circumstances that create an economic incentive to exercise renewal options (or not exercise termination options) are considered. Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the incremental borrowing rate to measure liabilities where the interest rate in the lease is not readily available.

Business combinations

Business combinations require management to exercise judgment in measuring the fair value of assets acquired and liabilities and contingent liabilities incurred or assumed. Judgment is also required in determining what qualifies as part of consideration paid.

Management uses judgment in estimating the fair value of intangible assets, such as software and technology, acquired in a business combination and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. Management also uses judgment in estimating customer attrition rates to determine the appropriate amortization period for the software and technology.

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

- i. the determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management;
- ii. the determination if an acquisition meets the definition of business or whether assets are acquired;
- iii. the determination of whether non-controlling interest is material for purposes of IFRS 12, *Disclosure of Interest in Other Entities*;
- iv. assessing control and significant influence over an investee;
- v. the determination of functional currency;
- vi. the assessment of whether a contract is or contains a lease, whether the Company obtains substantially all the economic benefits from the use of that asset and whether the Company has the right to direct the use of the asset; and
- vii. the Company's assessment of its ability to continue as a going concern requires judgments about the Company's ability to execute its strategy by funding future working capital requirements (Note 1). The Company's objectives are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Convertible loan receivable

The convertible loan receivable consists of a convertible loan receivable component and a separate equity conversion feature component. The convertible loan receivable is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. Subsequent measurements are recognized at fair value through profit and loss.

c) Consolidation

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

Entity	Country of Incorporation	Operations	Effective Interest
Soma Labs Scientific Inc. ("Soma")	Canada	Commercialization of the Company's 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; Development and deployment of extraction equipment, technology and services	100%
Greenmantle Products Limited ("Greenmantle")	Canada	Sale of premium disposable vaporizer cartridges, pens and related materials	100%
Pineapple Express Delivery Inc. ("PED")	Canada	Delivery of medical and recreational cannabis	21.55%
Cobra Ventures Inc. ("Cobra")	Canada	Inactive	100%
1230167 BC Ltd.	Canada	Inactive	100%

On November 16, 2017, 1141588 BC Ltd. was incorporated to facilitate the development of new extraction systems: Alcohol Extraction System, Pressure Assisted Filtration System, Distillation System, and Hydrocarbon Extraction System. On April 9, 2020, this subsidiary was dissolved.

On January 22, 2020, Soma Labs Scientific Inc. and Cybernetic Control Systems Inc. amalgamated to form Soma Labs Scientific Inc., the amalgamated Company. On March 6, 2020, Quadron Cannatech Corporation (Note 4), World Class Extractions (Subco) Inc. and World Class Extractions, Inc. amalgamated to form World Class Extractions, Inc. ("WCE"), the amalgamated Company (Note 4 – Acquisitions).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Consolidation (continued)

On October 21, 2019, Cobra Ventures Inc. was incorporated to serve as holding company for new business ventures of WCE.

Control

The Company controls an investee if and only if the Company has:

- Power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support the presumption and when the Company has less than a majority of the voting rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- the contractual arrangements with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Company's voting rights and potential voting rights

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Assets, liabilities, revenues and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of WCE and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-Company asset, liabilities, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company. Non-controlling interests are presented separately in the consolidated statement of loss and comprehensive loss and within equity in the consolidated statement of financial position and consolidated statement of changes in equity, separate from equity attributable to equity holders of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Business combination

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition related costs are recognized in consolidated statement of loss and comprehensive loss as incurred. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Evaluation of components of consideration requires management judgment.

e) Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. Separately recognized goodwill is tested for impairment on an annual basis or when there is an indication of impairment. Impairment losses on goodwill are not reversed.

For the purpose of impairment testing, goodwill is allocated to the CGU or CGUs which are expected to benefit from the synergies of the combination.

f) Property and equipment

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

Property and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statements of loss and comprehensive loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of loss and comprehensive loss during the financial period in which they occurred. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in the statements of loss and comprehensive loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Property and Equipment (continued)

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

Facility equipment	20% declining balance
Computer software and equipment	30% - 55% declining balance
Leasehold improvements and office furniture	20% declining balance
Automobile	20% declining balance

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

g) Revenue recognition

The Company's revenue is comprised of the sale of disposable vaporizer pens and delivery of cannabis. Revenues are recognized when delivery of cannabis or vaporizer pens have occurred and are accepted by the customer. The Company recognizes revenue in an amount that reflects the consideration the Company expects to receive taking into account any variation that may result from rights of return. Areas of judgment include identifying the customer per the definition within IFRS 15 and determining whether control has passed to the customer.

The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

Sale of vaporizer pens and cartridges; and delivery of cannabis. These revenue-generating activities of the Company have a single performance obligation and revenue is recognized at the point in time when control of the product transfers and the Company's obligations have been fulfilled. This generally occurs when the product is shipped or delivered to the customer, depending upon the method of distribution and shipping terms set forth in the contract. Revenue is measured as the amount of consideration the Company expects to receive in exchange for the sale of the Company's product or the services rendered by the Company.

g) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

All inventories are periodically reviewed for impairment due to slow-moving and obsolete inventory. The provisions for obsolete, slow-moving or defective inventories are recognized in statement of loss and comprehensive loss. Previous write-downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Leases

Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct cost (e.g., commissions) and an estimate of restoration, removal and dismantling costs. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made, and the related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 Property and equipment. Right-of-use assets are subject to impairment testing under IAS 36 Impairment of Assets. Other leases are operating leases and are recognized on a straight-line basis in the Company's consolidated statements of loss and comprehensive loss. Please also see Note 19 – Right-of-Use Asset.

A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and is adjusted for certain re-measurements of the lease liability.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property and equipment. The determination of the depreciation period is dependent on whether the Company expects that the ownership of the underlying asset will transfer to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Company applies judgment to determine the lease term for some lease contracts which contain renewal options.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these arrangements are instead recognized as an expense over the term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Foreign currencies

Transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the date of the relevant transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Translation gains and losses are included in foreign exchange gain (loss) of the period in which they occur. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

j) Impairment of non-financial assets

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

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

Impairment losses are recognized in impairment in the statement of loss and comprehensive loss for the period. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimated recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

k) Related party transactions

Parties are considered to be related if one party has control or joint control over the Company, has significant influence over the Company or is a member of key management personnel of the Company. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

l) Share-based payments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share-based payments (continued)

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

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

m) Financial instruments

(i) Financial assets

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

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

Financial assets at FVTPL

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

Financial assets at FVTOCI

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

Financial assets at amortized cost

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss are immediately recognized in the consolidated statements of loss and comprehensive loss.

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

Financial Assets	Classification	
	April 30, 2019	April 30, 2020
Cash and cash equivalents	Amortized cost	Amortized cost
Short-term investments	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Loans receivable	Amortized cost	Amortized cost
Convertible loan receivable	Financial assets at FVTPL	Financial assets at FVTPL

(ii) Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A financial liability is defined as any contractual obligation to deliver cash or another financial asset to another entity. The Company classified its financial liabilities as subsequently measured at amortized cost which include accounts payable and accrued liabilities, due to related parties, loans payable and convertible debt. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

Financial Liabilities	Classification	
	April 30, 2019	April 30, 2020
Accounts payable	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Convertible debt	Amortized cost	Amortized cost
Derivative liability	Fair value	Fair value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(iii) Impairment of financial assets

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

(iv) Compound financial instruments

Compound financial instruments issued by the Company's subsidiary, PED, comprise convertible debentures and a convertible note that can be converted to ordinary shares at the option of the holder. The convertible debt is convertible into common shares of PED at a price equal to the lesser of (i) \$0.15 per PED common share, (ii) a 20% discount to the price or deemed price attributed to the PED common shares pursuant to a going public transaction, or (iii) the lowest value per PED common share ascribed to each PED common share in connection with an offering by PED of common shares or securities convertible or exchangeable into PED common shares that is completed prior to the maturity date, all subject to adjustment in certain events. The convertible note is convertible into common shares of PED at market price on the date of conversion.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in statement of loss and comprehensive loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Loss per share

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

o) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case it is recognized in shareholders' equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

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

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

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

p) Share capital

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Intangible assets

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

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

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

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

Subsequent expenditures on the maintenance of developed assets are expensed as incurred.

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

Amortization is calculated using the following terms and methods:

Intellectual property	5 years straight-line
Customer list	5 years straight-line
Software and technology	5 years straight-line
Patent application costs	straight-line, based on the life of the patent

r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The board of WCE acts as the chief operating decision maker which assesses the financial performance and position of the Company and makes strategic decisions with inputs from top management which consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the President.

s) Discontinued Operations

The Company classifies disposal groups as discontinued operations if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

A disposal Company qualifies as discontinued operations if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations
- Is a subsidiary acquired exclusively with a view to re-sell

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Discontinued operations (continued)

Loss from discontinued operations are excluded from Net loss from continuing operations and are presented as a single amount under “loss from discontinued operations” account in the consolidated statement of loss and comprehensive loss.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. The Company is currently evaluating the potential impact of these amendments on the Company’s consolidated financial statements.

IFRS 3 - In October 2018, the IASB issued “Definition of a Business (Amendments to IFRS 3)”. The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

The pronouncements above are not expected to have a material impact on the Company’s consolidated financial statements.

IFRIC 23, Uncertainty Over Income Taxes - In June 2017, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Interpretation Committee (IFRIC) interpretation to specify how to reflect the effects of uncertainty in accounting for income taxes. IAS 12 Income Taxes provides requirements on the recognition and measurement of current or deferred income tax liabilities and assets. However, it does not provide a specific requirement for the accounting for income tax when the application of tax law to a particular transaction or circumstance is uncertain. As a result, the interpretation aims to reduce the diversity in how entities recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The new interpretation is effective for annual periods beginning on or after January 1, 2019. Management has concluded that there is no impact on the adoption of this guidance because there is no significant uncertainty in accounting for income taxes of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

4. ACQUISITIONS

(a) Reverse takeover

On March 11, 2019, the Company completed its RTO (Note 1). The RTO was completed by way of a “three-cornered amalgamation” under the provisions of the BCBCA whereby CBD Acquisition Corp., a wholly-owned subsidiary of CBD incorporated on January 30, 2019, amalgamated with WCE and continue as one amalgamated corporation 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 April 30, 2019, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

4. ACQUISITIONS (continued)

(a) Reverse takeover (continued)

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)
Listing expense	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 listing expense. Total listing expense amounted to \$5,092,471 for the year ended April 30, 2019 (Note 23 – Other expenses).

(b) Quadron Cannatech Corporation (QCC or 'Quadron')

On June 17, 2019, the Company purchased 100% of the issued and outstanding shares of Quadron Cannatech Corporation, which was incorporated under the BCBCA on November 7, 2011. Quadron, through its wholly-owned subsidiaries, provides turn-key extraction and processing solutions for the cannabis and hemp industry including proprietary industrial grade equipment, custom build processing facilities, ancillary products, and scientific services. The combined entities will leverage Quadron's technical expertise, and seasoned management team with the Company's unique patent-pending technology and strong cash position resulting from the private placements (Note 16). Quadron shares, options and warrants were exchanged at a ratio of 1 to 2.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

4. ACQUISITIONS (continued)

(b) Quadron Cannatech Corporation (continued)

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. 13,405,000 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 \$1,463,151 using a Black-Scholes model, whereby \$1,011,295 has been included as consideration paid as it related to pre-combination services and the residual \$451,856 fair value will be recognized as stock compensation expense over the post-combination vesting period. The fair value of the warrants was estimated to be \$805,727 using a Black-Scholes model, where this value has been included as consideration paid. In addition, the incremental fair value of \$25,641 was immediately included in the post-combination income statement. In connection to this acquisition, the Company incurred a cash payment of \$392,448 and issued 5,015,531 common shares at a price of \$0.14 to financial advisors as well as legal fees totaling \$131,983. These were expensed as acquisition fees.

Part of the consideration transferred is a loan previously extended to QCC by WCE. The loan principal amounted to \$2,750,000 and accrued interest thereon totaled \$14,073. No gain or loss was recognized on the settlement.

The fair value of the net assets acquired approximated their book values at acquisition date, except for Technology which fair value was determined using the cost approach in accordance with IFRS 13 – fair value measurement. The technology acquired relates to the extraction and processing of cannabis equipment. It includes all costs incurred necessary to develop the asset to achieve commercial viability. The table below summarizes the valuation techniques and significant inputs for the valuation of the identifiable assets and liabilities acquired from QCC:

Identifiable Assets and Liabilities	Valuation technique	Significant Inputs
Working Capital	Cost/carrying value	Book value at date of acquisition
Property and equipment	Cost/carrying value	Book value at date of acquisition
Technology	Fair Value using cost approach	All development costs attributable to the technology including cost of materials, cost of labor and allocated support costs for the technology

The following tables summarize 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 options issued	1,011,295
Fair value of warrants issued	805,727
Bridge Loans	2,757,767
Total Consideration	\$ 24,636,914

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

4. ACQUISITIONS (continued)

(b) Quadron Cannatech Corporation (continued)

Net identifiable assets acquired (liabilities assumed)	
Cash and cash equivalents	\$ 1,603,965
Accounts receivable	165,644
Inventory	1,531,463
GST recoverable	217,718
Prepaid expenses and other	87,597
Deposits	36,115
Plant and equipment	253,737
Right of use asset	468,918
Accounts payable	(274,129)
Customer deposits	(422,179)
Related party	(6,177)
Lease liability	(484,187)
Technology	1,007,739
Net assets acquired	\$ 4,186,224
Purchase price allocation	
Net identifiable assets acquired	\$ 4,186,224
Goodwill	20,450,690
	\$ 24,636,914

Goodwill arose in the acquisition as the cost of acquisition included a control premium. The consideration paid for the acquisition reflected the benefit of expected revenue growth, existing QCC technologies, synergies with technologies in research and development, management know how and future market development. These benefits were not recognized separately from goodwill, as they do not meet the recognition criteria for identifiable intangible assets. Goodwill primarily related to the acquisition of management and engineering teams who were seasoned in research and development of extraction technologies. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes. During the year ended April 30, 2020, as a result of a downturn in the cannabis market, declining extraction equipment sales and uncertainty of future economic benefits, management assessed uncertainty in the recoverability of goodwill pursuant to the business combination. As such, the Company fully impaired the goodwill and recorded an impairment loss amounting to \$20,450,690 (See Note 11 – Goodwill and Intangible assets).

Also, during the year ended April 30, 2020, the management determined that the fair value less costs of disposal of the technology acquired with QCC amounted to \$Nil. Due to a downturn in the cannabis market and declining extraction equipment sales, there is uncertainty in the recoverability of costs related to the technology. As a result, the asset's carrying value was brought down to \$Nil and an impairment loss of \$899,687 (\$1,007,739 less accumulated amortization of \$108,052) was recognized in the consolidated statement of loss and comprehensive loss.

In the period from June 17, 2019 to April 30, 2020, the operations of Quadron contributed revenues of \$288,361 and a net loss of \$7,107,641. If the acquisition had occurred on May 1, 2019, management estimates that the contributed revenues would have been \$329,565 and contributed net loss would have been \$8,249,952 for the year ended April 30, 2020 and loss per share would have been \$0.01.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

4. ACQUISITIONS (continued)

(c) Pineapple Express Delivery Inc.

On March 27, 2020, WCE signed a definitive investment agreement outlining the terms and conditions with respect to the acquisition of PED, an arm's length, privately held, Toronto-based company offering different types of legal delivery services (including same day and next day) to the cannabis sector in Canada. Given PED's inputs in the form of net assets, operations and favorable economic results, PED is considered to have met the definition of a business and the transaction is accounted for as a business combination.

On March 31, 2020 ("acquisition date") the Company acquired 8,333,333 units (the "Units") of PED, at a price of \$0.15 per Unit in exchange for total consideration of \$1,500,000 consisting of 25,000,000 WCE shares valued at \$0.02 per share (market value on acquisition date), cash, and debt forgiveness. Each Unit consists of one common share and one half of one share purchase warrant, with each full warrant exercisable at \$0.30 for a period of two years. The 8,333,333 common shares of PED held by World-Class represent approximately 21.55% of the current issued and outstanding share capital of PED. The WCE shares were subject to statutory hold period which expired on August 1, 2020.

As stipulated in the definitive investment agreement, \$1,000,000 of the above consideration was exchanged for secured convertible debentures ("Convertible Debentures") from PED, convertible at the option of the Company at \$0.15 per common share of PED. The Convertible Debentures have a two-year term and bear interest at 12% per annum, compounded monthly in advance.

The Company also acquired options to acquire up to additional 24,046,182 common shares (the "Option") of PED from significant shareholders, in addition to any additional common shares of PED they acquire during the term of the Option, through option agreements with existing holders of unsecured debts of PED.

The Option is exercisable during a 60-day period, starting two years from the closing of the Acquisition, based on a valuation of PED of one time its annualized revenue during the last quarter of the period. The exercise price per common share of PED is payable in common shares of World-Class, based on the 20-day Volume Weighted Average Price of World-Class' share price prior to the end of the two-year period. The Option was deemed to have no value. World-Class also entered into a voting trust with the significant shareholders of PED, entitling World-Class to vote such shares for a period of two years.

Assuming the conversion of the Convertible Debentures and exercise of the Option by World-Class, the Company would hold 39,046,182 common shares of PED representing approximately 86.1% of the then issued and outstanding share capital of PED.

The Convertible Debentures will rank pari-passu with PED's existing secured debt. Subject to certain conditions, the current holder of secured debt of PED has agreed, on the maturity of such debt, to assign the debt to World-Class in exchange for common shares of World-Class based on the 20-day Volume Weighted Average Price of World-Class' share price, calculated on the maturity date of the secured debt. The financial guarantee is not deemed to represent a liability to the Company and is considered an anti-dilution feature in the business combination, deemed to have no value.

In addition to the Option agreements, the significant shareholders of PED also signed Voting Trust Agreements with an effective date of March 31, 2020 with WCE giving them at least 80.43% control on PED's operations. The voting interest effectively gives WCE the right to control business decisions of PED that can directly affect the return of its investment. Given this evidence of control over PED and that PED is deemed to have met the definition of a business, the acquisition is to be accounted for as business combination in accordance with IFRS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

4. ACQUISITIONS (continued)

(c) Pineapple Express Delivery Inc. (continued)

3 Business Combinations and PED's financials will be consolidated to WCE in accordance with IFRS 10 Consolidated Financial Statements.

The consideration paid amounted to \$1,500,000 for the 21.55% economic interest.

The fair value of the consideration paid for the net assets at 21.55% was grossed up to yield the deemed value of the whole Company on acquisition date. The value at 100% then less the amount paid by WCE for the 21.55% is thereby assigned as the fair value of non-controlling interest. As at March 31, 2020, the fair value of Non-controlling Interest was determined as \$5,460,557.

The Company sought an independent valuation for PED's net assets as at March 31, 2020. PED's working capital were all valued based on their carrying values as carrying value was deemed to approximate fair value as at March 31, 2020. PED's identifiable intangible asset (software and technology) was valued based on a discounted cash flow model using the forecasted future cash flows from these assets and the applicable discount rate. The convertible debt was valued based on present value of all cash outflows discounted at the applicable market rate for similar instruments which was determined to be 20% and the derivative liability component was valued using a Black-Scholes model. The valuations yielded a total net liabilities acquired of \$1,806,842 as at March 31, 2020.

The table below summarizes the valuation techniques and significant inputs for the valuation of the identifiable assets and liabilities acquired from PED:

Identifiable Assets and Liabilities	Valuation technique	Significant Inputs
Working Capital and Property, Plant and Equipment	Cost/carrying value	Book value at date of acquisition
Software	Discounted cash flows	The value of the software and technology was determined based on the following key assumptions: 1) Compounded annual growth rate – 10.4% 2) Percentage of revenue from technology – 20-100% 3) Pre-tax royalty savings – 5% 4) Tax amortization benefit percentage – 26.5% 5) Capital cost allowance rate on intangibles – 5% 6) Accelerated investment incentive factor – 1.1
Loans and convertible debts	Discounted cash flows	The present value of the interest and principal payments were determined using an applicable market interest rate of 20% for similar instruments issued on the respective agreement dates then adjusted to the carrying value as at acquisition date. Convertible debts were deemed to have a derivative liability component and were valued using a Black-Scholes model (Note 15).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

4. ACQUISITIONS (continued)

(c) Pineapple Express Delivery Inc. (continued)

Goodwill amounting to \$8,767,399 was recorded from the excess of the fair value of the consideration over the net liabilities acquired. Goodwill represents the value of the assembled workforce that came along with PED. It also reflects the value of expected growth and profitability of the acquired business.

In the period from March 31, 2020 to April 30, 2020, the operations of PED contributed revenues of \$819,931 and a net loss of \$30,038. If the acquisition had occurred on May 1, 2019, management estimates that the consolidated revenue would have been \$1,937,670 and contributed net loss would have been \$2,325,606 for the year ended April 30, 2020 and loss per share would still be \$0.08.

The following table summarizes the fair value of the consideration transferred and the fair values assigned to each major class of assets acquired and liabilities assumed on March 31, 2020 acquisition date:

Total Consideration		
WCE common shares	\$	500,000
Convertible Debt		1,000,000
Fair value of non-controlling interest		5,460,557
Total consideration	\$	6,960,557
Net identifiable assets acquired (liabilities assumed)		
Cash and cash equivalent	\$	291,528
Accounts receivable		592,201
Prepaid expenses		27,884
Property and equipment		498,101
Right-of-use asset		552,463
Accounts payable		(670,395)
Convertible debt		(1,995,547)
Derivative liability		(1,056,744)
Loans payable		(125,000)
Due to related parties		(205,752)
Sales taxes payable		(2,395)
Lease liability		(578,839)
Software and technology		865,653
Net assets acquired	\$	(1,806,842)
Purchase price allocation		
Net identifiable assets acquired	\$	(1,806,842)
Goodwill		8,767,399
	\$	6,960,557

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

5. ACCOUNTS RECEIVABLE – NET OF ALLOWANCE FOR ECL

	April 30, 2020	April 30, 2019
Trade receivables	\$ 1,243,535	\$ -
Others	12,086	-
	1,255,621	-
Less: Allowance for expected credit loss	-	-
Accounts receivable - net of allowance	\$ 1,255,621	\$ -

Trade receivables arise from sales in the normal course of business and usually has a 30-day credit term. These are non-interest bearing and are carried at amortized cost. As of the date of this report, \$1,136,790 was subsequently collected. No amount was recognized for allowance for ECL as at April 30, 2020 (April 30, 2019 - \$Nil).

Others comprise mainly of receivables from scrap sales and due from a former employee. These receivables are generally on a 30-day credit term.

6. SALES TAX RECEIVABLE

This account consists of the refunds claimed for goods and services tax from the government. The balance as at April 30, 2020 includes claims from March 2019 amounting to \$410,729. It also includes outstanding claims for the period January 1, 2016 to September 30, 2017 amounting to \$26,110. As of the date of this report, substantially all of outstanding receivables as at April 30, 2020 were subsequently received.

7. LOANS RECEIVABLE

- (a) On July 30, 2019, a supplier issued a promissory note to the Company for the principal sum up to US\$500,000 or lesser with interest at 5% per annum. This secured loan is due and payable on July 31, 2020. As at April 30, 2020, the Company has loaned US\$250,000 (CA\$346,750) with accrued interest of CA\$12,268 and unrealized foreign exchange gain of \$16,250. As at April 30, 2020 the balance of the receivable amounted to \$360,018 (2019 - \$Nil). As of the date of this report, the Company is in negotiations with the supplier to update the terms of the loan.
- (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. Each warrant shall be exercisable into one Common share at an exercise price of \$0.25 per Warrant for a period of 36 months from the closing Date. The fair value of the warrants was computed using Black Scholes Model with stock price of \$0.12, volatility of 85%, risk-free rate of 1.6%, dividend yield of 0% and weighted average life of 2.91 years. The Alkaline Debentures matured on April 8, 2020, were priced at \$1,000 per debenture, with interest at 9% per annum and discounted at an market interest rate of 20%, and were to be convertible into common shares of Alkaline Spring at an initial price of \$0.18 per share, subject to downward adjustment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

7. LOANS RECEIVABLE (continued)

On April 8, 2020, the Company entered into an agreement to modify the terms of the Alkaline Debentures. The conversion feature was removed and thus, the loan was reverted into a simple loan with accrued interest. Prior to removal of the conversion feature, the fair value of the conversion feature was \$nil (April 30, 2019 - \$493,139) resulting in an unrealized loss on fair value of warrants of \$493,139. As of April 30, 2020, the carrying value of the loan receivable before impairment totaled \$2,404,346, with accrued interest of \$185,769 based on 9% annual interest rate from March 29, 2019 to April 7, 2020 and 18% from April 8, 2020 to April 30, 2020 and the gain on forbearance of \$218,496. An unrealized loss on the loan amounting to \$229,088 was recorded for the year ended April 30, 2020 which is equal to net of – (i) unrealized loss on fair value of warrants of \$493,139, (ii) realized gain on the carrying value of the loan of \$45,558 and (iii) the gain on forbearance amounting to \$218,496 from the forbearance of the loan amounting to 10% of the total principal plus accrued interest as at forbearance date.

As of the report date, Alkaline has been unable to pay the loan, and has been unable to come to any settlement with the Company. There is significant uncertainty on the collectability of the loan, and as such, the total value of the loan amounting to \$2,404,346 was charged to impairment loss for the year ended April 30, 2020 (Note 22).

- (c) The loan balance at April 30, 2019 included loans provided between the Company and Quadron amounting to \$1,757,767.

8. INVENTORY

Inventories as at April 30, 2020 amounting to \$322,376 refer to the net realizable value of a pre-processing equipment which is currently held for sale (April 30, 2019 - \$Nil).

During the year ended April 30, 2020, the Company, wrote-off its WIP and Finished Goods to their net realizable values. Total impairment loss relating to inventory recognized for the year ended April 30, 2020 amounted to \$3,406,415 (April 30, 2019 - \$Nil) (Note 22 – Breakdown of operating expenses).

The Company has no inventories pledged as security for liabilities as at April 30, 2020.

For the year ended April 30, 2020, inventory charged to cost of sales amounted to \$209,619 (April 30, 2019 - \$Nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

9. PREPAID EXPENSES AND DEPOSITS

	April 30, 2020	April 30, 2019
Rent security deposit	\$ 73,381	\$ 5,255
Equipment deposits	172,733	770,875
Deposit for hemp supply	166,667	-
Other prepayments to vendors	37,684	-
	\$ 450,465	\$ 776,130

Rent security deposits

Rent security deposits pertain to prepaid amounts for damages that might be claimed against a leased property. These can be claimed in full or in part at the end of the lease subject to actual charges.

Equipment deposits

Equipment deposits refer to payments made for the extraction equipment ordered but were not yet delivered. The equipment to which the deposits apply were subsequently received.

Deposit for cannabis supply

On February 25, 2019, the Company and two other entities, one party being a medical standard processing and research and development license holder, entered into a supply 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 deposit to the supplier in the amount of up to \$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 (Note 31) where \$500,000 will be paid by this deposit. On May 7, 2019, the Company advanced \$166,607 to the supplier pursuant to the agreement.

The deposit will be repaid from the 2019 crop based on an agreed formula. The Purchasers will not be required to pay for any 2019 product until the deposit is applied in full. The Purchasers shall accept \$500,000 of product calculated in accordance with the agreed formula in repayment of the deposit. In the event there is insufficient Product based on the agreed formula to apply the deposit, then the Supplier shall repay the deposit balance on or before December 31, 2020 or at the sole option of the Purchasers. The Purchasers may accept a portion of the 2020 crop as payment of the deposit. As of April 30, 2020, the full amount of the deposit is still outstanding, and no interest accrual was made.

Other prepayments

Other prepayments include various advance payments to suppliers for purchases and services which were delivered or rendered after the end of the reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

10. PROPERTY AND EQUIPMENT

	Facility Equipment	Computer software and Equipment	Leasehold Improvements and Office Furniture	Automobile	Total
Costs:					
Balance, May 1, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	284,393	21,936	53,355	-	359,684
Balance, April 30, 2019	284,393	21,936	53,355	-	359,684
Additions	76,343	16,738	325,118	-	418,199
Additions from Business Combination	127,916	63,624	430,908	129,390	751,838
Impairment	(218,350)	-	-	-	(218,350)
Disposals	(9,800)	(2,611)	-	-	(12,411)
Balance, Apr 30, 2020	\$ 254,842	\$ 105,347	\$ 809,381	\$ 129,390	\$ 1,298,960
Accumulated Depreciation:					
Balance, May 1, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	15,790	10,360	723	-	26,873
Balance, April 30, 2019	15,790	10,360	723	-	26,873
Depreciation	83,574	22,561	63,133	2,845	172,112
Impairment	(41,970)	-	-	-	(41,970)
Disposals	(7,373)	(1,332)	-	-	(8,705)
Balance, Apr 30, 2020	\$ 50,020	\$ 31,589	\$ 63,856	\$ 2,845	\$ 148,310
Net Book Value:					
April 30, 2019	\$ 268,603	\$ 11,576	\$ 52,632	\$ -	\$ 332,811
April 30, 2020	\$ 204,822	\$ 73,758	\$ 745,525	\$ 126,545	\$ 1,150,650

Impairment

During the year ended April 30, 2020, the Company determined that the recoverable amount of a demo equipment was less than their carrying values as at April 30, 2020. The fair value of the equipment was determined as \$Nil due to the absence of a viable market for the assets. Hence, an impairment loss of \$176,380 equal to the carrying value was recorded in the consolidated statement of loss and comprehensive loss for the year ended April 30, 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

11. GOODWILL AND INTANGIBLE ASSETS

A continuity of the intangible assets for the period ended April 30, 2020 and April 30, 2019 is as follows:

	Intellectual Property	Patent Application Cost	Goodwill	Software and Technology	Total
Costs:					
Balance, May 1, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	13,000,000	101,367	-	-	13,101,367
Balance, April 30, 2019	13,000,000	101,367	-	-	13,101,367
Additions from business combination	-	-	29,218,089	1,873,392	31,091,481
Impairment	(13,000,000)	(101,367)	(20,450,690)	(1,007,739)	(34,559,796)
Disposals	-	-	-	-	-
Balance, April 30, 2020	\$ -	\$ -	\$ 8,767,399	\$ 865,653	\$ 9,633,052
Accumulated Depreciation:					
Balance, May 1, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	3,276,713	-	-	-	3,276,713
Balance, April 30, 2019	3,276,713	-	-	-	3,276,713
Amortization	1,950,000	-	-	122,480	2,072,480
Impairment	(5,226,713)	-	-	(108,052)	(5,334,765)
Disposals	-	-	-	-	-
Balance, April 30, 2020	\$ -	\$ -	\$ -	\$ 14,428	\$ 14,428
Net Book Value:					
April 30, 2019	\$ 9,723,287	\$ 101,367	\$ -	\$ -	\$ 9,824,654
April 30, 2020	\$ -	\$ -	\$ 8,767,399	\$ 851,225	\$ 9,618,624

Intellectual Property

The right to the intellectual property was acquired on inception date January 25, 2018 through issuance 130,000,000 of common shares to the founders of the Company (see Note 16 – Share Capital) and are classified as definite life intangible asset. The intellectual property acquired is a unique ultrasonic extraction process from the cannabis flower to be used for vaporizers, edibles, topicals and beverages. During the year ended April 30, 2020, due to downturn in the cannabis market and management's decision to deprioritize the development of the technology, there is uncertainty in the realization of future economic benefits from the intellectual property as well as the local and global market conditions in general and the cannabis sector, the Company assessed and recognized \$7,773,287 in impairment loss for this asset which is equivalent to 100% of its carrying amount.

Patent

During the year ended April 30, 2019, the Company incurred costs of \$101,367 regarding patent application. For the year ended April 30, 2020, due to uncertainty on the realization of future economic benefits from the ultrasonic technology to which the patent relates, the Company recognized an impairment loss of \$101,367 relating to this patent in the statement of loss and comprehensive loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

11. GOODWILL AND INTANGIBLE ASSETS (continued)

Goodwill

During the year ended April 30, 2020, the Company recognized goodwill resulting from acquisition of QCC and PED amounting to \$20,450,690 and \$8,767,399, respectively. As at April 30, 2020, impairment assessments were done on both CGUs by determining the fair value less costs of disposal using a discounted cash flow approach. It was determined that the value of the goodwill associated with the QCC acquisition amounted to \$Nil and hence, an impairment loss equal to \$20,450,690 was recognized in the statement of loss and comprehensive loss for the year. Impairment is attributed to a downturn in the cannabis market, declining extraction equipment sales and uncertainty of future economic benefits. Remaining goodwill relates to goodwill assumed upon acquisition of PED.

Software and Technology

Upon acquisition of QCC, the Company recognized the value of the extraction technology. The fair value of this asset was determined to be \$1,007,739 as at June 17, 2019 (Note 4). During the year ended April 30, 2020, this asset was assessed for impairment. Due to a downturn in the cannabis market and declining extraction equipment sales, there is uncertainty in the realization of future economic benefits from the extraction technology. As a result, management assessed the fair value less cost to sell of this asset as \$Nil as at April 30, 2020. As such, the Company fully impaired the technology and recorded an impairment amounting to \$1,007,739.

Upon acquisition of PED, the Company also gained access to PED's software and technology. The fair values of these assets were determined to be \$865,653 as at March 31, 2020 (Note 4). These assets are assessed for impairment annually, or more frequently whenever there is an indication that they may be impaired. An assessment of impairment as at April 30, 2020 was completed and no impairment loss was recognized relating to this asset.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2020	April 30, 2019
Accounts payable	\$ 877,615	\$ 170,775
Accrued liabilities	424,443	118,990
Accounts payable and accrued liabilities	\$ 1,302,058	\$ 289,765

Accounts payables are generally trade payables, non-interest bearing and are settled on 30 to 60-day payment terms.

Accruals include liabilities for remuneration and benefits, interest, and other expenses billed after the reporting period. It also includes a \$220,000 accrual for a contingent liability (see Note 31 – Commitments and contingencies). Accrued liabilities are generally settled within 12 months from end of reporting period.

13. CUSTOMER DEPOSITS

Customer deposits refer to amounts paid by customers in advance for goods they have ordered. As at April 30, 2020, this account includes outstanding deposits totaling \$490,412 for delayed sale of equipment (April 30, 2019, - \$Nil). These are expected to be paid back within the following fiscal year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

14. LOANS PAYABLE

Loans payable pertain to two promissory notes entered into by the Company's subsidiary, PED and the Canada Emergency Business Account (CEBA) loans availed of by the Company and its subsidiary, Soma Labs Scientific Inc. The details of the loans are as follows.

	Principal	Interest	Commencement	Maturity	Fair Value
Promissory Note 1	\$ 62,500	12%	October 31, 2019	March 31, 2021	\$ 62,500
Promissory Note 2	62,500	12%	October 31, 2019	March 31, 2021	62,500
CEBA Loan	80,000		April 30, 2020	December 31, 2022	80,000
Loans Payable	\$ 205,000				\$ 205,000

The promissory notes 1 and 2 are unsecured loans that are due and demandable as at April 30, 2020. During the year ended April 30, 2020, interest accrued for these loans amounted to \$nil.

During the year ended April 30, 2020, the Company and its subsidiary, Soma, availed of the CEBA assistance (\$40,000 for WCE and \$40,000 for Soma) wherein the Government provides eligible businesses interest-free loans of up to \$40,000 to help cover their operating costs during a period where their income has been temporarily reduced, due to economic repercussions of the COVID-19 pandemic. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25% or \$10,000.

15. CONVERTIBLE DEBT AND DERIVATIVE LIABILITY

A) Convertible debt

	Convertible debentures	Convertible note	Total
Balance, April 30, 2019	\$ -	\$ -	\$ -
Additions	477,365	1,518,181	1,995,546
Transaction costs	(32,400)	-	(32,400)
Interest	1,506	15,409	16,915
Accretion	6,450	9,894	16,344
Balance, April 30, 2020	\$ 452,921	\$ 1,543,484	\$ 1,996,405

Upon acquisition of PED, included in the liabilities assumed are convertible debentures to arm's length investors. The conversion feature allows the lenders to convert all or any portion of the outstanding Principal Amount and any accrued but unpaid interest into common shares of PED at a price equal to the lesser of (i) \$0.15 per PED common share, (ii) a 20% discount to the price or deemed price attributed to the PED common shares pursuant to a going public transaction, or (iii) the lowest value per PED common share ascribed to each PED common share in connection with an offering by PED of common shares or securities convertible or exchangeable into PED common shares that is completed prior to the maturity date, all subject to adjustment in certain events. The conversion of the loans to shares in PED is subject to WCE's pre-emptive rights.

For accounting purposes, the convertible debentures are hybrid financial instruments and were allocated into corresponding debt and derivative liability (conversion feature) components at the date of issue. The Company used the fair value method, which allocated the values based on their fair market value at date of issue. The debt component is subsequently accreted to the face value of the debt portions of the convertible debentures at the effective interest rate of 20%. Upon issuance of the unsecured debentures, the fair value of the debt component was \$477,365. Transaction costs of \$32,400 were incurred on the unsecured convertible debentures, all allocated to the debt component.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

15. CONVERTIBLE DEBT AND DERIVATIVE LIABILITY (continued)

Also upon acquisition of PED, included in the liabilities assumed is a promissory note to an investor with a conversion feature. The loan bears a 12% interest and is convertible to PED shares subject to the Company's pre-emptive rights. The secured loan carries with it a pledge to the lender of PED's assets as collateral.

For accounting purposes, the promissory note with a conversion feature is a hybrid financial instrument and was bifurcated into corresponding debt and derivative liability (conversion feature) components at the date of issue. The Company used the fair value method, which allocated the values based on their fair market value at date of issue. The debt component is subsequently accreted to the face value of the debt portions of the convertible debentures at the effective interest rate of 20%. Upon issuance of the secured note, the fair value of the debt component was \$1,518,183. No transaction cost was incurred on issuance of this loan.

B) Derivative liability

	Convertible debentures		Convertible note	
	March 31, 2020	April 30, 2020	March 31, 2020	April 30, 2020
Number of options	4,284,510	4,284,510	12,341,711	12,341,711
Stock price	\$ 0.1525	\$ 0.1525	\$ 0.1525	\$ 0.1525
Exercise price	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
Term (year)	1.73	1.65	1	0.92
Volatility	100%	100%	100%	100%
Annual rate of quarterly dividends	0%	0%	0%	0%
Risk-free rate	0.42%	0.42%	0.42%	0.42%
Fair Value	\$ 323,812	\$ 317,068	\$ 732,932	\$704,661

The derivative component of the convertible debentures is classified as a liability since the instruments has multiple conversion features and will not be settled with a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The derivative component was determined using the Black-Scholes option pricing model and debt component was calculated at the present value of cash flows, which consist of the interest and principal payments. The fair value of the derivative liability as at acquisition date was determined using the key assumptions as listed above and is re-measured at fair value at each reporting period. Upon acquisition, the fair value of the derivative component of the convertible debentures was \$323,812 and was subsequently re-measured at April 30, 2020 to \$317,068. Therefore, an unrealized gain on the conversion feature of \$6,744 was recognized in the consolidated statement of loss and comprehensive loss.

The derivative component of the convertible note was determined using the Black-Scholes option pricing model and debt component was calculated at the present value of cash flows, which consist of the interest and principal payments. The fair value of the derivative liability as at acquisition date was determined using the key assumptions as listed above and is re-measured at fair value at each reporting period. Upon acquisition, the fair value of the derivative component of the convertible note amounted to \$732,932 and was subsequently re-measured at April 30, 2020 to \$704,661. Therefore, an unrealized gain on the conversion feature of \$28,270 was recognized in the consolidated statement of loss and comprehensive loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

16. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value. The holders of the common shares are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets. The shares issued by the Company prior to the reverse takeover are not reflected in the statements of changes in equity as the number of shares have been revised to reflect the number of shares of CBD (Note 4).

During the year 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 15,910,575 broker warrants were issued in connection with the WCE financing. See Note 4 – Acquisitions and Note 18 – Warrants. These costs are recorded on the consolidated statement of financial position as share issue costs.
- (b) the Company issued a total of 15,000,000 common shares as finders' fees related to certain persons assisting with the Transaction; the cost assigned to these shares was \$0.13 per share and was recorded as listing expense on the consolidated statements of loss and comprehensive loss pursuant to IFRS 2.

During the year ended April 30, 2020:

- (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 (Note 4).
- (b) The Company issued a total of 5,015,531 common shares at a price of \$0.14 for consideration of \$702,175 to financial advisors as acquisition fees for the acquisition of Quadron (Note 4).
- (c) The Company issued 700,000 common shares for gross proceeds of \$70,000 for options exercised.
- (d) The Company issued 25,000,000 shares at a price of \$0.02 for the acquisition of PED (Note 4) amounting to \$500,000.

Shares held in escrow

Pursuant to an escrow agreement dated March 11, 2019, (the "Escrow Agreement"), a total of 10,500,000 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
10,500,000	2.10%	10% released on March 13, 2019; 15% released 6 months from Listing (listing to the CSE); 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (continued)

Shares held in escrow (continued)

In addition to the securities subject to escrow, the Company has entered into lock-up agreements with five major shareholders of the Company. The locked-up securities shall be released as follows: 25% were released on March 21, 2019 (“Date of Listing”) on the CSE, and a further 25% shall be released 90, 180 and 270 days after the Date of Listing. As at April 30, 2020, a total of 4,200,000 escrowed shares have been released to the escrowed shareholders.

17. SHARE-BASED COMPENSATION

Stock Option Plan (“SOP”)

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

Pursuant to the SOP, the Board may in its discretion grant to eligible Grantees, the option to purchase common shares at the fixed price over a defined future period. Generally, the options vest over six months from the date of grant. The SOP is a rolling plan under which the maximum number of common shares reserved for issuance is 10% of the issued shares of the Company at the time of granting the options. At April 30, 2020, there is a total of 23,359,657 (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

During the year ended April 30, 2019:

- i) On July 6, 2018, WCE 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% vested 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% vested on July 8, 2019. The options expire on April 8, 2024. On October 21, 2019 the contract was terminated. As such, any unexercised options will be cancelled on January 21, 2020.
- 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

17. SHARE-BASED COMPENSATION (continued)

Stock Options (continued)

- v) On April 8, 2019, the Company granted 1,400,000 stock options to consultants. Each option is exercisable to acquire one common share at a price of \$0.13. A total of 500,000 of the stock options vested on the grant date and the remaining will vest in increments of 100,000 on the eighth date of each month. These options have an expiry date of April 8, 2024. On August 21, 2019, the contract was terminated. As such, all unexercised options were cancelled on November 21, 2019.
- vi) The Company recognized share-based payments of \$1,864,786 in the consolidated statement of loss and comprehensive loss for the year ended April 30, 2019.

During the year ended April 30, 2020:

- i) 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 options vest on the date on which the acquisition of Quadron completed (June 17, 2019) and the balance of stock options vests in increments of 1,250,000 options every 6 months. These options have an expiry date of April 30, 2022.
- ii) 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 vested on December 10, 2019. These options have an expiry date of June 10, 2022.
- iii) On June 17, 2019, the Company granted 13,205,000 replacement options to the former Quadron option holders.
- iv) On April 23, 2020, the Company granted 20,160,000 stock options to directors, officers and consultants. Each option is exercisable to acquire one common share at a price of \$0.0505. A total of 10,080,000 options vested on the grant date and the remaining will vest on October 23, 2020. These options have an expiry date of April 23, 2024.
- v) During the year ended April 30, 2020, 29,655,000 stock options were cancelled/expired, and 700,000 stock options were exercised at a price of \$0.10.
- vi) The Company recognized share-based payments of \$2,468,231 in statement of loss and comprehensive loss for the year ended April 30, 2020.

The following summarizes the stock options activity during the year ended April 30, 2020 and the four months ended April 30, 2019:

	April 30, 2020		April 30, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	26,150,000	\$0.13	13,500,000	\$0.10
Grant and issuance	43,365,000	\$0.11	12,650,000	\$0.17
Exercised	(700,000)	\$0.10	-	\$-
Cancelled	(29,655,000)	\$0.18	-	\$-
Total Outstanding	39,160,000	\$0.11	26,150,000	\$0.13
Total Outstanding and Exercisable	28,400,000	\$0.11	19,775,000	\$0.10

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

17. SHARE-BASED COMPENSATION (continued)

Stock Options (continued)

The following summarizes the stock options outstanding at April 30, 2020:

Expiry Date	Exercise Price	Contractual Life (Years)	Number of Options Issued and Outstanding	Number of Options Exercisable
July 7, 2021	\$ 0.07	1.19	13,200,000	13,200,000
March 19, 2022	\$ 0.17	1.88	3,100,000	3,100,000
March 9, 2023	\$ 0.20	2.86	700,000	700,000
October 15, 2023	\$ 0.13	3.46	280,000	245,000
February 12, 2024	\$ 0.10	3.79	1,720,000	1,075,000
April 23, 2024	\$ 0.05	3.98	20,160,000	10,080,000
		2.84	39,160,000	28,400,000

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

Expiry Date	Exercise Price	Contractual Life (Years)	Number of Options Issued and Outstanding	Number of Options Exercisable
July 7, 2021	\$ 0.07	1.13	13,500,000	13,500,000
April 8, 2021	\$ 0.17	0.02	300,000	300,000
March 19, 2022	\$ 0.17	1.17	10,600,000	5,300,000
April 8, 2024	\$ 0.13-0.17	0.33	1,750,000	675,000
		2.65	26,150,000	19,775,000

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:

	April 30, 2020	April 30, 2019
Volatility Rate	95% - 154%	90%
Risk-free rate	1.34% - 1.56%	1.60% - 1.63%
Forfeiture rate	0%	0%
Exercise price	0.05-0.20	0.07-0.17
Share price	0.035-0.19	0.07-0.17
Dividend yield rate	0%	0%
Weighted average life	1.19 - 3.98 years	2-5 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.

18. WARRANTS

During the year ended April 30, 2019:

- On June 7, 2018, World Class issued 3,171,825 (2,114,550 pre 1:1.5 split) compensation warrants in connection with certain 2018 private placements. The warrants have an exercise price of \$0.067 and expire on June 9, 2020.
- On March 11, 2019, the Company issued 15,910,575 warrants to in connection with the WCE Financing. The warrants have an exercise price of \$0.13 and expire on September 22, 2022.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

18. WARRANTS (continued)

- 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.

During the year ended April 30, 2020:

- i) On June 17, 2019, the Company granted 21,438,716 replacement warrants to the former Quadron warrant holders.
- ii) During the year ended April 30, 2020, 14,285,716 warrants expired unexercised.

The following is a summary of warrant transactions for the year ended April 30, 2020 and the year ended April 30, 2019:

	April 30, 2020		April 30, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	27,682,400	\$ 0.13	3,171,825	\$ 0.07
Granted	21,438,716	\$ 0.33	24,510,575	\$ 0.14
Expired	(14,285,716)	\$ 0.42	-	\$ -
Balance, end of period	34,835,400	\$ 0.14	27,682,400	\$ 0.13

The following warrants were outstanding and exercisable as at April 30, 2020:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of warrants
June 6, 2020	\$ 0.067	0.10	2,466,975
June 14, 2020	\$ 0.067	0.12	704,850
October 31, 2020	\$ 0.150	0.50	7,153,000
March 21, 2021	\$ 0.170	0.89	2,000,000
March 21, 2021	\$ 0.130	0.89	2,000,000
March 21, 2021	\$ 0.150	0.89	1,600,000
April 18, 2022	\$ 0.180	1.97	3,000,000
September 22, 2022	\$ 0.130	2.40	15,910,575
		1.77	34,835,400

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:

	April 30, 2020	April 30, 2019
Volatility Rate	275% - 176%	90%
Risk-free rate	0.0144	1.63%-1.79%
Forfeiture rate	0%	0%
Exercise price	0.067-0.18	0.07-0.17
Share price	0.035-0.19	0.10-0.20
Dividend yield rate	0.00%	0.00%
Weighted average life	0.10 - 2.40 years	2-3 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

18. WARRANTS (continued)

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.

19. RIGHT-OF-USE ASSET

Cobourg Facility

On September 23, 2019, the Company entered a letter of intent with FV Pharma Inc. ("FV Pharma"). Under the direction of FV Pharma, the Company planned to setup and manage the operations of a large capacity extraction and processing facility in Cobourg, Ontario, owned by FV Pharma to extract various cannabinoids and other valuable elements from cannabis and hemp plants. The Company and FV Pharma would then each have a 50% revenue sharing interest in the venture. Included as part of the agreement was the lease of the FV Pharma Facility. The Company then recognized a right-of-use asset amounting to \$106,509 as at April 30, 2019 equivalent to the present value of all cash flows discounted at an incremental borrowing rate of 14%.

During the latter part of 2019, FSD Pharma Inc., the parent company of FV Pharma was pursuing a listing on NASDAQ and as a result, the Company experienced unanticipated delays with the deployment of this extraction and processing facility. In 2020, the Company announced that it will not be proceeding with the deal. As a result, at April 30, 2020, the Company reversed all previously recognized right-of-use asset and related amortization pertaining to the said facility.

Langley Warehouse

On March 6, 2018, the Company through its subsidiary, Soma Labs Scientific, Inc., entered into a 5-year lease agreement for leased premises in Langley, British Columbia, commencing June 1, 2018 and ending on May 31, 2023. The minimum base rent is \$13,350 per month. In accordance with IFRS 16, the Company recognized right-of-use asset of \$468,918 as at May 1, 2019 equal to the present value of all remaining lease payments discounted at an incremental borrowing rate of 14%. The Company depreciates the right-of-use assets on a straight-line basis, over the remaining lease term.

Equipment Lease

On November 25, 2019, the Company leased equipment for a monthly fee of \$1,874, with first month payment of \$4,464. The term is for 24 months starting on December 1, 2019 and the Company will have the option to buy the equipment at the end of the lease term for a price of \$4,933. The Company recognized right-of-use asset of \$47,221 as at December 1, 2019 equal to the present value of all remaining lease payments discounted at an incremental borrowing rate of 14%.

Ontario Warehouse

Upon acquisition of PED, the Company also acquired the right to use the leased premises in Burlington, Ontario. The minimum base rent per month for years 1 to 10 of the 10-year lease are respectively \$7,520 for year 1, \$7,725 for year 2, \$7,929 for year 3, \$8,133 for year 4, \$8,338 for year 5, \$8,542 for year 6, \$8,746 for year 7, \$8,951 for year 8, \$9,155 for year 9, and \$9,359 for year 10. The fair value on March 31, 2020 recognized upon business combination amounted to \$523,861, equal to the present value of all remaining lease payments discounted at PED's incremental borrowing rate of 12%. The Company depreciates the right-of-use assets on a straight-line basis, over the remaining lease term.

Manitoba Office

Along with the acquisition of PED came the lease of an office space in Winnipeg, Manitoba. The monthly rent per month for years 1 to 3 for the 3-year lease are respectively \$1,600 for year 1, \$1,700 for year 2, and \$1,800 for year 3. As at March 31, 2020, the ROU asset recognized amounted to \$28,602, equal to the present value of all remaining lease payments discounted at PED's incremental borrowing rate of 12%. The Company depreciates the right-of-use assets on a straight-line basis, over the remaining lease term.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

19. RIGHT-OF-USE ASSET (continued)

Cost	Cobourg Facility	Langley Warehouse	Equipment Lease	Ontario Warehouse	Manitoba Office	Total
Balance – December 31, 2018	106,509	-	-	-	-	106,509
Additions	-	-	-	-	-	-
Reversal	-	-	-	-	-	-
Balance, April 30, 2019	106,509	-	-	-	-	106,509
Additions	-	468,918	47,221	523,861	28,602	1,068,602
Reversal	(106,509)	-	-	-	-	(106,509)
Balance, April 30, 2020	-	468,918	47,221	523,861	28,602	1,068,602
Accumulated depreciation						
Balance – December 31, 2018	-	-	-	-	-	-
Additions	(6,162)	-	-	-	-	(6,162)
Reversal	-	-	-	-	-	-
Balance, April 30, 2019	(6,162)	-	-	-	-	(6,162)
Additions	-	(114,837)	(9,838)	(4,555)	(1,505)	(130,735)
Reversal	6,162	-	-	-	-	6,162
Balance, April 30, 2020	-	(114,837)	(9,838)	(4,555)	(1,505)	(130,735)
Carrying value						
Balance, April 30, 2019	100,347	-	-	-	-	100,347
Balance, April 30, 2020	-	354,081	37,383	519,306	27,097	937,867

20. LEASE OBLIGATION

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, using the effective interest method for the present value determination. As the rate implicit in the lease cannot be readily determined, the Company applied an average incremental borrowing rate. The Company used an 12-14% discount rates to calculate the present value of its lease payments. Total interest expense on lease liabilities for the year ended April 30, 2020 was \$71,807 (April 30, 2019 - \$4,603). The following table represents lease obligation for the Company:

As at	April 30, 2020		April 30, 2019	
Current	\$	174,853	\$	6,281
Non-current		840,866		103,165
Total lease obligation	\$	1,015,719	\$	109,446

The following table shows the rollforward of lease obligations for the years ended April 30, 2020 and 2019:

	As at April 30, 2020		As at April 30, 2019	
Beginning balance	\$	109,446	\$	-
Additions		1,153,203		106,509
Interest expense		71,807		4,603
Reversals		(92,759)		-
Lease payments		(223,978)		(1,666)
Ending balance	\$	1,015,719	\$	109,446

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

20. LEASE OBLIGATION (continued)

The following table presents the contractual undiscounted cashflows for lease obligation as at April 30, 2020 and April 30, 2019:

	As at April 30, 2020		As at April 30, 2019	
Less than one year	\$	295,952	\$	20,000
One to five years		1,202,645		80,000
More than 5 years		-		90,000
Total undiscounted lease obligation	\$	1,498,597	\$	190,000

The Company expensed \$189,331 (2019 - \$21,983) in payments during the year for leases which met the low value and short-term exemption criteria.

21. REVENUES

The following table presents the breakdown of the Company's revenues for the year ended April 30, 2020 and for the four months ended April 30, 2019:

Revenue Source	For the year ended April 30, 2020		For the year ended April 30, 2019	
Sale of Disposable Vaporizer pens	\$	288,361	\$	-
Delivery		819,931		-
Total revenues	\$	1,108,292	\$	-

22. OPERATING EXPENSES

Selling expenses

Note	April 30, 2020		April 30, 2019	
Investor relations	\$	200,247	\$	-
Marketing and research		603,968		-
Travel and marketing		200,955		1,162,615
	\$	1,005,170	\$	1,162,615

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

22. OPERATING EXPENSES (continued)**General and administrative expenses**

	Note	April 30, 2020	April 30, 2019
Automobile		\$ 28,670	\$ -
Bad debt		47,318	-
Communications		21,038	-
Compliance costs		7,276	-
Computer and internet expenses		46,164	-
Consulting fees	26	758,880	707,996
Dues and Subscriptions		44,371	-
Filing fees		98,940	248,806
Insurance		45,392	-
Lease interest	20	71,807	4,603
Meals and Entertainment		22,895	-
Office expenses		182,119	19,834
Postage and courier fees		18,578	-
Professional fees	26	1,103,618	384,859
Remuneration and benefits		2,133,478	-
Rent		189,331	21,983
Research and development		1,728,755	81,026
Share-based payments	17, 26	2,468,231	1,864,786
Shop expenses		224,120	121
Utilities		45,595	-
Others		6,946	-
		\$ 9,293,522	\$ 3,334,014

Impairment loss

	Note	April 30, 2020	April 30, 2019
Goodwill	11	\$ 20,450,690	\$ -
Intellectual property	11	7,773,287	-
Inventories	8	3,406,415	-
Loan receivable	7	2,404,346	-
Technology	11	899,687	-
Demo equipment	10	176,380	-
Patent	11	101,367	-
Total impairment loss		\$ 35,212,172	\$ -

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

23. OTHER INCOME (EXPENSES)

	Note	April 30, 2020	April 30, 2019
Acquisition fees	4	\$ (1,226,606)	\$ -
Unrealized loss on fair value of warrants	7	(493,139)	-
Interest income		352,468	81,924
Gain on forbearance	7	218,496	447,580
Interest and bank charges		(51,077)	(257)
Unrealized gain on convertible loan	7	45,558	-
Unrealized gain on derivative liability	15	35,014	-
Loss on asset disposal		(1,280)	-
Listing expense	4	-	(5,092,471)
Foreign exchange gain (loss)		(425)	-
Others		124,358	7,788
Total other income (expenses)		\$ (996,633)	\$ (4,555,436)

24. DEFERRED INCOME TAX

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statement of operations and comprehensive loss for the period ended April 30, 2020 and April 30, 2019:

	2020	2019
	\$	\$
Net loss before tax	(48,539,965)	(12,354,999)
Statutory tax rate	27.0%	26.5%
Expected income tax (recovery)	(13,105,791)	(3,274,075)
Non-deductible items and other	6,649,998	1,738,139
Change in tax rates	(38,410)	27
Change in estimates	(647,855)	-
Functional currency adjustments	-	-
Non-deductible portion of Loan Receivable	295,079	-
Change in deferred tax assets not recognized	6,868,623	1,535,909
Total income tax expense (recovery)	-	-

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

24. DEFERRED INCOME TAX (continued)

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

	2020	2019
	\$	\$
Current tax expense (recovery)	-	-
Deferred tax expense (recovery)	-	-
Total tax expense (recovery)	-	-

	2020	2019
	\$	\$
Non-capital loss carryforwards	88,127	118,318
Property and equipment	(83,086)	(2,120)
Intangible assets	-	-
Right-to-use asset	(253,328)	(26,592)
Lease obligations	253,328	29,003
Financing costs	-	-
Convertible loan	(5,041)	(118,609)
Net deferred tax assets (liabilities)	-	-

The unrecognized deductible temporary differences as at April 30, 2020 and April 30, 2019 is comprised of the following:

	2020	2019
	\$	\$
Non-capital losses carryforwards	22,841,364	3,054,012
Property and equipment	1,715,211	1,480
Intangible assets	13,780,308	2,765,251
Capital loss carryforwards	1,092,885	-
Lease obligation	71,541	-
Financing costs	3,629	3,361
Total unrecognized deductible temporary differences	39,504,936	5,824,104

The Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$22,841,364 (2019: \$3,054,012) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	\$
2034	19,651
2035	85,505
2036	189,512
2037	499,661
2038	3,690,183
2039	8,285,304
2040	9,995,518
Total	22,841,364

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

25. FINANCIAL INSTRUMENTS

As at April 30, 2020 and 2019, the carrying value of all financial instruments carried at amortized cost are equivalent to fair value. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The risk for cash and cash equivalents cash is mitigated by holding these instruments with highly rated Canadian financial institutions. Accounts receivable primarily consist of trade accounts receivable and other receivables. The Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. The Company's credit risk exposure lies on its ability to collect from its business partners for advances made for new business deals. For the year ended April 30, 2020, due to the assessed risk on collectability of one of its loans receivable, the Company recognized the related impairment loss of \$2,404,346. The Company also wrote-off \$47,318 in bad debts relating to its trade receivables (2019 - \$Nil). The Company's ECL on its trade receivables as at April 30, 2020 is nominal (April 30, 2019 – nominal).

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its contractual obligations and financial liabilities as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2020, the Company had a cash balance of \$5,632,160 (April 30, 2019 - \$16,002,152) to settle current liabilities of \$5,493,417 (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.

Current liabilities	April 30, 2020	April 30, 2019
Accounts payable and accrued liabilities	\$ 1,302,058	\$ 289,765
Customer deposits	490,412	-
Due to related parties	375,759	29,235
Current portion of lease obligations	174,853	6,281
Convertible debt	1,996,405	-
Derivative liability	1,021,729	-
Loans payable - current	125,000	-
Liabilities of discontinued operations	7,201	-
Total current liabilities	\$ 5,493,417	\$ 325,281

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

25. FINANCIAL INSTRUMENTS (continued)

The tables summarize the maturity profile of the Company's financial liabilities used for liquidity management and liabilities as at April 30, 2020 and 2019 based on contractual undiscounted receipts and payments.

As at April 30, 2020	<1 year	1-5 years	>5years
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	\$ 1,302,058	\$ -	\$ -
Due to related parties	375,759	-	-
Loans payable - current	125,000	-	-
Loans payable - noncurrent	-	80,000	-
Convertible debt	1,996,405	-	-
Total financial liabilities at amortized cost	\$ 3,799,222	\$ 80,000	\$ -
Financial liabilities at fair value			
Derivative liability	1,021,729	-	-
As at April 30, 2019	<1 year	1-5 years	>5years
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	\$ 289,765	\$ -	\$ -
Due to related parties	29,235	-	-
Total financial liabilities at amortized cost	\$ 319,000	\$ -	\$ -

Market risk

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

(a) Interest rate risk

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

(b) Foreign currency risk

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

Fair value hierarchy

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

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

During the years ending April 30, 2020 and 2019, there were no transfers into or out of Level 3 fair value measurements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

25. FINANCIAL INSTRUMENTS

The fair values of the convertible debts, convertible loan receivable and investment are all affected by market rates which are applicable to them on the dates of issuance. A change in those discount rates may result in significantly higher or lower fair value measurements.

As at April 30, 2020	Level 1	Level 2	Level 3
Financial liabilities at fair value			
Derivative liability	-	-	\$ 1,021,729
As at April 30, 2019			
Financial assets at fair value			
Convertible loan receivable	-	-	\$ 1,954,442
Investment	-	-	493,139
Total financial assets at fair value	-	-	\$ 2,447,581

26. CAPITAL MANAGEMENT

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

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. During the year ended April 30, 2020, cash inflows from financing activities amounted to \$603,964 from the acquisition of Quadron, \$80,000 from the CEBA loan and \$69,999 from share issuances as a result of stock options exercise (2019: used in financing activities amounted to \$21,113,928 as proceeds from the issuance of shares net of share issuance costs).

The Company is primarily dependent on the capital markets as its source of operating capital and the Company's capital resources are largely determined by the strength of the cannabis company markets and by the status of the Company's technology progress in relation to these markets, and its ability to compete for investor support of its technical capability. The Company's total managed capital cash of \$5,632,160 and equity attributable to holders of the parent of \$8,359,773.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

27. RELATED PARTY TRANSACTIONS

All transactions were in the normal course of operations and were recorded at fair values established, which the consideration is agreed upon by the related parties. As at April 30, 2020, amounts due to related parties amounting to \$375,759 (April 30, 2019 - \$29,235) are unsecured, payable on demand, and without interest.

	April 30, 2020	April 30, 2019
Former Chief Operating Officer	\$ -	\$ 12,000
Former CFO and current Director	-	13,560
CEO of CBD	-	3,675
President	14,771	-
CFO	16,825	-
Corporate Secretary	123,682	-
CEO of PED	209,181	-
Director	11,300	-
	\$ 375,759	\$ 29,235

During the year ended April 30, 2020 and 2019, the Company entered into the following transactions with related parties:

For the year ended	April 30, 2020	April 30, 2019
Management fees	\$ 240,000	\$ 110,175
Consulting fees	62,325	61,321
Accounting fees	45,129	-
Legal fees	187,773	208,527
Research and development	19,113	-
Remuneration and benefits	514,484	-
Share-based payments	1,884,337	188,939
	\$ 2,953,161	\$ 568,962

- Management fees reported as part of consulting fees (Note 22) consist of \$175,000 paid to a company of which the President of the Company has significant interest and \$65,000 were paid to a company controlled by the CFO (2019: \$48,000 paid to the former CEO and \$48,000 paid to the former CFO and current director, \$3,675 paid to former CBD CEO and former director, and \$10,500 to a former director).
- Consulting fees included as part of general and administrative expenses (Note 22) consist of \$62,325 to a Company controlled by a Director (2019: \$Nil).
- Accounting fees presented as part of professional fees (Note 22) consist of \$45,129 to a company controlled by the CFO (2019: \$24,000 paid to the former COO and \$37,321 paid to a founder of WCE).
- Legal fees presented as part of professional fees (Note 22) consist of \$187,773 to a legal firm at which the Corporate Secretary is a partner (2019: \$208,527).
- Remuneration and benefits reported as part of general and administrative expenses (Note 22) consist of \$140,900 to CEO (2019: \$Nil), \$140,000 to the CIO (2019: \$Nil), \$190,000 to the President of Soma (2019: \$Nil), \$7,584 to the CFO, and \$36,000 (2019: \$Nil) to the former CEO and COO.
- Research and development reported as part of general and administrative expenses (Note 22) pertain to payments of \$19,113 to a company controlled by the CIO (2019: \$Nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

27. RELATED PARTY TRANSACTIONS (continued)

- Share-based payments reported as part of general and administrative expenses (Note 22) consist of \$235,819 to directors, \$113,647 to former directors, \$37,848 to the Corporate Secretary, \$709,952 to the President, \$45,232 to the CFO, \$709,952 to the CEO, \$13,269 to the CIO and \$18,618 to the President of Soma (2019: \$66,440 to former directors, \$41,525 to the former CEO, \$41,525 to the Corporate Secretary, \$31,144 to the former CFO and current director, and \$8,305 to the COO).

On June 16, 2019 the Company entered into a one-year consulting agreement with a Company controlled by the President, to continue until termination of either party. The Company will pay \$12,500 on a monthly basis with additional compensation in the form of the Company's common shares at a deemed price per common share equal to the then current market price upon achieving certain milestones.

On April 2, 2020, the Company signed a consulting agreement with a Company controlled by the CFO. The Company will pay \$6,500 per month with additional accounting fees for the quarterly and annual corporate financial reporting requirements.

For the acquisition of Quadron (Note 4), the Company incurred \$279,437 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.

28. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred the following non-cash financing transactions during the years ended April 30, 2020 and 2019:

Supplemental Information	April 30, 2020	April 30, 2019
	\$	\$
Shares issued for acquisition	20,062,125	-
Share issued to finders	-	1,950,000
Issuance of broker warrants	-	1,273,203
Options issued for acquisition of Quadron	1,011,295	-
Warrants issued for acquisition of Quadron	805,727	-
Fair value of options exercised	1,463,151	-
Share-based compensation expenses for options	2,468,231	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

28. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

Cash interest payments for the year ended April 30, 2020 amounted to \$223,978 (2019: \$1,666).

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Convertible debentures	Convertible note	Lease obligations	Total
April 30, 2018	\$ -	\$ -	\$ -	\$ -
Non-cash items:				
Additions	-	-	106,509	106,509
Interest expense	-	-	4,603	4,603
Cash items:				
Payments	-	-	(1,666)	(1,666)
April 30, 2019	\$ -	\$ -	\$ 109,446	\$ 109,446
Cash items:				
Proceeds	477,365	1,518,181	-	1,995,546
Payments	-	-	(223,978)	(223,978)
Transaction costs	(32,400)	-	-	(32,400)
Non-cash items:				
Additions	-	-	1,153,203	1,153,203
Interest expense	1,506	15,409	71,807	88,722
Accretion	6,450	9,894	-	16,344
Reversals	-	-	(92,759)	(92,759)
April 30, 2020	\$ 452,921	\$1,543,484	\$1,015,719	\$ 3,012,124

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

29. SEGMENTED INFORMATION

The Company's operations until its acquisition of Quadron on June 17, 2019 and PED on March 31, 2020 was in a single reporting operating segment for the year ended April 30, 2019. As the operations comprised a single reporting segment, amounts disclosed in the consolidated financial statements for loss for the year ended April 30, 2019 also represent segment amounts. All of the Company's assets are situated in Canada.

With the acquisition of Quadron and PED, the Company has five principal reporting segments: corporate and development; sale of disposable vaporizer pens and related materials; development and deployment of extraction technology and services; sale of automation solution equipment (now discontinued – see Discontinued Operations) and delivery. The reportable segments were determined based on the nature of the services provided and goods sold.

Reportable segments are defined as components of an enterprise about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Discontinued Operations

During the year ended April 30, 2020, the Company considered that the sales of automation on control solution equipment (formerly operated via Cybernetics Control Systems Inc.) to have met the definition of discontinued operations and as such, assets, liabilities and results of operations that can be clearly distinguished operationally and for financial reporting purposes from the rest of the Company have been terminated.

Balances	April 30, 2020
Expenses	
Research and development	\$ (160,719)
Depreciation	(27,719)
General and administrative expenses	(42,703)
Other income	27,113
Loss from discontinued operations	\$ (204,028)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

29. SEGMENTED INFORMATION (continued)

As at April 30, 2020, the liabilities of discontinued operations relate to the customer deposits amounting to \$7,201. Net loss from discontinued operations amounted to \$204,028 for the year ended April 30, 2020. The Company's operations until its acquisition of Quadron on June 17, 2019 was in a single reporting operating segment for the year ended April 30, 2019.

	Corporate and development	Development and deployment of extraction equipment, technology and services	Sale of Disposable Vaporizer pens	Delivery	Sale of automation on control solution equipment	Total
Revenue	\$ -	\$ -	\$ 288,361	\$ 819,931	\$ -	\$ 1,108,292
Gross margin	-	-	119,245	404,084	-	523,329
Research and development expenses net of credits and grants	(349,356)	(1,379,399)	-	-	-	(1,728,755)
Selling, general and administrative expenses	(3,684,545)	(1,912,981)	(47,709)	(435,830)	-	(6,080,975)
Segment income (loss) from operating activities before corporate expenses	(4,033,901)	(3,292,290)	71,536	(31,746)	-	(7,286,401)
Unallocated costs:						
Acquisition fees	(1,226,606)	-	-	-	-	(1,226,606)
Impairment loss	(31,805,758)	(3,406,415)	-	-	-	(35,212,173)
Depreciation and amortization	(2,093,848)	(254,262)	-	(27,218)	-	(2,375,327)
Stock-based compensation	(2,468,231)	-	-	-	-	(2,468,231)
Other income	35,987	132,233	-	35,005	-	203,225
Interest income	352,468	-	-	-	-	352,468
Unrealized loss on convertible loan	218,496	-	-	-	-	218,496
Unrealized loss on fair value of warrants	(493,139)	-	-	-	-	(493,139)
Lease interest	(2,332)	(63,397)	-	(6,078)	-	(71,807)
Net income (loss) from continuing operations	(41,516,864)	(6,884,131)	71,536	(30,036)	-	(48,359,495)
Loss from discontinued operations	-	-	-	-	(204,028)	(204,028)
Reportable segment assets	15,504,003	1,307,980	188,063	3,210,989	-	20,211,035
Reportable segmented liabilities	474,1109	1,277,342	1,767	4,653,864	7,201	6,414,283

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

30. SUBSIDIARY WITH SIGNIFICANT NON-CONTROLLING INTEREST

The financial information of PED, WCE's only subsidiary that have material non-controlling interest is provided below. WCE has 21.55% economic interest in PED and non-controlling stockholders have 78.45% in PED. Voting interest of WCE in PED is 80%.

Summary of PED's financial information	April 30, 2020
Current assets	\$ 1,317,348
Noncurrent assets	1,893,641
Current liabilities	4,118,096
Noncurrent liabilities	535,768
Revenue	819,931
Net income (loss)	(30,036)

The table below summarizes the movements in NCI for the year ended April 30, 2020:

	Amount
Balance, April 30, 2019	\$ -
Addition	5,460,557
Net loss	(23,558)
Dividends	-
Balance, April 30, 2020	\$ 5,436,999

31. COMMITMENTS and CONTINGENCIES

(a) Supply Agreements

Hemp Supply Agreement

On February 25, 2019, the Company and two other entities, one being a license holder, 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. See Note 5 – Loan Receivable.

Supply and Loan Agreement with Canntab Therapeutics Limited

On October 8, 2019, the Company entered into a Supply and Loan Agreement with the Canntab Therapeutics Limited ("Canntab") to set-up, manage and operate a cannabis and hemp extraction and processing facility at Canntab's manufacturing center in Markham, Ontario. On March 3, 2020, Canntab received its Cannabis Standard Processing and Sales for Medical Purposes License. As of April 30, 2020, the Company and Canntab are finalizing the definitive agreement.

(b) Lease Agreements

Office Lease Agreements

On March 6, 2018, the Company, through its subsidiary, Soma Labs Scientific, Inc., entered into a 5-year lease agreement for leased premises in Langley, British Columbia, commencing June 1, 2018 and ending on May 31, 2023. The minimum base rent is \$13,350 per month. (See Note 19 - Right-of-use Asset and Note 20 – Lease Obligation).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

31. COMMITMENTS and CONTINGENCIES (continued)

(b) Lease Agreements (continued)

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. The minimum base rent is \$2,300 per month for the period from November 1, 2018 to October 31, 2019 and \$2,350 per month from December 1, 2019 to October 31, 2020. The lease has been terminated as of the date of this report.

On October 15, 2019, the Company entered into a lease agreement commencing on November 1, 2019 for the office space in Toronto, Ontario. The monthly fee is \$8,000 for a period of one year. As at April 30, 2020, the Company has outstanding \$8,000 prepayment for this lease – see Note 9 – Prepaid expenses and deposits. The lease has been terminated as of the date of this report.

PED, the newly acquired subsidiary, has the following existing lease agreements as at April 30, 2020:

- Office rental in East Cory Industrial Park for \$950 per month from April 15, 2019 to April 15, 2021. A security deposit of \$1,900 plus GST was paid at the start of the lease - see Note 9 – Prepaid expenses and deposits.
- Office rental in Manitoba for \$1,600 to \$1,800 per month plus GST from November 1, 2018 to October 31, 2021. A damage deposit of \$2,000 was paid on commencement date - see Note 9 – Prepaid expenses and deposits.

Equipment Lease Agreement

On November 25, 2019, the Company leased equipment for a monthly fee of \$2,098.44 (inclusive of GST and PST). The term is for 24 months and the Company will have the option to buy the equipment at the end of the lease term for a price of \$4,933.17. (See Note 19 - Right-of-use Asset and Note 20 – Lease Obligation)).

Warehouse Lease Agreement

On September 16, 2019, the Company through its subsidiary, Pineapple Express Delivery, Inc., entered into a 10-year lease agreement for leased premises in Burlington, Ontario, commencing October 1, 2019 and ending on September 30, 2029. (See Note 19 - Right-of-use Asset and Note 20 – Lease Obligation).

(c) Market Awareness Contracts

On April 8, 2019, the Company engaged Ascension Millionaires Club Inc. (“Ascension”) to enhance its market awareness. 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 Ascension a monthly fee of \$10,000 (adjusted to \$8,000 for November 2019 and \$3,200 for December 2019 – March 2020) and has granted 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. The contract was extended to May 2020. The contract was terminated in June 2020 and the related options were cancelled.

On October 11, 2019, the Company entered into a consulting services agreement with Global Capital Innovation Corp. (the “GCIC Consultant”) whereby the Company will pay the GCIC Consultant on a success basis for the introductions made leading to the sale of equipment and services by the Company. The fee will be 4% of the gross value contracted. In the event that the Company does not accept or contract with customer referrals from the GCIC Consultant, there will be no financial obligations to the GCIC Consultant from the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

31. COMMITMENTS and CONTINGENCIES (continued)

(c) Market Awareness Contracts (continued)

On September 27, 2019, the Company entered into a marketing consulting agreement with Equity Guru Media Inc. ("Equity Guru") for Company updates, social media coverage and various marketing platforms for a period of twelve months, with an option to continue for a further three month extension thereafter pro-rated at the same amount as the original engagement fee. The Contract will be considered terminated after twelve months has passed only upon confirmation by the Company. If no such termination is requested, the Contract will continue on a month to month basis, billed as a pro-rated monthly amount on the last day of every month. Equity Guru shall be paid a total of \$60,000 plus 5% GST for the 12-month term. As at April 30, 2020, the Company has paid Equity Guru a total of \$43,000.

(d) New Business Ventures

On April 20, 2020, the Company through its subsidiary, PED, entered into an agreement with CannaLogic Solutions Inc., an arm's length, privately held, B.C.-based company, to provide Canadian cannabis dispensaries a one-stop shop/a-la-carte e-commerce and logistics management software platform. Under the Venture Agreement, CannaLogic will provide its suite of products and services (including the necessary technical support team to deploy its platform) and Pineapple Express Delivery will provide sales and marketing support in addition to its extensive contact base of dispensaries within Canada. Any profits generated by the Venture Agreement as a result of Canadian dispensaries installing and implementing one or more components of CannaLogic's e-commerce and logistics management platform will be shared equally between the parties.

(e) Contingent Liability

During the year ended April 30, 2020 the Company's subsidiary, PED had an outstanding employee claim with potential liability of \$250,000 as at April 30, 2020. PED has accrued \$220,000 relating to this liability (Note 12). In addition, the Company's subsidiary SOMA, also had an outstanding employment claim. At this time the outcome is unknown, and no amount has been accrued with respect to this claim.

(f) Finders' fees

As part of the PED acquisition, a total of \$67,500 is payable to a Company controlled by a Director upon completion of the transaction. These fees are payable in 450,000 Common Shares of PED on closing date of the acquisition.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended April 30, 2020 and 2019

(Expressed in Canadian Dollars)

32. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic known as COVID-2019. This is causing significant financial market and social dislocation. This has also resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on the Company's future financial results.

On April 30, 2020, PED entered into a five-year lease agreement for a 1,803 sq. ft building in Ottawa, Ontario commencing on May 1, 2020 and ending on April 30, 2025. The monthly lease payment is \$21,636 with an escalation rate of \$0.25 per sq. ft. per year.

On May 4, 2020, the Company then loaned a total of \$500,000 to PED (\$250,000 each time) for two convertible debentures which was part of the acquisition transaction (see Note 4 – Acquisitions). This is subject to an annual interest rate of 12% and are convertible to PED shares subject to certain conditions.

On May 21, 2020, the Company loaned \$150,000 to PED in accordance with the credit facility agreement between the Company and the subsidiary. This is subject to an annual interest rate of 12%.

On May 27, 2020, the Company granted a total of 9,010,000 incentive stock options to certain directors, officers, consultants and employees of the Company. The options have an exercise price of \$0.05 per share and expire May 26, 2024. The options will vest at a rate of 50% upon the date of the grant and the remaining 50% six months thereafter.

On July 8, 2020, First Republic Holdings Corporation bought 50% share in the Company's subsidiary, Cobra, from WCE. On July 29, 2020, Cobra entered into an agreement to acquire a senior secured convertible debenture of HydRx Farms Ltd. o/a Scientus Pharma ("HydRx") in the principal amount of \$11,500,000, plus accrued and unpaid interest and charges from a leading Canadian Licensed Producer, subject to certain closing conditions. Cobra is purchasing the Debenture for \$5,000,000; closing is expected to occur within 60 days. The Debenture is secured against the assets of HydRx. HydRx is currently in default of its obligations under the Debenture.

On August 24, 2020, PED issued 666,666 common shares to WCE and 165,970 to arms length parties. The total ownership of PED held by WCE increased to 22.79% as a result of this transaction.

33. COMPARATIVE PRESENTATION

Prior period comparative figures have been restated to conform with the current year's presentation due to a change in year end for WCE. Prior year comparative figures for the period ended April 30, 2019 were presented for the four months ended April 30, 2019. The prior period presentation in these consolidated financial statements is presented for the 12 months ended April 30, 2019.