WORLD-CLASS
Extractions

FRA: WCF OTCQB: WCEXF CSE: PUMP

WORLD CLASS EXTRACTIONS INC.

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

For the Three Months Ended July 31, 2020

(expressed in Canadian Dollars unless otherwise indicated)

1. INTRODUCTION

The following Management's Discussion and Analysis ("**MD&A**") is a review of the financial condition and results of operations by the management ("**Management**") of World Class Extractions Inc. ("**World-Class**" "**WCE**" or the "**Company**") for the three months ended July 31, 2020 (the "**Reporting Period**"). This MD&A is prepared as at September 28, 2020, unless otherwise indicated, and should be read in conjunction with the interim condensed consolidated financial statements for the three months ended July 31, 2020 and three months ended July 31, 2019 ("**Financial Statements**") and the notes related thereto which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A was reviewed by the Audit Committee and, on the Audit Committee's recommendation, approved by the Board of Directors of World-Class. All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") – http://www.sedar.com and are also available on the Company's website https://worldclassextractions.com/.

2. CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION

This MD&A and the documents incorporated into this MD&A contain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws (forward-looking information and forward-looking statements being collectively hereinafter referred to as "**forward-looking statements**"). Such forward-looking statements are based on expectations, estimates and projections as at the date of this report or the dates of the documents incorporated herein, as applicable. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends", or variations of such words and phrases, or stating that certain actions, events or results "may" or "could", "would", "should", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements.

These forward-looking statements include, but are not limited to, statements and information concerning: the intentions, plans and future actions of the Company; statements relating to the business and future activities of the Company after the date of this report, including its ability to enter into partnerships with licensed producers to deploy and manage custom-built extraction centres utilizing its custom systems, technology, and processes to efficiently produce high-quality cannabis and hemp concentrates and end-products; the closing of the acquisition of the HydRx Debenture from a leading licensed producer; the Company and its technologies being able to provide higher yields of full spectrum cannabis and hemp oil at faster rates and larger volumes than current extraction techniques; the Company's ability to build and scale processing centres serving as manufacturing hubs for a wide variety of cannabis and hemp concentrates and value-added products; the cannabis and hemp extraction and processing sector representing a huge growth opportunity; strategic relationships and joint ventures with industry participants and licensees being able to provide World-Class with ongoing revenue streams and reduce investment risk while allowing the Company to leverage existing infrastructure and core commercialization; finalization of its partnership with Canntab Therapeutics Limited to deploy extraction and processing systems for cannabis and hemp at Canntab's licensed facility in Markham, Ontario; the ability to patent its technology and its role in the Company's success and provide the Company with a significant competitive advantage in the marketplace; market position, ability to compete and future financial or operating performance of the Company after the date of this report; statements based on the audited and unaudited consolidated financial statements of the Company; anticipated developments in operations; the future demand for the Company's products; the results of development of products and the timing thereof; the timing and amount of estimated capital expenditure in respect of the business of the Company; operating expenditures; success of marketing activities; estimated budgets; requirements for additional capital; expectations with respect to future production costs, capacity and yield; expectations regarding growth rates, growth plans and strategies; the Company's expectations regarding its revenue, expenses and research and development operations; government regulations, including with respect to the cannabis and hemp industry in Canada; the medical benefits, safety, efficacy, dosing and social acceptance of cannabis; the future growth of the cannabis industry; the variability of cannabis and hemp cultivation; limitations on insurance coverage; the timing and possible outcome of regulatory and permitting matters; planned business activities and planned future acquisitions; the adequacy of financial resources; the Company's competitive position and the regulatory environment in which the Company operates; general risk of negative global financial consequences and heightened uncertainty as a result of COVID-19, including but not limited to: the recent and future anticipated impact on operations in jurisdictions most impacted by the virus; the impact on demand for products and services, including positive impacts (for example, companies that are part of mitigation efforts or otherwise involved in addressing COVID-19 – see also Section 16 – Risks and Uncertainties); the triggering of force majeure clauses by third-party supplies or service providers; the effect on third-party suppliers or service providers; and the effect on proposed acquisitions or planned entry or expansions into impacted areas; and other events or conditions that may occur in the future.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are based on the beliefs of the Company's Management, as well as on assumptions, which such Management believes to be reasonable based on information currently available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation those risks outlined in Section 16 - Risks and Uncertainties.

The forward-looking statements contained herein are based on information available as of September 28, 2020.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the information contained in the Financial Statements, are the responsibility of Management. In the preparation of the accompanying Financial Statements, estimates are sometimes necessary to make a determination of the future values for certain assets or liabilities. Management of the Company believes such estimates have been based on careful judgments and have been properly reflected in the accompanying Financial Statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

3. DISCUSSION AND ANALYSIS

Nature of Operations and Company Focus

World-Class is an innovation-driven company with a principle focus on the evolving cannabis and hemp industries. Through its subsidiaries Soma Labs Scientific Inc. ("**Soma**") and Greenmantle Products Inc. ("**GMP**"), World-Class is working on partnerships to deploy and manage custom-built extraction centres utilizing its custom systems, technology, and processes to efficiently produce high-quality cannabis and hemp concentrates and end-products. In addition, Pineapple Express Delivery ("**PED**"), a company in which the Company holds a controlling interest, offers compliant and secure delivery of government regulated products, including medical and recreational cannabis in Ontario, Manitoba and Saskatchewan, and liquor delivery in certain jurisdictions in Saskatchewan. On July 29, 2020, World-Class announced that a company in which World-Class holds a 50% equity interest, Cobra Ventures Inc. ("**Cobra**"), entered into an agreement to acquire a senior secured convertible debenture of HydRx Farms Ltd. operating as Scientus Pharma ("**HydRx**") in the principal amount of CDN$11,500,000, plus accrued and unpaid interest and charges (the "**Debenture**") from a leading Canadian Licensed Producer, subject to certain closing conditions. Cobra is purchasing the Debenture for CDN$5,000,000; closing is expected to occur by the end of September.

Corporate Overview

World-Class was incorporated under the laws of British Columbia on December 2, 1965 (see Note 1 in the Financial Statements).

- World-Class Extractions Inc. was incorporated under the *Business Corporations Act* (British Columbia) (the "**BCBCA**"), under the name "Luaaron Metals Ltd." Subsequent to this, there were several name changes and on July 17, 2014 the Company changed its name to CBD Med Research Corp. ("**CBD-Med**").

- On June 17, 2019, the Company and Quadron Cannatech Corporation ("Quadron") completed their plan of arrangement (the "Arrangement") under the provisions of the 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 continued to remain outstanding as options and warrants of the Company.

- At the Annual General and Special Meeting of the Company held June 26, 2020, the shareholders approved an amendment to its Notice of Articles and Articles of the Company by adding Class A, Class B, Class C, Class D and Class E preferred shares, each issuable in one or more series (the "**Preferred Shares**") to its authorized share structure such that an unlimited number of Preferred Shares without par value and with the special rights or restrictions attached, may be issued. As at the date of the report, no preferred shares have been issued.

The Company's common shares trade under the trading symbol "**PUMP**" on the Canadian Securities Exchange, on the Frankfurt Exchange under symbol "**WCF**" and effective January 22, 2020, the Company's common shares commenced trading on the **OTCQB Venture Market**, under the symbol: "**WCEXF**".

The Company operates through its three wholly owned subsidiaries, Soma, GMP, as well as through PED, in which WCE has a controlling interest. Soma and GMP are based in the Lower Mainland of British Columbia and PED is based in Burlington, Ontario.

- Soma was incorporated under the BCBCA on January 8, 2016, and is a designer, manufacturer and supplier of extraction and processing equipment and solutions. Using its custom-engineered and industry leading equipment, Soma continues to explore strategic industry partnerships to design and establish extraction and processing facilities to produce cannabis and hemp oils, concentrates and derivative products (such as extracts, edibles, beverages and topicals).
- GMP was incorporated under the BCBCA on January 15, 2016 and specializes in cannabis product development with expertise in vape hardware design, formulation science, and packaging. GMP has curated a diverse array of ancillary products and service offerings to provide customized strategic solutions for emerging market demands. Combined experience in extract science, product manufacturing, design and distribution allows GMP to offer unique insight and guidance to World-Class partners.
- PED was incorporated under the *Canada 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.

Completion of Arrangement with Quadron Cannatech Corporation

Quadron was a Vancouver-based company incorporated on November 7, 2011 under the BCBCA. Quadron became a reporting issuer in British Columbia and Alberta on July 25, 2012, and in Ontario on February 24, 2017. Quadron and its subsidiaries, Soma, GMP and Cybernetic Control Systems Inc. ("**Cyber**"), provided turn-key extraction and processing solutions for the cannabis and hemp industries, including proprietary industrial grade equipment, custom built processing facilities, ancillary products and scientific services.

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

On June 17, 2019, the Company and Quadron completed their plan of arrangement (the "**Arrangement**") under the provisions of the 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 continued to remain outstanding as options and warrants of the Company. The Company paid $392,448 and issued 5,015,531 common shares of the Company to financial advisors as acquisition fees and paid legal fees of $131,983 to a Firm where the Corporate Secretary is a partner (see Note 4 (a) in Financial Statements and Section 12 – Related Party Transactions and Key Management Compensation).

Incorporation of Cobra Ventures Inc. ("Cobra") and partnership with First Republic Holdings Corporation

On October 21, 2019, Cobra was incorporated to serve as holding company for new business ventures of WCE. 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"). (See Section 13 – Proposed Transactions)

Amalgamation of Soma Labs Scientific Inc. ("Soma") and Cybernetic Control Systems Inc. ("Cyber") and discontinuation of Cyber operations

On January 22, 2020, Soma and Cyber amalgamated to form Soma and discontinued the sale of automated control solution equipment and transferred the assets and liabilities of Cyber to Soma (the amalgamated company) (see Other Matters).

Amalgamation of Quadron Cannatech Corporation ("Quadron"), World Class Extractions ("Subco") Inc. and World Class Extractions Inc.

On March 6, 2020, Quadron, Subco and World Class Extractions Inc. amalgamated to form World Class Extractions Inc., the amalgamated Company.

Acquisition of Controlling Interest in Pineapple Express Delivery ("PED")

On March 31, 2020, the Company acquired a controlling interest in PED, a leading logistics technology company offering specialized delivery services for both the medical and recreational cannabis markets (including same-day delivery in the Greater Toronto Area). See Note 4 (b) in Financial Statements

On August 24, 2020, 100,000 PED common shares were issued to a Company controlled by a Director as payment for Finders' fees upon closing of the PED acquisition on March 31, 2020 (Note 4 – Acquisitions and Note 30 – Commitments and Contingencies). Also on August 24, 2020, PED issued 666,666 common shares to WCE, and 65,970 common shares to an investor of PED as indemnification for all costs and expenses incurred in connected with the PED transaction (Note 4 – Acquisitions). The total ownership of PED held by WCE increased to 22.79% as a result of these issuances.

Change of Year End

On July 5, 2019, the Board of Directors 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.

Acquisition of $11,500,000 Senior Secured Convertible Debenture - HydRx Farms Ltd.

On July 29, 2020, World-Class announced that a company in which World-Class holds a 50% equity interest, **Cobra**, entered into an agreement to acquire a senior secured convertible debenture of HydRx Farms Ltd. operating as Scientus Pharma ("**HydRx**") in the principal amount of CDN$11,500,000, plus accrued and unpaid interest and charges ("**Debenture**") from a leading Canadian Licensed Producer, subject to certain closing conditions. Cobra is purchasing the Debenture for CDN$5,000,000; closing is expected to occur by the end of September. HydRx is currently in default of its obligations under the Debenture.

The Debenture is secured against the assets of HydRx. HydRx owns and operates a 45,000-square foot manufacturing and distribution facility in Whitby, Ontario built to Good Manufacturing Practice and Good Production Practices regulations. HydRx holds numerous licenses issued by Health Canada under the *Cannabis Act* to cultivate, produce and sell cannabis products, including the extraction of cannabis resin for use in formulations including cannabinoid-based oils, capsules and other derivative products. HydRx also holds a Cannabis Drug License and is a Licensed Dealer under the Narcotics Control Act. HydRx is one of a limited number of Canadian licensees authorized to conduct R&D and fully handle cannabinoid products with the ability to wholesale, buy, process and sell cannabinoid derivatives, from and to other producers licensed under the *Cannabis Act*, as well as to international markets.

Public Health Crisis (COVID-19) and Cannabis Sector Market Conditions

While World-Class continues to explore opportunities, Management has re-evaluated its business plan to align with changing market conditions. The downturn in the cannabis and hemp industries which began in 2019 has been further amplified by the arrival of the global COVID-19 pandemic. These market circumstances have impacted some of our previously announced ventures and as a result, the Company previously announced (on May 19, 2020) that the following ventures would not be proceeding:

- Deployment of an extraction centre with FV Pharma Inc. in Cobourg, Ontario, as previously announced on September 25, 2019;
- Deployment of an extraction centre with Nutralife Holdings LLC. in Imperial County, California and the related Consulting Services Agreement with Nutralife Farming LP, as previously announced on December 11, 2019;
- Revenue Collaboration Agreement with Parity Partners PBC, as previously announced on March 25, 2019; and
- Supply of a full extraction and processing facility for Puriflor Enterprise Inc., as previously announced on March 28, 2019.

Notwithstanding the global volatility created by the COVID-19 pandemic and the growing pains experienced by the cannabis industry in Canada and globally, the operational adjustments are an important step in streamlining the Company's direction and preserving resources to be utilized in more focused priorities.

Directors, Officers and Management of the Company

As at the date of this report, the directors, officers and Management of the Company are as follows:

- Anthony Durkacz, Director and Chair of the Board of Directors
- Chand Jagpal, Director
- Donal Carroll, Director
- Michael Galloro, Director
- Rosy Mondin, Chief Executive Officer (CEO) and Director

- Leo Chamberland, President
- Zara Kanji, Chief Financial Officer (CFO)
- Shimmy Posen, Corporate Secretary
- Shane Lander, Chief Innovation Officer (CIO)
- Tamas Jozsa, President, Soma Labs Scientific Inc.
- Randy Rolph, CEO and Director, Pineapple Express Delivery Inc.
- Mike Sax, CFO, Pineapple Express Delivery Inc.
- Mike Depault, Chief Technology Officer (CTO), Pineapple Express Delivery Inc.

Registered and Records Office | Head Office
The Registered and Records Office of the Company is located at: 2200 - 885 W Georgia St. Vancouver, BC, V6C 3E8. Telephone: 1 (604) 691-6100.

The Head Office is located at: Suite 308 – 9080 University Crescent, Burnaby, BC, V5A 0B7.

Email: info@worldclassextractions.com | Website: https://worldclassextractions.com.

4. HIGHLIGHTS

Finance/Corporate

- Entered into a letter of intent with Canntab Therapeutics Limited ("**Canntab**") for the deployment of two BOSS CO2 Extraction and Processing Systems and the peripheral equipment required at Canntab's licensed facility in Markham, Ontario (see section 6 – Operations Review and section 15 – Commitments and Contingencies).
- Acquired a controlling interest in 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.
- Cobra a company in which World-Class holds a 50% equity interest, entered into an agreement to acquire a senior secured convertible debenture of HydRx in the principal amount of CDN$11,500,000, plus accrued and unpaid interest and charges from a leading Canadian Licensed Producer. Cobra is purchasing the Debenture for CDN$5,000,000; closing is expected to occur by the end of September 2020.

Technical
The Company and its technologies should provide higher yields of full spectrum cannabis and hemp oil at faster rates and larger volumes than current extraction techniques. The Company's extraction and processing systems are automated and have been simplified relative to comparable technologies.

Since the Company's acquisition of a controlling interest in PED, PED has:

- expanded its services into the Ontario cities of Barrie, Ottawa and London;

- 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;
- expanded its services to provide same-day and next-day delivery of wine, spirits and beer products from Saskatoon Co-operative Association Ltd. Liquor Division, to its retail customers in Saskatoon, Warman and Martensville;
- launched and commenced operations of the PED cannabis depot in Ottawa (as at May 14, 2020);
- partnered with Medical Cannabis by Shoppers™ to offer same-day delivery to their medical cannabis patients in cities in and around the Greater Toronto Area (as at June 16, 2020). Medical Cannabis by Shoppers™ is Shoppers Drug Mart's online platform for the sale of medical cannabis; and
- partnered with Spectrum Therapeutics, the medical division of Canopy Growth Corporation to bring same-day delivery to medical cannabis patients in the Greater Toronto Area, from Hamilton to Scarborough (as at July 8, 2020). This builds on PED's existing services contract with Canopy Growth which offers same-day delivery services for Tweed and Tokyo Smoke retail stores in Manitoba and Saskatchewan.

5. OVERALL PERFORMANCE

Financial Position

As at July 31, 2020, the Company had cash of $4,205,297 (April 30, 2020 - $5,632,160) to settle current liabilities of $5,297,966 (April 30, 2020 - $5,493,417). Total assets stood at $19,370,181, a decrease of $840,874 from previous yearend's $20,211,055.

Significant changes were noted on the following balance sheet items:

- *Cash*. $4,205,297 (April 30, 2020 – $5,632,160). Cash decreased mostly due to operating expenses funded for the period (See discussion on Cash Flows).
- *Inventories*. $574,647 (April 30, 2020 – $322,376). Inventories increased due to a purchase of equipment held for resale during the period. (See Note 8 in the Financial Statements).
- *Due from related parties*. $25,765 (April 30, 2020 – $Nil). The increase is attributable to new transactions incurred with a company controlled by the CIO (See Related Party Transactions).
- *Leases*. Right-of-use asset amounted to $1,021,464 (April 30, 2020 – $937,867) and Lease liability totaled $1,105,636 (April 30, 2020 - $1,015,719). The increase from year-end pertains to the Ottawa Office lease entered into by PED on April 30, 2020 for five years commencing on May 1, 2020, renewable for another five years (See Notes 19 and 20 in the Financial Statements).
- *Accounts payable and accrued liabilities*. $1,171,529 (April 30, 2020 – $1,302,058). The decrease of $130,529 pertains to lower levels of period-end trade payables of Soma, PED and WCE due to lower level of activity resulting from restrictions brought about by the COVID-19 pandemic.

- *Convertible debt and derivative liability*. $2,010,924, (April 30, 2020 – $1,996,405) and $847,643 (April 30, 2020 - $1,021,729). The movements on the debt portion are due to interest and accretion expenses. This was partly reduced by the reclassification of the portion owed to a company controlled by a Director. The derivative liability decrease is due to adjustments for fair value as at period end. An unrealized gain from the conversion feature of $119,607 was recognized. (See Note 15 in Financial Statements)

- *Loans payable*. $245,000 (April 30, 2020 – $205,000). The balance at year end includes two promissory notes of PED and two loans from Soma and World Class from the Canada Emergency Benefit Account (CEBA). The loans of PED are from two arm's length parties and, initially due on January 31, 2020, have a revised maturity date of March 31, 2021. For the quarter ended July 31, 2020, PED also availed of the CEBA loan which also increased the loans payable by $40,000. The CEBA loans have no maturity and has a feature, that if repaid by December 31, 2022, then 25% of the loan will be forgiven. (See Note 14 in Financial Statements)

- *Due to related parties*. $460,540 (April 30, 2020 – $375,759). The account increased mainly due to the reclassification of the convertible debentures due to a company controlled by a Director. Furthermore, the accrued interest on the loan to the CEO of PED and amounts owed to the CFO of PED also contributed to the increase in this account. These were partly offset by the payment of the amount owed to the firm at which the Corporate Secretary is a partner. (See Section 12 Related Party Transactions and Key Management Compensation and Note 15 in the Financial Statements)

- *Equity attributable to holders of the parent*. $7,441,406 (April 30, 2020 – $8,359,773). The decrease during the period ended July 31, 2020 pertain to the net loss for the period along with the share-based payments recognized for vested options. (See sections 3 and 11 on Corporate Overview and Equity).

- *Non-controlling interest*. $5,589,890 (April 30, 2020 – $5,436,999). Non-controlling interest is a result of the partial ownership in PED. The Company acquired 21.55% economic interest in PED (increased to 22.79% as of report date), hence, this account includes the share of non-controlling stockholders of PED corresponding to the remaining non-controlling ownership in the Company. The increase for the period ended July 31, 2020 refer to the non-controlling stockholders' share in PED's net income for the period (See Note 29 in the Financial Statements).

Cash Flows

For the three months ended July 31, 2020 and 2019, the Company has the following cash flow activities:

Cash Flow Activities	Period Ended July 31, 2020	Period Ended July 31, 2019
Operating	$ (1,407,354)	$ (1,883,725)
Investing	(59,509)	(446,599)
Financing	40,000	229,788
Increase (decrease) in cash during the period	$ (1,426,863)	$ 2,100,536

Operating Activities

Operating activities generated a net cash outflow of $1,407,354 (2019 - $1,883,725). The decreased use of cash is primarily attributable management controlling costs, a significant temporary lay off of most of Soma's technical and operational team, a decrease in research and development, decrease in manufacturing of new inventories, and decrease in Soma's general operations. This was offset with the increase in operational costs for PED which was consolidated into WCE operations for WCE's controlling interest for the quarter ended July 31, 2020.

Investing Activities

Investing activities relate to various equipment purchases. During the same period last year, investing cash flows pertained to expenditures on development of extraction equipment as well as some purchases of various property and equipment.

Financing Activities

The cash inflow from financing activities for the period ended July 31, 2020 pertain to PED's CEBA loan. The cash inflows in the prior period pertain to acquisition of Quadron, the repayment of loans payable and the proceeds from the issuance of shares resulting from a stock option exercise.

Result of operations

The net loss and comprehensive loss for the three months ended July 31, 2020 was $1,022,534 with $1,175,425 net loss attributable to equity holders of the parent and $152,891 net income attributable to non-controlling interest (three months ended July 31, 2019 – $4,222,132 net loss all attributable to equity holders of the parent). The decrease in net loss and comprehensive loss were driven by the following:

- *Sales Revenue*. $2,067,340 (July 31, 2019 - $167,802). Revenue during the period ended July 31, 2020 was generated from the delivery services. Previous period revenue was generated from sales or rental of extraction, sales of automation of control solution equipment and disposable vaporizer pens broken down as follows:
  - Soma: $Nil (2019 - $402) – these refer to sale or rental of extraction and processing equipment.
  - GMP: $Nil (2019 - $140,000) – these refer to sale of premium disposable vaporizer cartridges, pens and related materials.
  - CCS: $Nil (2019 - $27,400) – these are for the sale of automation on control solution equipment. This segment was eventually discontinued during the year ended April 30, 2020.
  - PED: $2,067,340 (2019 - $Nil) – these comprise of delivery services of medical and recreational cannabis within Ontario and Manitoba to various Business-to-Consumer and Business-to-Business Licensed Producer companies.
- *Cost of Sales*. $1,296,281 (July 31, 2019 - $69,074). For the current period, these costs are reflective of the direct cost attributable to the deliveries of PED. The increase in cost of sales is related to the increase in sales revenues.
- *Gross Margin.* Total Gross margin was 37.30% (2019 – 58.84%). This period only pertains to PED's gross margin while prior period's gross margin is combined for Soma, GMP and CCS.

- *Selling expenses*.

	July 31, 2020	July 31, 2019
Investor relations	$ 5,770	$ 9,979
Marketing and research	5,865	2,054
Travel and marketing	7,625	365,734
	$ 19,260	$ 377,767

Selling expenses lowered mainly due to the hampering of business operations and consequent marketing efforts caused by the COVID-19 pandemic. Investor relations decreased over last year as the Company halted some of its promotional activities during the year. Marketing and research include the promotion of the company's technologies and specialties to licensed processors, interested parties and other stakeholders who could benefit from the company's extractions systems for Soma and delivery potential for PED. Travel and marketing relate to travel-related to business development. Travel expenses were higher in the previous period compared to the current fiscal year, as the company's extraction system was being developed, tested, and demonstrated in India.

- *General and administrative expenses*. $1,788,133 (July 31, 2019 – $2,242,485). Significant movement is caused by the following.

	Financial Statement Note	July 31, 2020	July 31, 2019
Bad debt		$ -	$ 504
Consulting fees	26	89,131	317,273
Filing fees		13,232	35,732
Lease interest	20	37,090	3,485
Office expenses		169,889	2,385
Professional fees	26	174,503	359,549
Remuneration and benefits		632,315	237,519
Rent		80,883	38,645
Research and development		332,999	254,258
Share-based payments	17, 26	257,058	993,135
Shop expenses		1,033	-
		$ 1,788,133	$ 2,242,485

- *Bad debts.* These debts mostly relate to the write-off of receivables from Soma.
- *Consulting Fees.* Are related to payments to consultants for various services pertaining to merged operations, development of processes and equipment for the Company as well as some fees to related parties. Consulting fees decreased over the same period last year as the Company chose to employ staff for operating functions in the current period over using outsourced consulting services for the same period last year. (See Section 12 Related Party Transactions and Key Management Compensation)
- *Lease interest.* This relates to the interest expenses recognized in the amortization of the lease obligations. Lease obligations and consequent interest expenses substantially increased in the current period from PED's lease contracts which the Company also acquired upon holding a controlling interest in PED from March 31, 2020.
- *Filing fees.* Relate to compliance and regulatory filings, the larger expenditure in 2019 relates to the fees associated with the Company's RTO in March of 2019.

- *Office expenses.* Relate to general expenses incurred in the office from operations and regulatory compliance. The increase in expenses is attributable to the acquisition of Quadron and PED and to support increased operational, and compliance expenses.
- *Professional Fees.* Mainly relate to legal and accounting fees related to the Quadron and PED acquisition, applications for legal patents, audit fees and accounting fees and legal fees paid to related parties. (See Section 12 Related Party Transactions and Key Management Compensation) The decrease in professional fees for the period relates to fees in prior period being accrued and paid for accounting and audit fees associated with the mergers and acquisitions, as well as fees for the legal review of various business transactions.
- *Rent.* These are payments to lessors whose lease agreement details did not meet the threshold required for IFRS 16 leases application (i.e. all short-term and low value lease agreements). The increase is attributable to additional short terms agreements.
- *Remuneration and Benefits*. Are for wages paid to employees of the Company and its subsidiaries, who are responsible for management, compliance, customer service and operations. The amount also includes the salaries paid to related parties. The expense increased due to employing staff to meet WCE and its subsidiaries operating functions over use of outsourced services in the same period last year and due to the acquisition of PED on March 31, 2020 and the addition of its employed work force (Section 12 Related Party Transactions and Key Management Compensation and Note 28 – Segmented Information in the Financial Statements);
- *Research and Development*. These expenses are due to increased development activity that cannot be capitalized and expensed.
- *Share-based Payments*. These payments were recorded for options issued which vested during the period.
- *Shop expenses.* These expenses pertain to costs of materials used in the warehouse which include consumables, hardware and other supplies, mainly for operations in Soma.

➢ *Other income (expense).* This item mostly relates to the following:

	Note	July 31, 2020	July 31, 2019
Acquisition fees		$ -	$ (982,675)
Interest income	7	4,498	6,822
Interest expense and bank charges	15	(118,698)	(4,251)
Gain on asset disposal		200,276	-
Unrealized gain (loss) on conversion feature	15	119,607	
Foreign exchange gain (loss)		(23,994)	(17,893)
Others		86	-
Total other income (expenses)		$ 181,775	$ (997,997)

- *Acquisition Fees.* Were related to cash payment of $392,448 ($280,500 within the period ended July 31, 2019) and issuance of 5,015,531 common shares at a price of $0.14 to financial advisors for the acquisition of Quadron, and legal fees of $131,983 to a law firm where the Corporate Secretary is a partner. (Section 12 Related Party Transactions and Key Management Compensation)

- *Interest income.* Mostly relates to interest income from loans receivable. (See Note 7 in Financial Statements)
- *Interest expense.* These are mostly attributable to the interest amortization of the convertible debentures (See Note 15 in Financial Statements).
- *Unrealized gain on conversion feature.* This pertains to the movement in fair value of the derivative component of the convertible debts. (See Note 15 in Financial Statements)
- *Gain on asset disposal.* Mostly relates to the recognition of the receivable from an arm's length party due to the return of an equipment and subsequent collection by the Company.

6. OPERATIONS REVIEW

During the period ended July 31, 2020, Management focused on:

- *Pandemic.* Due to COVID-19, Soma temporarily laid off its employees effective April 14, 2020. Soma has been able to recall some staff on an 'as required' basis and implementing appropriate protocols to maintain a safe and healthy workplace. Management is closely monitoring the global and Canadian situation and is actively taking steps to mitigate the impact and spread of COVID-19.
- *Business Practices*. Continues to implemented internal audit, corporate governance and business conduct/ethics policies to guide corporate and financial practices in a transparent manner.
- *Deal-flow*. Negative market conditions in the Cannabis sector, exasperated by the impact of COVID-19, have caused delays, deferments, and cancellations in the establishment of such processing facilities. See section below titled: "*Strategic Alliances and Joint-Ventures*."
- *Marketing*. Continued marketing efforts to build awareness of the Company's unique technologies potential.
- *PED Growth*. PED underwent significant growth in response to the expanding need for safe, secure delivery of government-controlled substances, with delivery services and expansion boosted and driven by the COVID-19 pandemic. PED continues to explore revenue opportunities and has expanded into alcohol deliveries.

General Description of the Business

World-Class develops, deploys and manages custom-built extraction centers for licensed cannabis and hemp processors. Utilizing its custom technology and processes, World-Class enables its licensed partners to efficiently produce high-margin cannabis and hemp concentrates and oils. Through its relationships with licensed partners, World-Class can also offer toll processing of cannabis and hemp to licensed third parties that lack the expertise and equipment required to produce high-quality cannabis and hemp concentrates and end-products. With over half of a decade spent in research and development, the Company allows licensed producers to access the technology required to create value-added products in the expanding concentrate market.

World-Class is focusing on three businesses: (1) developing industrial grade extraction and processing systems and technologies (the "**World-Class Technologies**"); (2) deploying, managing and operating revenue-generating cannabis and hemp oil extraction and processing centres (including storage facilities) to produce quality oils and consumer packaged goods, and (3) providing compliant and secure delivery (including same day and next day) of controlled substances / government regulated products.

World-Class processing centres solutions would serve as manufacturing hubs for a wide variety of cannabis and hemp concentrates and value-added products. Profit sharing or other negotiated interests obtained through operations of these centres can provide World-Class with ongoing revenue streams while allowing the Company to leverage existing infrastructure and core commercialization that competitors lack.

Concentrates are the fastest growing sector of the cannabis and hemp industries; the cannabis and hemp extraction and processing sector represents a huge growth opportunity. Extraction is the first step in the production of these value-added products and producing oils of consistent quality requires a special set of skills. As at October 17, 2019, cannabis and hemp concentrates and derivative products (extracts, edibles and topicals) became legal for recreational use in Canada. Consumer sales are shifting away from smoking cannabis flower to ingesting the cannabis and hemp plant compounds in other derivative forms. Health Canada estimates that demand for such products expanded eightfold last year, much faster than sales of dried cannabis flower.

From a supply-chain stand-point, concentrates are considerably more shelf-stable, easier to test analytically and more convenient to transport as compared to cannabis flower. For consumers, a large diversity of final products — from tinctures and capsules, to vape pens, edibles, creams, bath bombs, and beverages, to name a few — can be created using cannabis and hemp extracts. Our key performance indicators continue to point to the growth of cannabis and hemp-derived oils.

The Company is shifting from a focus on research and development, to deploying and operating revenue-generating, purpose-built extraction and processing facilities for cannabis and hemp. World-Class continues to seek opportunities to target a market characterized by significant barriers to entry and an expanding outsourcing need, representing a long-term opportunity.

World-Class has manufactured and tailored extraction and processing systems to create efficient processes and quality extracts. Using a variety of extraction methods, including supercritical CO_2 and ethanol extraction, World-Class, through its relationship with licensed partners, will have the ability to assist licensees with:

- Biomass Preparation, Extraction and Storage: Systems create crude cannabis or hemp oil by removing active ingredients from biomass
- Processing: Refining crude to create refined concentrate (raw oil), the base ingredient for value added products
- Formulation; Clean, consistent products utilizing cannabinoid compounds and terpenes
- Production: Cannabis and hemp oil-based Consumer Products
- Hardware, and Packaging: Creating premium consumer brands and packaged goods for the consumer market. Edibles, topicals, ingestibles, vape pens.

World-Class continues to explore expanding its services with the view to generate new revenue opportunities and market growth through:

- Creation of new extraction processes and continued refinement of current extraction methodologies
- Creation of specially formulated cannabis concentrates
- Formulation of cannabis-based products (i.e. concentrates, formulations and consumables)
- Continued development of delivery methods for extracts (such as discrete, hand-held vaporizers)
- Research and development on Cannabidiol (CBD) for nutritional supplements, as well as for pet health and therapy

World-Class has developed leading-edge equipment and technologies to deploy purpose-built extraction and processing centres. World-Class's technologies are positioned to satisfy the extraction and processing needs of the evolving cannabis and hemp industry. In addition, PED, a logistics technology company offering specialized delivery services for both the medical and recreational cannabis markets continues to review opportunities to expand it's services of controlled substances/regulated product delivery (to include pharmaceutical deliveries, for example).

World-Class Technologies - Process Equipment Development

The Company has focused on production, quality and compliance of the BOSS CO2 Extraction System for the Canadian market. Commercialization of the BOSS CO2 Extraction System includes:

- From the successful shipment of the first production BOSS unit in January 2019, to the completion of BOSS units for partnerships, the Company is focused on the commercialization and monetization of the BOSS.
- Prepared, submitted, and received Canadian Registration of the BOSS design in key Canadian markets: British Columbia, Alberta and Ontario. Such registrations prove that the Company's extraction equipment meets legal safety requirements and facilitates successful inspection and permitting of the installation sites of the Company's strategic partners.
- The Company has designed and verified system updates to further improve BOSS operations, including: in-house development of CO2 pump seals with significant lifetime improvement; design, development, and verification of Clean-In-Place (CIP) system (unique in cannabis CO2 extraction systems on-the-market); collaboration with CIP fluid company to test cannabis specific cleaning fluids; remote BOSS system data monitoring for near real-time assessment of runtime; data by Soma experts; data warehousing to track system performance over time; highlight operations improvements through training based on observed process performance.

The Company has focused on the design and installation of the BEAST Ethanol Extraction System at the Company's Langley, BC development facility. Key aspects of the BEAST system development include:

- Centrifuge Assessment & Refurbishment: Detailed technical assessment of centrifuge for operational capability/installation completion. The Company fast-tracked the necessary updates through collaboration with centrifuge original equipment manufacturer ("**OEM**") and equipment is up to operational state; utilizing centrifugal process expertise from the OEM to support ethanol extraction process development.

- Successfully opened market opportunity for the Company to partner as the OEM's integrator in 2020 and to leverage the OEM's centrifuge designs in the Company's extraction systems.
- Design of the complete ethanol extraction system, consisting of four key modules: automated slurry ratio control and mixing; automated centrifugation; automated filtration (removing undesirable bio-components); and automated oil separation / ethanol recovery.
- Rapid, creative development and prototyping performed in parallel with the release of complete engineering design package.
- Agile, strategic equipment procurement to manage long-lead component constraints; sourcing, purchasing, receiving and installation of equipment in less than four months.
- Engineered safety systems designed in compliance with Fire Code requirements; hazardous area design, engineered for use with ethanol (flammable solvent); on the forefront of fire safe, food-safe equipment design for the cannabis industry; approved by local city/regulator.
- Langley development facility received ethanol handling approval; Company assessed municipal regulatory requirements for ethanol storage & handling and highlighted requirement for Fire Safety report to Township of Langley requesting permission for ethanol storage and handling.
- Third party Fire Safety Engineering review by GHL consultants; confirmed ethanol storage limits, and Engineered Safety Systems requirements to meet Canadian Fire Code requirements; valuable information for design & execution of future site installations.
- Confirmation of successful city approval for temporary ethanol storage & testing at Langley development facility; temporary updates to facility for safe execution of BEAST testing; updated Fire Plan for development facility.
- Cost-conscious execution of procurement and contractors; under-budget for all BEAST expenditures; generation of Scope-of-Work for all contractors, with detailed review of quotes resulting in significant cost; reductions from initial quotes.

Strategic Alliances and Joint-Ventures

Management believes that strategic relationships and joint ventures with industry participants and licensees will provide World-Class ongoing revenue streams and reduce investment risk while allowing the Company to leverage existing infrastructure and core commercialization. Our expertise lies in setting up facilities designed for large scale processing of cannabis and hemp, including biomass preparation, storage, extraction, refinement, distillation, formulation, and packaging. These facilities would provide for in-house oil production for wholesale distribution, toll processing (white label extracted and formulated cannabis oil for independent brands), the development of ancillary consumption devices and continued R&D. By way of these strategic relationships with licensed partners, the Company is capable of performing toll processing extraction with third-party license holders for a fee.

The Company can design, build and operate full scale extraction set-ups in licensed facilities on a collaborative/revenue sharing basis. The Company continues to seek opportunities to build further strategic partnerships for the establishment of licensed extraction and processing facilities for the extraction and processing of cannabis and hemp biomass.

Regarding the Company's Business and Operational Initiatives

Canntab Therapeutics Limited, Markham, Ontario.

World-Class and Canntab Therapeutics Limited are finalizing a definitive agreement to deploy extraction and processing systems for cannabis and hemp at Canntab's licensed facility in Markham, Ontario. A leading developer of advanced, pharmaceutical-grade formulations of cannabinoids and terpenes, Canntab is a Health Canada license holder (Standard Processing, Sales (Medical), Research, and Industrial Hemp). In addition, the February 25, 2019 hemp supply and loan agreement with Canntab Therapeutics Ltd. and FSD Pharma Inc., as previously announced on February 28, 2019, remains active.

Research and Development

The Company has spent years developing, adapting, and integrating extraction and processing equipment and technologies, incorporating consistent quality standards, and innovative processes. The Company has invested in research, development, and innovation to provide insight and solutions to overcome the extraction and processing challenges facing the industry.

World-Class' longstanding history on R&D, applied sciences and product application provides successful solutions for the deployment and operations of revenue-generating, purpose-built facilities for cannabis and hemp extraction and processing. World-Class is at the frontier of extraction engineering and applied sciences.

The Company continues to explore opportunities to engage its systems, processes, and World-Class Technologies to provide extraction and processing services to license holders under the *Cannabis Act* (Canada) and related regulations.

Specialized Skill and Knowledge

Patent Application

The Company has previously filed, and will continue to file, patent applications directed to its proprietary systems and methods for producing cannabis and hemp extracts. Such systems and methods are believed to be novel and non-obvious, based on the ability of the World-Class Technologies to produce extracts that have substantially greater concentrations of target cannabinoids and possess minimal contaminants. Additional advantages of the World-Class Technologies include the ability to process very large volumes of cannabis and hemp plant material.

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

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

Competitive Conditions

Changes to Canadian legislation in the *Cannabis Act* (Canada) provide opportunities in areas other than simple cultivation and sale of cannabis. These opportunities include the extraction and processing of cannabis and hemp into extracts and concentrates, and the utilization of these extracts and concentrates in value-added cannabis and hemp derivative consumer products.

The Company is currently focused on the commercialization of its products in Canada.

The Company intends to use the World-Class Technologies and future advancements to provide the following services at licensed extraction and processing centres:

- *Oil Production*. CO2 and ethanol extraction, including pre-processing (biomass preparation), ultrasound, water-based extraction, and remediation technologies.
- *Crude Processing & Oil Refinement*. Production of premium concentrates and isolates, including THC, CBD and full-spectrum oils.
- *Vape Hardware & Formulations*. Pairing specific cannabis concentrates and formulations with the right hardware.
- *End-User Products*. Working with license-holders and contract clients to develop consumer packaged products for cannabis and hemp extracts and concentrates for: vaporizing or dabbing, tinctures, topicals, capsules and pills, beverages, and other ingestible and edible products.

7. SUMMARY OF QUARTERLY RESULTS

Quarters Ended	Revenue ($)	Net Loss ($)	Loss per Share ($)
July 31, 2020	2,067,340	1,022,534	0.00
April 30, 2020	852,891	7,554,235	0.01
January 31, 2020	75,562	33,144,217	0.06
October 31, 2019	12,037	3,642,939	0.01
July 31, 2019	167,802	4,222,132	0.01
April 30, 2019	-	8,236,020	0.02
March 31, 2019	-	6,891,415	0.02

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

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

Significant expenses during the quarter ended July 31, 2019 include acquisition fees of $982,675 for the acquisition of Quadron, amortization of intangible and tangible assets of $702,611, a share-based payment pursuant to the grant of options of $993,135, consulting fees of $262,773, development and research expenses of $254,258 and marketing and research expenses of $2,054.

Significant expenses during the quarter ended October 31, 2019 include amortization of intangible and tangible assets of $751,475, remuneration and benefits of $561,920, share-based payments pursuant to the grant of options of $496,505, consulting fees of $298,598, development and research expenses of $564,179 and marketing and research expenses of $174,043.

Significant expenses during the quarter ended January 31, 2020 include impairment loss of $29,364,656 amortization of intangible and tangible assets of $729,128, remuneration and benefits of $640,550, share-based payments pursuant to the grant of options of $241,131, consulting fees of $141,777, development and research expenses of $830,180, professional fees of $195,315 and administrative expenses of $173,208.

During the quarter ended April 30, 2020, the Company completed its acquisition of PED. As a result, the Company's revenues increased by $852,890 and are primarily attributable to delivery revenues from PED. Cost of sales attributed to delivery revenues totalled $819,931, resulting in a gross margin of 49.28% for the quarter. Significant expenses during the quarter relate to administrative expenses of $185,185 (2019 - $16,957), consulting expenses of $65,407 (2019 - $324,312), research and development expenditures of $80,138 (2019 - $24,097), management fees of $89,500 (2019 -$110,175) , professional fees of $332,112 (2019 - $247,097), remuneration and benefits of $453,489 (2019 - $Nil), rent of $148,234 (2019 - $21,983), share based compensation of $737,460 (2019 - $1,238,902) and impairment loss of $5,847,517 (2019 - $Nil). Expenses generally increased from the acquisition of PED. Professional fees for the quarter related to fees for compliance and the PED acquisition, while in the same quarter last year, were in relation to the RTO completed. Impairment losses relate to the impairment of the Alkaline loan ($2,404,346), impairment of extraction equipment inventory ($3,406,415) and impairment of patents ($101,367) to the underlying intellectual property written off in Q3. The decrease in management and consulting fees and increase in remuneration and benefits, over the same period last year, is due the company switching from the use of consultants to employees.

Significant expense during the quarter ended July 31, 2020 include office expenses of $169,889, professional fees of $174,503, remuneration and benefits of $632,315, research and development of $332,999 and share-based payments of $257,058.

8. LIQUIDITY AND CAPITAL RESOURCES

The Company considers the capital that it manages to include share capital, reserves, and deficit, which at July 31, 2020 is $7,441,406 (April 30, 2020 - $8,359,773). The Company manages and makes adjustments to its capital structure based on the funds needed in order to support operations, business development and the commercialization of extraction technology. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets.

As at July 31, 2020 the Company had not yet achieved profitable operations and had an accumulated deficit since inception of $62,089,931. During the three months ended July 31, 2020, the Company had a net loss of $1,022,534 and spent $1,407,354 of cash on operating activities, $59,509 on investing activities and received $40,000 from financing activities. The Company expects to incur further losses in the development and operation of its businesses. The Company's ability to continue as a going concern is dependent upon its ability to monetize on its extraction equipment's, reach profitable operations with its delivery services and secure partnerships or acquisitions to deploy its extraction systems. All this will require necessary financing to develop and/or acquire business projects and to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. To date, the Company has relied on equity and debt financing to fund its acquisitions. The company is evaluating its objectives given current conditions in the Cannabis sector. The remaining funds will be used to sustain operations and sustain current acquisitions. The Company believes that additional funding will be required and could come in the form of equity, debt and or convertible debt; however, there is no assurance that such additional funding will be available when and as needed. The Company's access to sufficient capital will impact its ability to continue its Mergers & Acquisitions activities. For further information, see section "Financial Instruments and Other Instruments" below.

Funding Outlook

As at July 31, 2020, the Company is positioned to conduct its operations and meet its financial obligations. However, depending on the strategies followed and any future expansion going forward, additional financing will be required. At that time, Management would most likely be considering different sources of potential funding, including further equity issuances, the issuance of debt, the sale of assets and the exercise of warrants and stock options.

9. FINANCIAL MANAGEMENT RISK

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

Credit Risk

Credit risk is the risk of 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. As the Company does not invest in asset-backed deposits or investments, it does not expect any credit losses. Accounts receivable – net of allowance for ECL 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. The Company's credit risk exposure lies on its ability to collect from its business partners for advances made for new business deals. The Company's ECL on its trade receivables as at July 31, 2020 is nominal (April 30, 2020 – 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 July 31, 2020, the Company had a cash balance of $4,205,297 (April 30, 2020 - $5,632,160) to settle current liabilities of $5,297,966 (April 30, 2020 – $5,493,417). All of the Company's financial liabilities have contractual maturities of less than a year and are subject to normal trade terms.

Current liabilities	July 31, 2020	April 30, 2020
Accounts payable and accrued liabilities	$ 1,171,529	$ 1,302,058
Customer deposits	490,412	490,412
Due to related parties	460,540	375,759
Current portion of lease obligations	184,717	174,853
Convertible debt	2,010,924	1,996,405
Derivative liability	847,643	1,021,729
Loans payable - current	125,000	125,000
Liabilities of discontinued operations	7,201	7,201
Total current liabilities	$ 5,297,966	$ 5,493,417

The tables summarize the maturity profile of the Company's financial liabilities used for liquidity management and liabilities as at July 31, 2020 and April 30, 2020 based on contractual undiscounted receipts and payments.

As at July 31, 2020	<1 year	1-5 years	>5years
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	$ 1,171,529	$ -	$ -
Due to related parties	460,540	-	-
Loans payable - current	125,000	-	-
Loans payable - noncurrent	-	120,000	-
Convertible debt	2,010,924	-	-
Total financial liabilities at amortized cost	$ 3,767,993	$ 120,000	$ -
Financial liabilities at fair value			
Derivative liability	847,643	-	-

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	-	-

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.

Business Risks

Laws and Regulations are Subject to Change

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect the Company's operations. Canadian federal, provincial and municipal cannabis laws and regulations, along with Canadian securities laws, are broad in scope and subject to changing interpretations. These changes may require the Company to incur substantial costs associated with legal and compliance fees and ultimately require the Company to alter its business plans. Furthermore, violations of these laws, or alleged violations, could disrupt its business and result in a material adverse effect on operations. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted that will be directly applicable to its business. Financial Instrument measurement and valuation.

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

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

The measurement of the Company's financial instruments is disclosed in Note 24 to the Financial Statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

10. ACCOUNTING POLICIES

For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 3 of the Notes to the Financial Statements for the three months ended July 31, 2020.

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.

These pronouncements are not expected to have a material impact on the Company's consolidated financial statements.

11. EQUITY

The Company is authorized to issue an unlimited number of common shares without par value. The holders of the common shares are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

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

During the 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.

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 success fees for the acquisition of Quadron.

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 investment into PED (see Section 3 – Discussion and Analysis) amounting to $500,000.

No capital activity was initiated during the period ended July 31, 2020.

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.

As of the date of this report, a total of 5,775,000 escrowed shares have been released to the escrowed shareholders (April 30, 2020 – 4,200,000).

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 grant to eligible Grantees, the option to purchase common shares at the fixed price over a defined future period with any vesting periods to be determined by the Board. The SOP is a rolling plan under which the maximum number of common shares reserved for issuance is 10% of the issued shares of the Company at the time of granting the options. At July 31, 2020, there are a total of 14,962,157 (April 30, 2020 – 23,359,657) 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 – See Note 17 in Financial Statements – Share-Based Compensation

During the period ended July 31, 2020:

i) 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.

ii) The Company recognized share-based payments of $257,058 in statement of loss and comprehensive loss for the period ended July 31, 2020.

iii) On September 2, 2020, 65,000 stock options were forfeited.

The following summarizes the stock options activity during the three months ended July 31, 2020 and the year ended April 30, 2020:

	July 31, 2020			April 30, 2020		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of period	39,160,000	$	0.07	26,150,000	$	0.11
Grant and issuance	9,010,000	$	0.05	43,365,000	$	0.11
Exercised	-	$	-	(700,000)	$	0.10
Cancelled	(612,500)	$	0.11	(29,655,000)	$	0.18
Total Outstanding	47,557,500	$	0.07	39,160,000	$	0.07
Total Outstanding and Exercisable	33,048,750	$	0.07	28,400,000	$	0.11

The following summarizes the stock options outstanding at July 31, 2020:

Expiry Date		Exercise Price	Contractual Life (Years)	Number of Options Issued and Outstanding	Number of Options Exercisable
July 7, 2021	$	0.07	0.93	13,200,000	13,200,000
March 19, 2022	$	0.17	1.63	3,100,000	3,100,000
March 9, 2023	$	0.20	2.61	570,000	570,000
October 15, 2023	$	0.13	3.21	280,000	280,000
February 12, 2024	$	0.10	3.54	1,337,500	1,313,750
April 23, 2024	$	0.05	3.73	20,060,000	10,080,000
May 26, 2024	$	0.05	3.82	9,010,000	4,505,000
	$	0.07	2.81	47,557,500	33,048,750

Warrants - See Note 18 in Financial Statements – Warrants

During the year ended April 30, 2020:

a) On June 17, 2019, the Company granted 21,438,716 replacement warrants to the former Quadron warrant holders.

b) During the three months ended July 31, 2020, 14,285,716 warrants expired unexercised.

During the period ended July 31, 2020, 3,171,825 warrants expired unexercised.

The following warrants were outstanding and exercisable as at July 31, 2020:

Expiry Date	Exercise Price		Weighted Average Remaining Contractual Life (years)	Number of warrants
October 31, 2020	$	0.150	0.25	7,153,000
March 21, 2021	$	0.170	0.64	2,000,000
March 21, 2021	$	0.130	0.64	2,000,000
March 21, 2021	$	0.150	0.64	1,600,000
April 18, 2022	$	0.180	1.72	3,000,000
September 22, 2022	$	0.130	2.15	15,910,575
			1.41	31,663,575

12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

All transactions were in the normal course of operations and were recorded at exchange values established, which the consideration is agreed upon by the related parties.

As at July 31, 2020, amounts due from related parties totaled $25,765 (April 30, 2020 - $Nil) are unsecured, payable on demand, and without interest.

As of July 31, 2020, the amounts due to related parties amounting to $460,540 (April 30, 2020 - $375,759) are unsecured, payable on demand, and without interest.

		July 31, 2020		April 30, 2020
President	$	19,082	$	14,771
CFO of WCE		21,525		16,825
CFO of PED		44,162		-
Corporate Secretary		-		123,682
CEO of PED		219,816		209,181
CIO		1,962		-
Director*		153,993		11,300
Total	$	460,540	$	375,759

*Payable to a Company where Michael Galloro, Director is a Principal

Amounts due to a company controlled by a Director include $142,693 of convertible debt (See Note 15 in Financial Statements – Convertible debt and derivative liability).

During the three months ended July 31, 2020 and 2019, the Company entered the following transactions with related parties:

For the period ended		July 31, 2020		July 31, 2019
Management fees	$	61,000	$	52,500
Consulting fees		5,000		53,000
Accounting fees		2,628		8,000
Legal fees		-		148,201
Remuneration and benefits		122,800		75,000
Research and Development		1,874		-
Other income		24,488		-
Share-based payments		213,734		375,859
	$	431,524	$	712,560

- Management fees reported as part of consulting fees consist of $37,500 paid to a company of which the President of the Company has significant interest and $23,500 were paid to a company controlled by the CFO (2019: $36,000 paid to the former CFO and current director, $16,500 paid to a company controlled by the CFO).
- Consulting fees included as part of general and administrative expenses (Note 22) consist of $5,000 to a company of which the President of the Company has significant interest (2019: $53,000).
- Accounting fees presented as part of professional fees (Note 22) consist of $2,628 to a company controlled by the CFO (2019: $8,000).
- Legal fees paid to related parties mounted to $Nil this year (2019: $141,733 to a firm at which the Corporate Secretary is a Partner, $900 to the CEO and Director and $5,568 to the former CFO and current Director).
- Remuneration and benefits reported as part of general and administrative expenses (Note 22) consist of $37,500 to CEO (2019: $27,500), $37,500 to the CIO (2019: $Nil), $47,800 to the President of Soma (2019: $47,500).
- Research and development reported as part of general and administrative expenses (Note 22) pertain to payments of $1,874 to a company controlled by the CIO (2019: $Nil).
- Share-based payments reported as part of general and administrative expenses (Note 22) consist of $60,524 to directors, $69,316 to the President, $5,607 to the CFO, $68,392 to the CEO, $6,597 to the CIO and $3,298 to the President of Soma (2019: $87,949 to directors, $40,884 to former directors, $25,553 to former corporate secretary, $217,495 to the President, $2,940 to CFO and $1,038 to the President of Soma).

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, the Company incurred $279,437 cash payment and issued 3,915,531 common shares as acquisition fees to a company affiliated with Anthony Durkacz, Director.

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

13. PROPOSED TRANSACTIONS

The Company has the following proposed transaction as at July 31, 2020:

On July 8, 2020, First Republic Holdings Corporation bought 50% share in the Company's subsidiary, Cobra, from World Class. On July 29, 2020, Cobra entered into an agreement to acquire a senior secured convertible debenture of HydRx Farms Lts. 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. Closing is expected to occur by the end of September 2020.

14. CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 2 and 3 of the Notes to the Financial Statements for the three months ended July 31, 2020 SEDAR at www.sedar.com and www.thecse.com.

15. COMMITMENTS AND CONTINGENCIES

Hemp Supply Agreement

On February 25, 2019, the Company and two other entities, one being a medical processing and research and development 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 9 in Financial Statements – Prepaid Expenses and Deposits.

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 July 31, 2020, the Company and Canntab are finalizing the definitive agreement.

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 in Financial Statement - Right-of-use Asset and Note 20 – Lease Obligation)

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. The lease has been terminated during the period ending July 31, 2020.

PED, the newly acquired subsidiary, has the following existing lease agreements as at July 31, 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.
- Office rental in Ottawa for $1,803 to $2,156 per month plus GST from May 1, 2020 to April 30, 2030. A damage deposit of $6,095 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 in Financial Statements- 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 in Financial Statements- Right-of-use Asset and Note 20 – Lease Obligation)

Market Awareness Contract

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 World Class Share purchase options (the "Ascension Options") to purchase 300,000 World Class 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.

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 July 31, 2020, the Company has paid Equity Guru a total of $58,000.

New Business Venture

On April 20, 2020, 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 PED 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.

Contingent Liability

The Company's subsidiary, PED had an outstanding employee claim with potential liability of $250,000 as at July 31, 2020. PED has accrued $220,000 relating to this liability. 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.

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. The finder's fees were issued on August 24, 2020.

16. RISKS AND UNCERTAINTIES

Although Management attempts to mitigate risks associated with the manufacturing of cannabis and hemp extraction and processing systems and technologies, and minimize their effect on the Company's financial performance, there is no guarantee that the Company will be profitable in the future and the Company's Common Shares should be considered speculative.

Public Health Crisis. The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. In December 2019, the 2019 novel coronavirus ("**COVID-19**") surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak and characterized it as a pandemic on March 11, 2020. The outbreak has spread throughout the world and there continue to be escalating cases of COVID-19 in Canada and the United States, causing companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time. Such public health crises can result in volatility and disruptions in global supply chains, business operation and financial markets, as well as declining trade, market sentiment and reduced mobility of people, all of which could affect, interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak, labour shortages, travel and shipping disruption and shutdowns (including as a result of government regulation and prevention measures), decrease in sales, and delay, deferment or cancellation of potential partnerships and of the deployment of current and potential future extraction systems.

Strategic Alliances and Joint Ventures. The Company currently has, and may in the future, enter into strategic alliances and joint ventures with third parties that the Company believes will complement or augment its existing business. The Company intends to rely on strategic alliances and joint ventures with licensed cannabis and hemp companies, and at present, the Company's ability to carry on its business in extracting and processing is heavily dependent on its ability to establish strategic alliances and joint ventures with such license holders. The Company's ability to complete strategic alliances and joint ventures is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance our business, and may involve risks that could adversely affect the Company, including significant amounts of Management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances and joint ventures. Future strategic alliances and joint ventures could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that the Company's existing strategic alliances will continue to achieve, the expected benefits to the Company's business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

No Standard Processing License. As of the date of this report, the Company does not possess its own licence to extract and process cannabis granted by Health Canada under the *Cannabis Act* (Canada) and associated regulations, and the Company is therefore not a *Cannabis Act* license holder ("**Licence Holder**"). As a result of not being a License Holder, the Company is limited in its ability to produce extracts from cannabis and hemp using the World-Class Technologies. The Company's ability to produce extracts and concentrates from cannabis and hemp on its own using the World-Class Technologies is dependent on the Company becoming a License Holder.

The Company has not currently applied for a Processing License and there can be no assurance that Health Canada would grant the Company a Processing License if one was applied for. Government licenses are currently, and in the future may be, required in connection with the Company's operations, in addition to other unknown permits and approvals which may be required. The Company cannot predict the time required to secure all appropriate regulatory approvals for its operations, or the extent of testing and documentation that may be required by governmental authorities.

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

Operational Risk - PED Delivery Services. The cannabis delivery services provided by PED assumes that the PED will be able to obtain and maintain appropriate licenses, that PED will be able to hire and retain sufficient staff to operate the delivery services, that the capital costs associated with such delivery services do not increase materially beyond that budgeted and that PED is otherwise able to successfully expand its delivery infrastructure and network. If PED is unable to hire and retain sufficient staff to operate the delivery service, if capital costs associated with such expansion increase materially, or if the Company is unsuccessful in expanding its delivery infrastructure and network, the business of PED could be negatively impacted, and such negative impact could be material.

Dependence on Third Party Suppliers. The Company's business is dependent on its client's or joint venture partners' ability to source cannabis and hemp from License Holders. A failure to source the cannabis required for the Company's business and operations would have a material adverse impact on the business, financial condition and operating results of the Company. Real or perceived quality control problems with raw materials sourced from the Company's strategic and joint venture partners or other third-party license holders could negatively impact consumer confidence in the Company's services or expose it to liability.

PED's business is dependent on PED's ability to source delivery agreements from License Holders and other licensed entities for controlled substance deliveries

In addition, disruption in the operations of any such License Holder, supplier or if there is any material increases in the price of raw materials, for any reason, such as changes in economic and political conditions, tariffs, trade disputes, regulatory requirements, import restrictions, loss of certifications, power interruptions, fires, hurricanes, drought or other climate-related events, war or other events, could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Fluctuating Prices of Raw Materials. Elements of the Company's revenues are expected to be indirectly derived from the extraction, processing, production, sale and distribution of cannabis and hemp derived products. The price of production, sale and distribution of cannabis may fluctuate widely due to the early stage of the legal cannabis industry, and it is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

Change in Laws, Regulations and Guidelines. The Company's operations are, and may in the future become, subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis, including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. To the knowledge of Management, the Company is currently in compliance with all such laws; however, changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations.

The Company is continuously reviewing and enhancing its operational procedures and facilities on a proactive basis. The Company follows all regulatory requirements in response to inspections in a timely manner. The Company endeavors to comply with all relevant laws, regulations and guidelines. To the Company's knowledge, it is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines.

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

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

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

The Company may experience unforeseen additional expenditures.

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

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

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

At present, the Company has two (2) provisional patent applications pending in the United States, with one of those patents also under application for Canada and Europe. The patent position of a company is generally uncertain and involves complex legal, factual and scientific issues, several of which remain unresolved, and as such, there can be no assurance that the Company will be able to secure the patents applied for or develop other patentable proprietary technology and/or products. Furthermore, the Company cannot be completely certain that its future patents, if any, will provide a definitive and competitive advantage or afford protection against competitors with similar technology. There can be no assurance that any of the Company's patents will be sufficiently broad to protect the Company's technology or that they will not be challenged or circumvented by others or found to be invalid. In addition, competitors or potential competitors may independently develop, or have independently developed products as effective as ours or invent or have invented other products based on our patented products.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unpredictable and Volatile Market Price for Common Shares. The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

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

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

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

Execution of Acquisition Strategies. The success of the Company's business depends, in part, on its ability to execute on its acquisition strategy, to successfully integrate acquired businesses and to retain key employees of acquired businesses. The Company continues to evaluate strategic acquisition opportunities that have the potential to support and strengthen its business as part of its ongoing growth strategy. The Company expects to evaluate, negotiate and enter into possible acquisition transactions on an ongoing basis in the future. The Company expects to regularly make non-binding acquisition proposals, and it may enter into non-binding, confidential letters of intent from time to time in the future. The Company cannot predict the timing or size of any future acquisitions. To successfully acquire a significant target, the Company may need to raise additional equity and/or indebtedness, which could increase its leverage level. There can be no assurance that the Company will enter into definitive agreements with respect to any contemplated transaction or that any contemplated transaction will be completed. The investigation of acquisition candidates and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and others. If the Company fails to complete any acquisition for any reason, including events beyond its control, the costs incurred up to that point for the proposed acquisition likely would not be recoverable.

Acquisitions typically require integration of the acquired company. The Company may be unable to successfully integrate an acquired business into its existing business, and an acquired business may not be as profitable as expected or at all. The Company's inability to successfully integrate new businesses in a timely and orderly manner could increase costs, reduce profits or generate losses. Factors affecting the successful integration of an acquired business include, but are not limited to, the following:

- the Company may become liable for certain liabilities of an acquired business, whether or not known to the Company, which could include, among others, tax liabilities, product liabilities, environmental liabilities and liabilities for employment practices, and these liabilities could be significant;
- the Company may not be able to retain local managers and key employees who are important to the operations of an acquired business;

- substantial attention from the Company's senior management and the management of an acquired business may be required, which could decrease the time that they have to service and attract customers;
- the Company may not effectively utilize new equipment that it acquires through acquisitions;
- the complete integration of an acquired company depends, to a certain extent, on the full implementation of the Company's financial and management information systems, business practices and policies; and
- the Company may actively pursue a number of opportunities simultaneously and may encounter unforeseen expenses, complications and delays, including difficulties in employing sufficient staff and maintaining operational and management oversight.

Acquisitions involve risks that the acquired business will not perform as expected and that business judgments concerning the value, strengths and weaknesses of the acquired business will prove incorrect.

Future Acquisitions or Dispositions. Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business, (ii) distraction of management, (iii) the Company may become more financially leveraged, (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected, (v) increasing the scope and complexity of the Company's operations, and (vi) loss or reduction of control over certain of the Company's assets. Additionally, the Company may issue additional equity interests in connection with such transactions, which would dilute a shareholder's holdings in the Company.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

The Company cannot guarantee that it will achieve synergies and cost savings in connection with future acquisitions. The Company cannot guarantee that there will be attractive acquisition opportunities at reasonable prices, that financing will be available or that it can successfully integrate acquired businesses into existing operations. The Company's inability to effectively manage the integration of its completed and future acquisitions could prevent it from realizing expected rates of return on an acquired business and could have a material and adverse effect on the Company's financial condition, results of operations or liquidity.

Information Technology Systems and Cyber Security Risks. The Company's use of technology is critical to its continued operations. The Company is susceptible to operational, financial and information security risks resulting from cyber-attacks and/or technological malfunctions. Successful cyber-attacks and/or technological malfunctions affecting the Company, or its service providers can result in, among other things, financial losses, the inability to process transactions, the unauthorized release of customer information or confidential information and reputational risk.

The Company has not experienced any material losses to date relating to cybersecurity attacks, other information breaches or technological malfunctions. However, there can be no assurance that the Company will not incur such losses in the future. As cybersecurity threats continue to evolve, the Company may be required to use additional resources to continue to modify or enhance protective measures or to investigate security vulnerabilities.

Additional issuance of Company Shares will result in dilution. The Company plans to issue additional securities in the future in connection with its planned acquisitions, offerings and financing transactions, which will dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The Board of Directors has discretion to determine the price and the terms of further issuances. The Company cannot predict the effect that future issuances and sales of its securities will have on the market price of its Common Shares. Issuances of a substantial number of additional securities of the Company, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of the Company's securities, investors will suffer dilution to their voting power and the Company may experience dilution in its revenue per share.

Shareholders Have Little or No Rights to Participate in the Company's Affairs. With the exception of the limited rights of shareholders under applicable laws, the day-to-day decisions regarding the management of the Company's affairs will be made exclusively by the Board of Directors and its officers. Shareholders will have little or no control over the Company's future business and investment decisions, its business, and its affairs. The Company may also retain other officers and agents to provide various services to the Company, over which the shareholders will have no control. There can be no assurance that the Board of Directors, officers or its other agents will effectively manage and direct the affairs of the Company.

Dividends. Holders of the Company Shares will not have a right to dividends on such shares unless declared by the Board of Directors. The Company has not paid dividends in the past, and it is not anticipated that the Company will pay any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings. The declaration of dividends is at the discretion of the Board of Directors, even if the Company has sufficient funds, net of its liabilities, to pay such dividends, and the declaration of any dividend will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

Costs of Maintaining a Public Listing. As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

17. OUTSTANDING SHARES

As of the date of this report, there were 625,196,572 common shares, 47,492,500 stock options and 31,663,575 warrants outstanding.

18. OFF-BALANCE SHEET ARRANGEMENT

To the best of Management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

19. OTHER MATTERS

Legal proceedings
The Company's subsidiary, PED had an outstanding employee claim with potential liability of $250,000 as at July 31, 2020. PED has accrued $220,000 relating to this liability (Note 12 – Accounts payable and accrued liabilities). 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. (See Section 15 Commitments and Contingencies).

Contingent liabilities
In connection with the legal proceedings mentioned above, the Company recognized $220,000 provision for a liability contingent on the outcome of said ordeal. (See Section 15 Commitments and Contingencies)

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. As at July 30, 2020 and April 30, 2020, the liabilities of discontinued operations recognized in the consolidated statements of financial position relate to the customer deposits amounting to $7,201.

20. OTHER REQUIREMENTS

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