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 Nine Months Ended January 31, 2021

(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 nine months ended January 31, 2021 (the "**Reporting Period**"). This MD&A is prepared as at March 22, 2021, unless otherwise indicated, and should be read in conjunction with the interim condensed consolidated financial statements for the nine months ended January 31, 2021 and nine months ended January 31, 2020 ("**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 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; the Company's ability to expand its deliver services and provide discreet shipment of products; 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; 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); 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 the "Risks and Uncertainties" section below.

The forward-looking statements contained herein are based on information available as of December 17, 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 focus on the evolving cannabis and hemp industries. World-Class offers compliant and secure delivery of government regulated products through its subsidiary Pineapple Express Delivery Inc. ("**PED**"), including medical and recreational cannabis in Ontario, Manitoba and Saskatchewan, and liquor delivery in certain jurisdictions in Saskatchewan. World-Class, through its subsidiary Soma Labs Scientific Inc. ("**Soma**") continues to investigate opportunities 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. During the period ended January 31, 2021, World-Class sold it's 50% equity interest in Cobra Ventures Inc. ("**Cobra**") to the remaining shareholder of Cobra, the sale of which included all funds previously advanced by World-Class to Cobra with respect to a debenture purchase of HydRx Farms Ltd. operating as Scientus Pharma("**HydRx**"). World-Class will have no ongoing role or interest in Cobra or HydRx.

Corporate Overview

World-Class was incorporated under the laws of British Columbia on December 2, 1965.

- 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". 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.
- On December 23, 2020, World-Class wholly-owned subsidiary, Greenmantle Products Limited ("**GMP**") was dissolved and discontinued the sale of disposable vaporizer pens.
- As a result of COVID-2019, some governments made available wage-subsidy programs for eligible entities who meet certain criteria. During the period ended January 31, 2021, the Company, through its subsidiary, Soma Labs, applied for the Canada Emergency Wage Subsidy ("CEWS") and received $96,923 (January 31, 2020 - $Nil) from CEWS.

- As a result of COVID-19, the federal government of Canada introduced the Canada Emergency Rent Subsidy ("CERS") to cover part of commercial rent or property expenses. During the period ended January 31, 2021, the Company, through its subsidiary, Soma Labs received $22,208 (January 31, 2020 - $Nil) from CERS.

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

The Company operates through its subsidiaries:

- Soma, wholly-owned, was incorporated under the BCBCA on January 8, 2016 and is based in the Lower Mainland of British Columbia. Soma is a designer, manufacturer and supplier of extraction and processing equipment and solutions. Using its custom-engineered 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).

- PED, based in Burlington, Ontario, was incorporated under the Canada Business Corporations Act on February 15, 2018. PED is a logistic technology company offering compliant and secure delivery services of controlled substances and regulated products, including medical and recreational cannabis delivery in Ontario, Manitoba and Saskatchewan and liquor delivery in certain jurisdictions in Saskatchewan. WCE has a controlling interest in PED.

Completion of Arrangement with Quadron

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 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". 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.

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

Amalgamation of Soma and 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 during the year ended April 30, 2020. As a result, the assets and liabilities of Cyber were transferred to Soma (the amalgamated company).

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 January 31, 2021 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.

Dissolution of GMP

On December 23, 2020, GMP was dissolved, and the sale of disposable vaporizer pen were discontinued. GMP specialized in cannabis product development with expertise in vape hardware design, formulation science, and packaging. GMP had curated a diverse array of ancillary products and service offerings to provide customized strategic solutions for emerging market demands.

Cobra's acquisition of Senior Secured Convertible Debenture

During the year ended April 30, 2020, Cobra was incorporated. As at October 31, 2020 World-Class and an arm's length party each owned a 50% equity investment in Cobra.

As at October 31, 2020, Cobra borrowed $5,000,000 in the form of demand promissory notes which, the Company advanced $2,500,000 to Cobra. Interest is payable on the promissory note issued to World-Class at a rate of 10% per annum, compounded monthly. Proceeds from the promissory notes were used to purchase the senior secured convertible debenture of HydRx. The Company recorded accrued interest of $109,976 ($Nil – January 31, 2020) for the period ending January 31, 2021.

During the period ended January 31, 2021, the Company entered into a share purchase agreement, whereby World-Class sold its 50% equity investment in Cobra and the Cobra demand promissory note to an arm's length party for proceeds of $2,5000,000. World-Class recorded a loss of $109,976 on the sale of the investment and promissory note. World-Class will have no ongoing role or interest in Cobra or HydRx.

Acquisition of Controlling Interest in PED

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

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

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

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

During the period ended January 31, 2021, 450,000 PED common shares were issued to a Company controlled by a Director as payment for finders' fees in connection with the closing of the PED acquisition. 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 connection with the PED transaction. The total ownership of PED held by WCE increased to 22.79% as a result of these issuances. Subsequent to the period ended January 31, 2021, the Company entered into a share purchase agreement with the CEO of PED whereby, the Company purchased 1,000,000 common shares of PED for $100,000. The total ownership of PED held by WCE increased to 25.32% as a result of this transaction.

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.

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 and has cut costs to streamline operations. 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 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
- Michael Galloro, Director
- Rosy Mondin, Chief Executive Officer (CEO) and Director
- Leo Chamberland, President
- Zara Kanji, Chief Financial Officer (CFO)
- Shimmy Posen, Corporate Secretary
- 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.

As at the date of this report, Donal Carroll has resigned as a director of the Company, Shane Lander has resigned as Chief Innovation Officer (CIO)and Tamas Jozsa has resigned as President, Soma Labs Scientific 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

Technical

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

- Partnered with CannTrust Inc. to provide deliveries for estora™ medical cannabis products to CannTrust patients in Ontario, under the name "Trust Delivery – Powered by Pineapple Express". PED's delivery service allows estora™ patients to take advantage of same-day deliveries in the Greater Toronto Area (GTA), and next-day deliveries across southern Ontario, including Ottawa, Kingston, Barrie, London, and Windsor.

- PED previously entered into a licensing agreement to provide software and support services to an arm's length party. PED provides the set-up, implementation and development of the software and provides support to all locations catered to by the other party.

- In addition to continuing to offer premium delivery services for recreational and medical cannabis products, PED expanded its delivery services to provide same-day and next-day delivery of wine, spirits and beer products from Saskatoon Co-op's Wine-Spirits-Beer retail stores in Saskatoon, Warman and Martensville.

- A total of 580,732 cannabis and alcohol deliveries for the nine months ended January 31, 2021 were made. The fluctuations in deliveries quarter over quarter are due to the COVID-19 lockdown measures put in place in the Greater Toronto Area with volumes increasing during these lockdowns. Total deliveries per quarters: 209,676 – three months ended January 31, 2021, 181,569 – three months ended October 31, 2020 and 189,487 – three months ended July 31, 2020.

- The number of drivers changed from 55 at the beginning of 2020 to approximately 190 by the end of July 31, 2020, 180 by October 31, 2020 and 200 by January 31, 2021. Efficiencies have also been created by routing deliveries through hub expansions and concentrating drivers to tighter geographical areas, leading to less hours used by drivers for the timely delivery of packages.

- Within the province of Ontario, PED offers same day cannabis delivery service in 37 cities (183 postal code regions) and 3-day service in 65 cities (288 postal code regions).

- Expanded its services into the Ontario cities of Ottawa, Barrie, London and also into the Windsor/Chatham region.

- Launched and commenced operations of PED cannabis depots (hubs) in Ottawa, Kingston, London and in the Windsor/Chatham region.

- 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 (GTA). Medical Cannabis by Shoppers™ is Shoppers Drug Mart's online platform for the sale of medical cannabis.

- Partnered with Spectrum Therapeutics, the medical division of Canopy Growth Corporation to bring same-day delivery to medical cannabis patients in the GTA, from Hamilton to Scarborough. 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.

- Several contracts in place with Health Canada License Holders for delivery within select provinces in Canada.

- Late-stage applicant to Health Canada to obtain a 'Sale for Medical Purposes' license for its facility located in the GTA. With a population of 6-million people, this sales license gives PED the ability to store inventory for other license holders, allowing PED to leverage its facility in the GTA and offer same day delivery services to the patients of those LPs.

5. OVERALL PERFORMANCE

Financial Position

As at January 31, 2021, the Company had cash of $3,017,799 (April 30, 2020 - $5,632,160) to settle current liabilities of $5,588,146 (April 30, 2020 - $5,493,417). Total assets stood at $18,299,673, a decrease of $1,911,382 from previous yearend's $20,211,055.

Significant changes were noted on the following balance sheet items:

- *Cash*. $3,017,799 (April 30, 2020 – $5,632,160). Cash decreased primarily due to operating expenses funded for the period.
- *Accounts receivable*. $1,844,889 (April 30, 2020 – $1,255,621). Accounts receivable increased following the growth in PED sales and the certainty in collection which in turn minimizes the need for an allowance for expected credit loss. Subsequent to the period ended January 31, 2021, $1,379,433 was collected.
- *Sales tax receivable*. $81,920 (April 30, 2020 – $483,274). This account decreased mainly due to a decrease in activities brought about by the COVID-19 pandemic and the collection of refunds during the period.

- *Inventories*. $574,647 (April 30, 2020 – $322,376). Inventories increased during the period due to the Company purchasing new equipment that is ready for resale. As at the year ended April 30, 2020, the Company only has pre-processing equipment held for resale.
- *Due from related parties*. $92,196 (April 30, 2020 – $Nil). The increase is attributable to new transactions entered into with a company controlled by the President of WCE, CFO of PED and CIO of WCE. Subsequent to the period ended January 31, 2021, 82,104 was collected.
- *Leases*. Right-of-use asset amounted to $908,881 (April 30, 2020 – $937,867) and Lease liability totaled $1,014,617 (April 30, 2020 - $1,015,719). The change from year-end pertains to the Ottawa facility lease entered into by PED on April 30, 2020 for five years commencing on May 1, 2020.
- *Accounts payable and accrued liabilities*. $1,480,641 (April 30, 2020 – $1,302,058). The increase of $178,583 pertains to the realignment of funds to keep the Company afloat amidst the challenges brought about by the COVID-19 pandemic.
- *Convertible debt and derivative liability*. $2,342,039, (April 30, 2020 – $1,996,405) and $509,897 (April 30, 2020 - $1,021,729). The movements on the debt portion are due to interest and accretion expenses as well as the adjustment on the principal of the convertible note taken up during the period. 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 $435,375 was recognized.
- *Government Grant*. $92,061 (April 30, 2020 – $80,000). The balance at year end includes loans from the Canada Emergency Benefit Account (CEBA) to Soma and World Class accounted for at face value. During the period ended January 31, 2021, PED also availed of the CEBA loan which 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. The three CEBA loans were then revalued using the market interest rate at the date of the receipt of the loan following IAS 21, Accounting for Government Grants which led to the recognition of other income totaling $39,026. This amount will then be accreted to the CEBA loan liability over the life of the loan.
- *Due to related parties*. $577,878 (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, amounts owed to the President for management fees andthe accrued interest on the loan to the CEO 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.
- *Equity attributable to holders of the parent*. $6,239,614 (April 30, 2020 – $8,359,773). The decrease during the period ended January 31, 2021 pertain to the net loss for the period along with the share-based payments recognized for value of stock options vested.
- *Non-controlling interest*. $5,560,636 (April 30, 2020 – $5,436,999). Non-controlling interest is a result of the 22.79% ownership in PED. The increase for the period ended January 31, 2021 refer to the non-controlling stockholders' share in PED's net income for the period and the additional shares issued to non-controlling shareholders of PED and Finders.

Cash Flows

For the periods ended January 31, 2021 and 2020, the Company has the following cash flow activities:

Cash Flow Activities	Period Ended January 31, 2021	Period Ended January 31, 2020
Operating	$ (2,235,565)	$ (7,162,844)
Investing	(418,796)	(1,259,617)
Financing	40,000	(109,977)
Decrease in cash during the period	$ (2,614,361)	$ (8,532,438)

Operating Activities

Operating activities generated a net cash outflow of $2,235,565 (2020 - $7,162,844). The decreased use of cash is primarily attributable to management controlling costs, a significant temporary lay off of the majority of Soma's technical and operational team and WCE 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 period ended January 31, 2021.

Investing Activities

Investing activities outflows pertain to a loan to an associate initiated during the period ended January 31, 2021 and various equipment purchases while the outflows pertain to the selling of WCE interest in the associate and selling of the loan during the current period. 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 inflows from financing activities for the period ended January 31, 2021 pertain to PED's CEBA loan. The cash flows 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 nine months ended January 31, 2021 was $2,526,603 with $2,557,844 net loss attributable to equity holders of the parent and $31,241 net income attributable to non-controlling interest (nine months ended January 31, 2020 – $41,025,479 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*. $7,006,279 (2020 - $255,401). Revenue during the period ended January 31, 2021 was generated solely from the delivery services. Previous period revenue was generated from sales or rental of extraction and disposable vaporizer pens broken down as follows:

- Soma: $Nil (2020 - $2,030) – these refer to sale or rental of extraction and processing equipment and sale of automation on control solution equipment from CCS. The automation on control solution segment was discontinued during the year end April 30, 2020.

- GMP: $Nil (2020 - $252,346) – these refer to sale of premium disposable vaporizer cartridges, pens and related materials. During the period ended January 31, 2021, GMP was dissolved, and the sale of disposable vaporizer pens were discontinued.
- PED: $7,006,279 (2020 - $Nil) – these comprise of delivery services of medical and recreational cannabis within Ontario and Manitoba and liquor delivery in Saskatchewan to various Business-to-Consumer and Business-to-Business Licensed Producer companies.

➢ *Cost of Sales*. $4,765,582 (2020 - $141,424). 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 31.98% (2020 – 44.63%). This period only pertains to PED's gross margin while prior year's gross margin is combined for Soma and GMP. The decrease relates to the separate revenue items from each subsidiary. Gross Margin fluctuation quarter over quarter is due to increased payroll expenses.

➢ *Impairment loss.* Total Impairment loss during the same period last year of $29,364,656 pertained to intellectual property - $7,773,287 and goodwill - $21,591,369. The Company reviewed the value of its intellectual property and goodwill and deemed them to be impaired. As such the carrying value of the intellectual property and goodwill were written down to $Nil as at January 31, 2020.Impairment loss of $15,629 related to inventory impairment.

➢ *Selling expenses*.

	January 31, 2021	January 31, 2020
Investor relations	$ 5,770	$ 190,648
Marketing and research	6,146	500,124
Travel and marketing	19,456	215,016
	$ 31,372	$ 905,788

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 period. 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 related to business development in the previous period primarily related to Soma's Boss extraction system development, testing and demonstration.

➢ *General and administrative expenses*. $4,579,066 (2020 – $7,449,564). Significant movement is caused by the following.

	January 31, 2021	January 31, 2020
Bad debt	$ -	291,141
Consulting fees	144,718	693,473
Filing fees	75,771	83,268
Freight fees	-	49,245
Lease interest	112,485	49,308
Management fees	169,500	150,500
Office expenses	546,454	283,861
Professional fees	528,675	771,506
Personal protective equipment	22,774	-
Remuneration and benefits	1,862,007	1,439,989
Rent	237,473	41,096
Research and development	439,380	1,648,617
Share-based payments	437,685	1,730,771
Shop expenses	2,144	216,789
	$ 4,579,066	$ 7,449,564

- *Consulting Fees.* Are related to payments to consultants for various services pertaining to business development and 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 due to the termination/expiration of several consulting agreements as a result of the merged operations which include marketing consulting agreements.
- *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 2020 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. 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-term agreements for PED.
- *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 the acquisition of PED on March 31, 2020 and the addition of its employed work force.

- *Research and Development*. These expenses are due to development activity that cannot be capitalized and expensed which decreased due the COVID-19 pandemic.
- *Share-based Payments*. These payments were recorded for the value of stock options 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:

	January 31, 2021	January 31, 2020
Acquisition fees	$ (67,500)	$ (982,675)
Interest expense and bank charges	(538,005)	(8,645)
Gain (loss) on asset disposal	89,797	-
Unrealized gain (loss) on conversion feature	435,375	-
Interest income	126,751	40,093
Government grant	39,026	-
Customer deposit write-down	135,238	-
Foreign exchange gain (loss)	(64,106)	(16,352)
CEWS	96,923	-
CERS	22,208	-
Others	48,591	-
Total other income (expenses)	$ 324,298	$ (967,579)

- *Acquisition Fees.* For the period ended January 31, 2021, a total of 450,000 PED shares were issued to an arm's length party worth $67,500 as payment for finders' fees. Last year, they were related to cash payment of $280,500 and issuance of 5,015,531 common shares at a price of $0.14 to financial advisors for the acquisition of Quadron.
- *Interest expense.* These are mostly attributable to the interest amortization of the convertible debentures.
- *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, and the loss on the sale of the Cobra equity interest and promissory note.
- *Unrealized gain on conversion feature.* This pertains to the movement in fair value of the derivative component of the convertible debts.
- *Interest income.* Mostly relates to interest income from loans receivable.
- *Government grant.* Relates to the Canada Emergency Business Account ("CEBA") loan offered by the federal government of Canada due to the COVID-19 pandemic. CEBA loan has been measured at below market rate and measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The difference between the initial carrying vale and the proceeds received is $39,026 and has been offset to other income.
- *Customer deposit write-down.* These relate to non-refundable customer deposits advanced pursuant to agreements that were subsequently terminated.

6. OPERATIONS REVIEW

During the period ended January 31, 2021, Management focused on:

- *Pandemic.* Due to COVID-19, Soma temporarily laid off its employees effective April 14, 2020. Soma was able to recall some staff on an 'as required' basis and implementing appropriate protocols to maintain a safe and healthy workplace. Effective October 21, 2020, the Company temporarily laid off additional employees, the majority of which are World-Class employees. During the period ended January 31, 2021, the Company laid off a majority of its Soma and WCE employees. Management is closely monitoring the global and Canadian situation and is actively taking steps to mitigate the impact and spread of COVID-19. To streamline operations as at the date of this MD&A, all of Soma's employees have either been temporarily laid off or have provided notice to terminate their employment.
- *Business Practices*. Continues to implement 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.
- *Marketing*. Continued marketing efforts to build awareness of the Company's technologies potential.
- *PED Growth*. PED continued to grow 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.
- *Patent.* The United States Patent and Trademark Office ("USPTO") has awarded the Company the following U.S. Patents:
    - U.S. Patent No. 10,851,077, issued on December 1, 2020 in relation to the Company's methods for extracting and concentrating cannabinoids and other target compounds from cannabis using ultrasound-enhanced solvent extraction.
    - U.S. Patent No. 10,946,306, issued on March 16, 2021 in relation to the Company's methods for the systematic extraction and concentration of cannabinoids and other target compounds via solvent extraction from large scale harvests of cannabis and hemp crops.

General Description of the Business

World-Class is an innovation-driven company with a focus on the evolving cannabis and hemp industries. World-Class offers compliant and secure delivery of government regulated products through its subsidiary Pineapple Express Delivery Inc., including medical and recreational cannabis in Ontario, Manitoba and Saskatchewan, and liquor delivery in certain jurisdictions in Saskatchewan.

World-Class, through its subsidiary Soma Labs, has developed equipment and technologies to deploy purpose-built extraction and processing centres for licensed cannabis and hemp processors. World Class's custom technology and processes produce cannabis and hemp concentrates and oils. Through 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 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 products in the expanding concentrate market. World-Class continues to investigate opportunities to monetize its assets, including the extraction and processing systems, technology and processes, manufactured and created by its subsidiary, Soma Labs, to produce cannabis and hemp concentrates and end-products. Soma Labs technology and processes include:

- 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
- Creation of new extraction processes and continued refinement of current extraction methodologies

World-Class Technologies - Processing Equipment Development

The Company's subsidiary, Soma Labs, has focused on production, quality and compliance of systems, technologies, processes and procedures for cannabis and hemp extraction and processing ("**World-Class Technologies**"), which includes the BOSS CO2 Extraction System, and the BEAST Ethanol Extraction System.

The Company continues to focus on monetizing its Soma Labs assets, including the commercialization of the BOSS CO2 Extraction System:

- 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.

Key aspects of the BEAST Ethanol Extraction 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.

- 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.
- 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.

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.

On December 1, 2020, the U.S. Patent and Trademark Office ("**USPTO**") issued U.S. Patent No. 10,851,077 in relation to the Company's methods for extracting and concentrating cannabinoids and other target compounds from cannabis using ultrasound-enhanced solvent extraction. Provisions of the patent covers several broad steps throughout the extraction process ranging from: compound removal, purification, cannabinoid isolation, filtration, separation, solvent recovery, compound mixtures and more.

On March 16, 2021 USPTO issued U.S. Patent No. 10,946,306 in relation to the Company's methods for the systematic extraction and concentration of cannabinoids and other target compounds via solvent extraction from large scale harvests of cannabis and hemp crops.

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 cannabis and hemp derivative consumer products.

The Company is currently focused on the monetization of its assets in Canada.

7. SUMMARY OF QUARTERLY RESULTS

Quarters Ended	Revenue ($)	Net Loss ($)	Loss per Share ($)
January 31, 2021	2,649,140	626,878	0.00
October 31, 2020	2,289,799	877,189	0.00
July 31, 2020	2,067,340	1,022,536	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

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

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 expenses during the quarter ended July 31, 2020 include office expenses of $169,889, professional fees of $113,503, remuneration and benefits of $632,315, research and development of $332,999 and share-based payments of $257,059. Professional fees decreased from last quarter due to the audit fees booked in the last quarter of prior year. Share-based payment was lower due to lower number of options vested for the period aggravated by the forfeitures and cancellations during the quarter. The total net loss also decreased mainly due to the absence of the impairment losses and write-downs recorded during the last quarter.

Significant expenses during the quarter ended October 31, 2020 include office expenses of $235,882, professional fees of $248,844, remuneration and benefits of $685,552 and share-based payments of $168,761. Share-based payments were lower mostly due to lower value of options vested for the period. Professional fees increased during the quarter due to additional audit fees accrued. Overall net loss was a bit lower due to the recognition of other income from the government grants and the customer deposit write-down booked during the quarter.

Significant expenses during the quarter ended January 31, 2021 include office expenses of $140,684, professional fees of $166,328, remuneration and benefits of $544,140. The Company received $96,923 from CEWS and $22,208 from CERS totaling $119,131. Overall net loss was a bit lower due to the recognition of other income from the government grants, share-based payments being lower due to the options being fully vested during the quarter and the customer deposit write-down booked during the quarter.

8. LIQUIDITY AND CAPITAL RESOURCES

The Company considers the capital that it manages to include share capital, reserves, and deficit, which at January 31, 2021 is $6,239,614 (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 January 31, 2021 the Company had not yet achieved profitable operations and had an accumulated deficit since inception of $59,996,148 (April 30, 2020 - $60,914,506). During the period ended January 31, 2021, the Company had a net loss of $2,526,603 (2020 - $41,025,479) and spent $2,235,565 of cash on operating activities (2020 - $7,162,844), $418,796 on investing activities (2020 - $1,259,617) and received $40,000 from financing activities (2020 – used $109,977). 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. 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 operations and fund acquisitions. For further information, see section "Financial Instruments and Other Instruments" below.

Funding Outlook

As at January 31, 2021, the Company may not be able to conduct its operations and meet its financial obligations. Depending on the strategies followed, revenue and technology opportunities, and any future expansion going forward, additional financing will be required. Management is 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. Accounts receivable primarily consist of trade accounts receivable and other receivables. The Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. The Company's credit risk exposure lies on its ability to collect from its business partners for advances made for new business deals. The Company's ECL on its trade receivables as at January 31, 2021 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 January 31, 2021, the Company had a cash balance of $3,017,799 (April 30, 2020 - $5,632,160) to settle current liabilities of $5,588,146 (April 30, 2020 - $5,493,417). The Company's future financial success will be dependent upon the ability to monetize its technologies or obtain necessary financing to meet its contractual obligations. All of the Company's financial liabilities have contractual maturities of less than a year and are subject to normal trade terms. Working capital deficiency poses a liquidity risk unless the company can monetize on its technologies or acquire further equity or debt funding. The Company is exploring all opportunities for monetization of its assets technology and in acquiring further funding.

Current liabilities	January 31, 2021 $	April 30, 2020 $
Accounts payable and accrued liabilities	1,480,641	1,302,058
Customer deposits	348,412	490,412
Due to related parties	577,878	375,759
Current portion of lease obligations	195,401	174,853
Convertible debt	2,342,039	1,996,405
Derivative liability	509,897	1,021,729
Loans payable	125,000	125,000
Liabilities of discontinued operations	8,878	7,201
Total current liabilities	5,588,146	5,493,417

The tables summarize the maturity profile of the Company's financial liabilities used for liquidity management and liabilities as at January 31, 2021 and April 30, 2020 based on contractual undiscounted receipts and payments.

January 31, 2021	<1 year	1-5 years	>5years
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	$1,480,641	$ -	$ -
Due to related parties	577,878	-	-
Loans payable - current	125,000	-	-
Loans payable - noncurrent	-	92,061	-
Convertible debt	2,342,039	-	-
Total financial liabilities at amortized cost	$4,525,558	$ 92,061	$ -
Financial liabilities at fair value			
Derivative liability	$ 509,897	$ -	$ -

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 26 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 to the Financial Statements for the nine months ended January 31, 2021.

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. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

All transactions were in the normal course of operations and were recorded at fair values established, which the consideration is agreed upon by the related parties. As at January 31, 2021, amounts due from related parties totaled $92,196 (April 30, 2020 - $Nil) are unsecured, payable on demand, and without interest.

	January 31, 2021 $	April 30, 2020 $
President of WCE	**82,104**	-
CFO of PED	**9,984**	-
CIO of WCE	**108**	-
Total	**92,196**	-

As at January 31, 2021, amounts due to related parties totaled $577,878 (April 30, 2020 - $375,759) are unsecured, payable on demand, and without interest.

	January 31, 2021 $	April 30, 2020 $
CEO of WCE	**30,817**	-
President	**96,191**	14,771
CFO of WCE	**5,250**	16,825
Corporate Secretary	**-**	123,682
CEO of PED	**273,419**	209,181
CIO of WCE	**15,615**	-
Former President of Soma Labs	**14,735**	-
Director*	**141,851**	11,300
Total	**577,878**	375,759

*Payable to a Company where Michael Galloro, Director is a Principal. Amounts due to a company controlled by a Director include $141,851 of convertible debt.

During the periods ended January 31, 2021 and 2020, the Company entered into the following transactions with related parties:

	January 31, 2021 $	January 31, 2020 $
Management fees	169,500	150,500
Consulting fees	5,000	97,325
Accounting fees	24,000	18,620
Finders' fees	67,500	-
Legal fees	3,700	139,290
Remuneration and benefits	747,192	312,500
Research and development	5,254	-
Other income	79,001	-
Share-based payments	377,758	786,734
	1,478,905	1,604,984

- Management fees reported as part of general and administrative expenses consist of $112,500 paid to a company of which the Leo Chamberland, President of the Company has significant interest and $57,000 were paid to a company controlled by the Zara Kanji, CFO (2020: $100,000 paid to a company of which the Leo Chamberland, President of the Company has significant interest and $50,500 were paid to a company controlled by the Zara Kanji, CFO).

- Consulting fees included as part of general and administrative expenses consist of $5,000 to a company of which the Leo Chamberland, President of the Company has significant interest (2020: $35,000 to a company of which the Leo Chamberland, President of the Company has significant interest, $62,325 to a company controlled by a former Director).

- Accounting fees presented as part of professional fees consist of $24,000 to a company controlled by the Zara Kanji, CFO (2020: $18,620).

- Legal fees paid to related parties mounted to $3,700 to Michael Galloro, Director of PED (2020: $138,390 to a firm at which Shimmy Posen, Corporate Secretary is a Partner and $900 to Rosy Mondin, CEO and Director).

- Remuneration and benefits reported as part of general and administrative expenses consist of $112,500 to Rosy Mondin, CEO (2020: $91,250), $63,942 to Shane Landers, CIO (2020: $Nil), $111,183 to the Tamas Jozsa, Former President of Soma (2020: $118,750), $240,800 to Randy Rolf, CEO of PED (2020 - $Nil), $112,500 to Mike Sax, CFO of PED (2020 - $Nil), and $106,267 to Michael Depault, CTO of PED (2020 - $Nil).

- Share-based payments reported as part of general and administrative expenses consist of:

  - $92,274 (2020- $66,130) to Michael Galloro, Chand Jagpal and Anthony Durkacz (Directors);
  - 26,829 (2020 - $145,716) Donal Carroll, John Birdgman, Gary F. Zak, Dr. Sethu Raman and Binyomin Posen (former Directors);
  - $114,540 (2020 - $4,195) to Rosy Mondin, CEO;
  - $114,540 (2020 - $507,771) to Leo Chamberland, President;
  - $10,697 (2020 – $18,533) to Zara Kanji, CFO;
  - $12,585 (2020 - $Nil) to Shane Landers, CIO;
  - $Nil (2020 - $37,848) to Shimmy Posen, Corporate Secretary; and
  - $6,293 (2020 - $6,541) to Tamas Jozsa, Former President of Soma Labs.

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

During the period ended January 31, 2021, PED owes $548,568 to the Company for advances and interest in accordance with the credit facility agreement between the Company and the subsidiary. This is subject to an annual interest rate of 12%, compounded monthly.

12. PROPOSED TRANSACTIONS

The Company has no proposed transactions as at the date of this MD&A.

13. 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 nine months ended January 31, 2021 on SEDAR at www.sedar.com and www.thecse.com.

14. COMMITMENTS AND CONTINGENCIES

Occupancy Lease Agreements

PED, has the following existing lease agreements as at the date of this MD&A:

- Facility rental in East Cory Industrial Park for $950 per month from April 15, 2019 to April 15, 2021. A security deposit of $1,900 was paid at the start of the lease.
- Facility rental in Manitoba for $1,600 to $1,800 per month from November 1, 2018 to October 31, 2021. A damage deposit of $2,000 was paid on commencement date.
- Facility rental in Ottawa for $1,803 to $2,156 per month from May 1, 2020 to April 30, 2030. A damage deposit of $6,095 was paid on commencement date.
- Facility rental in Elginburg for $750 per month from June 1, 2020 to May 31, 2021. A deposit of $750 was paid on the commencement date.
- Facility rental in London, Ontario for $1,200 per month from September 1, 2020 to August 31, 2021. A security deposit of $3,200 was paid on the commencement date.
- Facility rental in Chatham for $3,500 per month from February 1, 2021 to January 31, 2022. A security deposit of $5,500 was paid on the commencement date.
- Facility rental in Toronto for $3,100 per month from February 1, 2021 to January 31, 2023. A security deposit of $3,100 was paid on the commencement date.

Soma Labs, has the following existing lease agreements as at the date of this MD&A:

- Facility rental in Langley, BC for $13,350 per month from June 1, 2018 to May 31, 2023. A security deposit of 36,115 was paid at the start of the lease.

Contingent Liability

The Company's subsidiary, PED had an outstanding employee claim with potential liability of $250,000 as at January 31, 2021. 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.

15. 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'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 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 or logistics 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.

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. 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.

16. OUTSTANDING SHARES

As at January 31, 2021, the Company had 625,196,572 shares, 43,550,000 stock options and 24,510,575 warrants issued and outstanding.

As of the date of this report, the Company has 625,196,572 shares, 42,960,000 stock options and 18,910,575 warrants issued and outstanding.

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	1.70%	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).

17. 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.