



# 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 Period Ended January 31, 2022**

(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 period ended January 31, 2022 (the “**Reporting Period**”). This MD&A is prepared as at March 25, 2022, unless otherwise indicated, and should be read in conjunction with the interim condensed consolidated financial statements for the period ended January 31, 2022 and period ended January 31, 2021 and the annual consolidated financial statements for the year ended April 30, 2021 (“**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, including the completing the Proposed COB (as defined herein) on the terms and conditions outlined in this MD&A. The forward-looking statements made in this MD&A are made on a number of assumptions, risks, and material factors, which include but are not limited to: the Company’s ability to obtain shareholder and CSE approval to complete the Proposed COB; estimated budgets; requirements for additional capital; 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 (as defined herein), 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 suppliers or service providers; the effect on third-party suppliers or service providers; 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 the date of this MD&A.

### **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 continues to investigate opportunities to monetize its technology, including its extraction and processing systems, technology and processes, manufactured and created by its subsidiary, Soma Labs Scientific Inc. ("**Soma**").

During the period ended January 31, 2022, the Company, Fire & Flower Holdings Corp. ("**FFHC**") and its wholly owned subsidiary Hifyre™ Inc. ("**Hifyre**") entered into an agreement whereby Hifyre acquired 100% of the issued and outstanding shares of Pineapple Express Delivery Inc. ("**PED**") (the "**Transaction**"). As consideration for the Transaction, FFHC has assumed and repaid approximately \$5.15 million in debt owed by PED and issued a total of 1,153,142 common shares of FFHC ("**Common Shares**"), of which a total of 313,708 were released on closing, with the remainder placed into escrow pending completion of customary working capital adjustments and subject to achievement of certain performance-based milestones in the fiscal 2022 year.



## 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 before changing to World-Class Extractions Inc.
- 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’s wholly-owned subsidiary, Greenmantle Products Limited (“**GMP**”) was dissolved and discontinued the sale of disposable vaporizer pens.
- During the year ended April 30, 2021, World-Class sold its 50% equity interest in Cobra Ventures Inc. (“**Cobra**”) to the remaining shareholder of Cobra, the sale of which included the receipt of all funds (\$2.5 million) 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.
- As a result of COVID-2019, some governments made available wage-subsidy programs for eligible entities that met certain criteria. During the year ended April 30, 2021, the Company, through its subsidiary, Soma, applied for the Canada Emergency Wage Subsidy (“**CEWS**”) and received \$96,923 (April 30, 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 year ended April 30, 2021, the Company, through its subsidiary, Soma received \$22,208 (April 30, 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**”.

As at the date of this MD&A, the Company operates through its wholly-owned subsidiaries:

- Soma 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.
- 1323194 B.C. Ltd. was incorporated under the BCBCA on September 7, 2021 to serve as a holding company for new business ventures of WCE.

### **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***

Cobra was incorporated on October 21, 2019. During the year ended April 30, 2021, an arm's length party purchased a 50% equity investment in Cobra for \$1.00 from World-Class. During the year ended April 30, 2021, the Company entered into a share purchase agreement, whereby World-Class sold its remaining 50% equity investment in Cobra and the Cobra demand promissory note to an arm's length party for proceeds of \$2,500,000.

During the year ended April 30, 2021, 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. During the year ended April 30, 2021, the Company entered into a share purchase agreement, whereby World-Class sold its remaining 50% equity investment in Cobra and the Cobra demand promissory note to an arm's length party for proceeds of \$2,500,000.

### ***Sale of Interest in PED***

On January 21, 2022, the Company completed the sale of its partially owned subsidiary, PED, to FFHC, whereby the Company received \$1,911,984 for settlement of debt owed by PED to WCE and an aggregate of up to 278,945 FFHC Common Shares with a fair value of \$970,344 in exchange for all of the Company's shares in PED. 62,800 FFHC Common Shares were released on closing ("**Initial Release Shares**") and 216,145 FFHC Common Shares were placed in escrow. 16,949 FFHC Common Shares will be released at such time as the effective date net working capital is finalized ("**Working Capital Holdback Shares**") and agreed upon and 199,196 being released upon the trailing nine month revenue is agreed upon ("**Revenue Holdback Shares**"). At January 21, 2022, the fair value of \$970,344 was calculated using the Black Scholes option pricing model assuming no expected dividends, weighted average expected life remaining of 0.79, weighted volatility of 68.21% and risk-free rate of 1.22%.

The Initial Release Shares and the Working Capital Holdback Shares are subject to restrictions on transfer for a period of three months following the Effective Date and the Revenue Holdback Shares shall be subject to restrictions on transfer for a period of twelve months following the Effective Date.

Within 90 days after January 21, 2022, Hifrye shall provide a calculation of an effective date net working capital statement. The Working Capital Holdback Shares will be released from escrow no earlier than 20 business days after receipt of the effective date net working capital statement and no later than 20 business days after the parties engage an independent accountant to resolve any objections in the effective date net working capital statement.

If the working capital is a positive amount that is greater than the target working capital, all Working Capital Holdback Shares will be released and additional shares will be issued, dollar for dollar, that is equal to the working capital adjustment amount divided by the deemed share price. If the working capital is a negative amount, the aggregate amount shall decrease, dollar for dollar, resulting in a certain number of Working Capital Holdback Shares being cancelled. In the event that the negative working capital adjustment exceeds the Working Capital Holdback Shares, the difference shall be settled by accessing the Revenue Holdback Shares.



Within 30 days after September 30, 2022, Hifrye shall provide an income statement and trailing nine month revenue statement (“**Revenue Statement**”). The Revenue Holdback Shares will be released from escrow no earlier than 20 business days after receipt of the Revenue Statement and no later than 20 business days after the parties engage an independent accountant to resolve any objections in the Revenue Statement. If the trailing nine month revenue exceeds the earn-out target, the Revenue Holdback Shares will be released. If the trailing nine month revenue is less than the earn out target, the aggregate consideration amount shall be decreased, dollar for dollar, by the amount of such difference and those shares shall be cancelled, with any remaining shares released from escrow.

Prior to the sale of PED, PED sold 25,000,000 common shares of WCE for \$400,000. As a result, this added value of \$400,000 was recognized as a gain from revaluation of the WCE shares in the consolidated statements of changes in equity split between the equity holders of the Parent for \$101,279 and non-controlling shareholders for \$298,721. Due to the sale of PED, the Company has classified the revaluation to deficit.

Given evidence of control over PED, PED’s financials were consolidated to WCE in accordance with IFRS 10 Consolidated Financial Statements up to the sale of PED. As at January 21, 2022, the date of disposition, the net assets (liabilities) of PED derecognized totaled \$6,610,599, as detailed below:

	\$
Accounts receivables	400,682
Other receivables	460,880
Prepays	307,769
Plant and equipment	813,277
Right-of-use-assets	641,450
Intangibles	548,237
Cash overdrawn	(98,632)
Accounts payable and accrued liability	(743,171)
Current portion of lease obligations	(46,460)
Long term portion of lease obligations	(686,223)
Derivative liability	(416,529)
Government grant	(35,501)
Convertible debenture	(2,689,154)
Due to related party	(315,050)
Factoring loan	(143,375)
Loans payable	(155,000)
<b>Net assets (liabilities)</b>	<b>(2,156,800)</b>
Net assets (liabilities) attributable non controlling interest	(1,610,704)
Net assets (liabilities) attributable to equity holder of the parent	(546,096)
<b>Total Net assets (liabilities)</b>	<b>(2,156,800)</b>
Goodwill	8,767,399
<b>Total net assets (liabilities) derecognized</b>	<b>6,610,599</b>



As at January 21, 2022, the date of disposition, the non-controlling interest and reserves that were derecognized to deficit totaled \$5,810,512, as detailed below:

	\$
Fair value revaluation reserve	101,279
Non-controlling interest	5,709,233
<b>Total</b>	<b>5,810,512</b>

During the period ended January 31, 2022, the Company recorded a loss on disposal of PED of \$5,338,975 as outlined below:

	January 31, 2022 \$
Net assets disposed attributable to equity holder of the parent	<b>(549,096)</b>
Goodwill disposed	<b>8,767,399</b>
Fair value of FFHC investment received	<b>(970,344)</b>
Cash received, net overpayment	<b>(1,911,984)</b>
Loss on sale of PED	<b>5,338,975</b>

#### 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
- Zara Kanji, Chief Financial Officer (CFO)
- Shimmy Posen, Corporate Secretary

As at the date of this report Leo Chamberland has resigned as President of the Company.

#### 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](mailto:info@worldclassextractions.com) | Website: <https://worldclassextractions.com>.





## 4. HIGHLIGHTS

---

### Technical

Since the Company's acquisition of a controlling interest in PED and up to FFHC acquiring PED on January 21, 2022, PED achieved the following milestones:

- Expanded its CannDeliv software delivery solution technology footprint with a collaboration with Clearleaf Inc. (operating as "Buddi") to facilitate online sales and cannabis delivery services for licensed cannabis retailers.
- Launched its propriety CannDeliv technology in BC, through a licensing agreement with City Cannabis, a licensed cannabis retailer.
- Reached a key milestone, completing 1-Million deliveries.
- 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.
- Provided software and support services to an arm's length party pursuant to a previously entered license agreement.
- 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 and continued to offer premium delivery services for recreational and medical cannabis products.
- Offered same day cannabis delivery service and 3-day service within the province of Ontario, and expanded its services into the Ontario cities of Ottawa, Barrie, London and 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.
- Entered into several contracts with Health Canada License Holders for delivery within select provinces in Canada.





- Applied to Health Canada to obtain a ‘Sale for Medical Purposes’ license for its facility located in the GTA.
- Expanded its services into British Columbia by entering into a licensing agreement with City Cannabis Corp. to facilitate its B2C sales.

## 5. OVERALL PERFORMANCE

### Financial Position

As at January 31, 2022, the Company had cash of \$2,916,680 (April 30, 2021 - \$2,377,635) to settle current liabilities of \$569,887 (April 30, 2021 - \$5,027,537). Total assets stood at \$4,631,268, a decrease of \$11,014,762 from April 30, 2021 assets of \$15,646,030.

Significant changes were noted on the following balance sheet items:

- *Cash*. \$2,916,680 (April 30, 2021 – \$2,377,635). Cash increased due to the receipt of funds from repayment of PED debt pursuant to the sale of PED. This was partly offset by payments relating to operating expenses funded for the period.
- *Accounts receivable*. \$48,989 (April 30, 2021 – \$1,760,325). Accounts receivable decreased due derecognizing of accounts receivable relating to the sale of PED.
- *Sales tax receivable*. \$22,373 (April 30, 2021 – \$15,349). This account increased due to timing of collection of refunds.
- *Inventories*. \$Nil (April 30, 2021 – \$100,000). Inventories decreased during the period due to the Company selling the previously purchased equipment that was ready for resale. As at the year ended April 30, 2021, the Company only had the newly purchased equipment that was ready for resale.
- *Loans receivable*. \$404,754 (April 30, 2021 - \$Nil). During the period ended January 31, 2022, a promissory note was issued to the Company for the principal sum of \$400,000 due on or before April 15, 2022 (“**Maturity Date**”). Interest is payable on the promissory note at a rate of 4% per annum, payable on the Maturity Date. As at January 31, 2022, the Company loaned \$400,000 and recorded accrued interest of \$4,754.
- *Prepaid expenses and deposits*. 138,380 (April 30, 2021 - \$362,036). Prepaid expenses and deposits decreased during the period due to the derecognizing of prepaid expenses and deposits relating to the sale of PED and the Company impairing \$10,000 of other prepayments to profit and loss.
- *Leases*. Right-of-use asset amounted to \$Nil (April 30, 2021 – \$613,346) and Lease liability totaled \$Nil (April 30, 2021 - \$974,046). The change from year-end pertains to the Company derecognizing of Right-of-use asset and lease liability relating to the sale of PED and the termination and release agreement of a lease by one of the subsidiaries, Soma Labs, effective, October 31, 2021. This resulted in a gain on lease liability of \$211,105.
- *Accounts payable and accrued liabilities*. \$218,841 (April 30, 2021 – \$1,014,802). The decrease from year end pertains to the payment of trade payables, non-interest bearing which are settled



on 30-to-60-day payment terms, the derecognizing of accounts payable and accrued liabilities due to the sale of PED and recording an overpayment of the PED promissory note in connection with the sale of PED.

- *Convertible debt and derivative liability.* \$Nil (April 30, 2021 – \$2,255,249) and \$Nil (April 30, 2021 - \$633,950). The decrease from year end pertains to the derecognizing of convertible debt and derivative liability due to the sale of PED
- *Government Grant.* \$71,056 (April 30, 2021 – \$95,618). 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 valued using the market interest rate at the date of the receipt of the loan following IAS 21, Accounting for Government Grants. This amount is being accreted to the CEBA loan liability over the life of the loan. The decrease is due to the derecognizing of government grant due to the sale of PED.
- *Due to related parties.* \$957 (April 30, 2021 – \$437,991). The decrease from year end pertains to the derecognizing of due to related parties due to the sale of PED and payments of the amounts owed to the CEO, CFO and former President of WCE.
- *Equity attributable to holders of the parent.* \$3,990,325 (April 30, 2021 – \$4,556,411). The decrease during the period ended January 31, 2022 pertain to the net loss for the period.
- *Non-controlling interest.* \$Nil (April 30, 2021 – \$5,184,124). Non-controlling interest is a result of the Nil% (April 30, 2021 – 25.32%) ownership in PED. The decrease resulted in the reclass of non-controlling interest to deficit due to the sale of PED.

## Cash Flows

For the periods ended January 31, 2022 and 2021, the Company has the following cash flow activities:

Cash Flow Activities	Period Ended	
	January 31, 2022 \$	January 31, 2021 \$
Operating – continued operations	(2,397,819)	(1,668,719)
Operating – discontinued operations	1,532,836	(313,372)
Investing – continued operations	1,444,919	(274)
Investing – discontinued operations	18,883	(418,522)
Financing – continued operations	(98,146)	(138,882)
Financing – discontinued operations	38,372	(74,592)
Change in cash during the period	539,045	(2,614,361)

## Operating Activities

Operating activities generated a net cash outflow of \$2,397,819 (2021 - \$1,668,719). The increased use of cash is primarily attributable the derecognizing of PED net assets due to the sale of PED during the period ended January 31, 2022 which is offset with management controlling costs, a significant layoff of the majority of Soma’s technical and operational team and WCE’s operational team and downsizing of Soma’s general operations.



## Investing Activities

Investing activities pertain to various equipment purchases, the issuance of a promissory note receivable and the receipt of payment of PED debt pursuant to the sale of PED during the periods ended January 31, 2022.

## Financing Activities

The cash outflows from financing activities for the period ended January 31, 2022 was \$98,146 (2021- \$138,882) pertaining to the lease liability payments.

## Result of Operations

The net loss and comprehensive loss for the period ended January 31, 2022 was \$7,786,737 (January 31, 2021 - \$2,526,603) with \$7,786,737 net loss and comprehensive loss attributable to equity holders of the parent and \$Nil net loss attributable to non-controlling interest (period ended January 31, 2021 – \$2,557,844 net loss and comprehensive loss attributable to equity holders of the parent and \$31,241 net income attributable to non-controlling interest). The increase in net loss and comprehensive loss was driven by the following:

- *Sales Revenue.* \$100,000 (2021 - \$Nil). Revenue during the period ended January 31, 2022 was generated from the selling of an extraction system.
- *Cost of Sales.* \$100,000 (2021 - \$Nil). For the previous period ended October 31, 2020, these costs are reflective of the direct cost attributable to the selling of an extraction system.
- *Impairment loss.* During the period ended January 31, 2022, the Company had \$157,280 (2021 - \$15,629) in impairment loss. The current period impairment loss relates to the Company determining that the equipment, computer software and equipment, and leasehold improvements and office furniture and other prepayments are unable to generate economic benefit. The previous period impairment loss related to the Company reviewing the value of its inventories. As such the Company wrote down the inventory to its carry value.
- *Selling expenses.*

	Period ended	
	January 31, 2022	January 31, 2021
	\$	\$
Investor relations	-	5,770
Marketing and research	-	6,146
Travel and marketing	-	6,704
	-	18,620

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. Travel and marketing related to business development.



- *General and administrative expenses.* \$850,147 (2021 – \$2,926,675). Significant movement is caused by the following.

	Nine months ended	
	January 31, 2022	January 31, 2021
	\$	\$
Consulting fees	61,292	144,718
Filing fees	52,796	75,771
Lease interest	4,148	41,295
Office expenses	158,348	113,270
Management fees	120,000	169,500
Professional fees	84,690	460,727
Remuneration and benefits	343,050	930,021
Rent	-	139,764
Research and development	-	411,780
Share-based payments	25,823	437,685
Shop expenses	-	2,144
	<b>850,147</b>	<b>2,926,675</b>

- *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.
- *Lease interest.* This relates to the interest expenses recognized in the amortization of the lease obligations. Lease interest expenses decreased in the current period due to the Company, through its subsidiary, Soma Labs, entering into a termination and release agreement on July 7, 2021 to terminate the lease agreement effective, October 31, 2021.
- *Filing fees.* Relate to compliance and regulatory filings. The decrease is due to a decrease in corporate activity.
- *Office expenses.* Relate to general expenses incurred in the office from operations and regulatory compliance.
- *Management fees.* Relate to the former President and CFO fees. The decrease relates to a decrease in the CFO fees and the resignation of the President.
- *Professional Fees.* Mainly relate to legal related to patent applications and general corporate legal, audit fees and accounting fees. The decrease primarily relates to the decrease in audit fees associated with the change of auditors.
- *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).
- *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



decreased due all of Soma's employees and a majority of WCE employees being terminated as of the date of this MD&A.

- *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:

	Nine months ended	
	January 31, 2022 \$	January 31, 2021 \$
Interest expense and bank charges	(8,751)	(13,816)
Interest income	5,322	126,751
Loss on asset disposal	-	(110,479)
Loss on sale of PED	(5,338,975)	-
Government grant	-	39,026
CEWS	-	96,923
CERRS	-	22,208
Reversal of impairment on deposit	-	200,275
Customer deposit write-down	-	135,238
Gain on lease liability	211,105	-
Foreign exchange gain (loss)	-	(64,106)
Others	162,021	35,807
	<b>(4,969,278)</b>	467,827

- *Interest expense and bank charges.* These are primarily attributable to the interest amortization of the government grant.
- *Loss 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.
- *Interest income.* Mostly relates to interest income from cash balance and the accrued interest relating to the promissory note entered into during the period ended January 31, 2022 and interest income from loans receivable during the period ended January 31, 2021.
- *Foreign exchange loss.* This primarily relates to the loan receivables denominated in US dollars and relates to the fluctuation in US and Canadian currencies. The loan receivable was charged to impairment loss for the year ended April 30, 2021 due to significant uncertainty on the collectability of the loan.



- *Loss on sale of PED.* On January 21, 2022, the Company completed the sale of its partially owned subsidiary, PED, to FFHC resulting in a loss on disposal of PED of \$5,338,975 as outlined below:

	January 31, 2022
	\$
Net assets disposed attributed to equity holder of the parent	(546,096)
Goodwill disposed	8,767,399
Fair value of FFHC investment received	(970,344)
Cash received, net overpayment	(1,911,984)
Loss on sale of PED	5,338,975

- *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 value and the proceeds received is \$39,026 and has been offset to other income.
  - *CEWS.* As a result of COVID-2019, some governments made available wage-subsidy programs for eligible entities that met certain criteria. During the period ended January 31, 2022, the Company, through its subsidiary, Soma Labs, applied for the Canada Emergency Wage Subsidy and received \$Nil (January 31, 2021 - \$96,923) from CEWS.
  - *CERS.* As a result of COVID-19, the federal government of Canada introduced the Canada Emergency Rent Subsidy to cover part of commercial rent or property expenses. During the period ended January 31, 2022, the Company, through its subsidiary, Soma Labs received \$Nil (January 31, 2021 - \$22,208) from CERS.
  - *Reversal of impairment on deposit.* This relates to equipment deposits for future extraction equipment purchases
  - *Customer deposit write-down.* These relate to non-refundable customer deposits advanced pursuant to agreements that were subsequently terminated.
  - *Others.* This relates to the selling of expensed equipment.
- *Income (loss) from Discontinued operations.* On January 21, 2022, the Company completed the sale of its partially owned subsidiary, PED, to FFHC. A discontinued operation is a component of the Company that either has been abandoned, disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operation; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or (iii) is a subsidiary acquired exclusively with a view to resell. The results of the discontinued operation relating to the disposition of PED, which are presented as one net



amount on the interim condensed consolidated statements of loss and comprehensive loss are summarized below:

	For the period from May 1, 2021 to January 21, 2022 \$	For the nine months ended January 31, 2021 \$
Sales	7,166,765	7,006,279
Cost of sales	(5,754,443)	(4,765,582)
Gross profit	1,412,322	2,240,697
Depreciation	281,520	267,024
Administrative expenses	994,633	496,310
Lease interest	60,955	71,190
Professional fees	256,677	67,948
Rent	165,233	97,709
Remunerations and benefits	1,099,088	931,986
Total operating expense	2,858,106	1,932,167
Income (loss) before other expenses	(1,445,784)	308,530
Other income (expenses)		
Acquisition fees	-	(67,500)
Interest and bank charges	(707,577)	(524,189)
Unrealized gain on conversion feature	299,704	435,375
Other income	-	12,785
Total other income (expenses)	(407,873)	(143,529)
Income (loss) from discontinued operations	(1,853,657)	165,001
Allocation of income (loss) from discontinued operations:		
Equity holder of the parent	(469,341)	133,760
Non-controlling interest	(1,383,316)	31,241
Loss on sale of PED. Income (loss) from discontinued operations	(1,853,657)	165,001

## 6. OPERATIONS REVIEW

During the period ended January 31, 2022, Management focused on:

- *Pandemic.* Due to COVID-19, Management is closely monitoring the global and Canadian situation and is actively taking steps to mitigate the impact and spread of COVID-19.
- *Business Practices.* Continues to 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 extraction and processing facilities.
- *Sale of PED.* FFHC through its subsidiary Hifyre acquired 100% of the issued and outstanding shares of PED.

### General Description of the Business

World-Class is an innovation-driven company with a focus on the evolving cannabis and hemp industries.

World-Class, through its subsidiary Soma, has developed equipment and technologies and custom technology and processes to produce cannabis and hemp concentrates and oils and end-products. World-Class continues to investigate opportunities to monetize its technology, including the extraction and processing systems, technology, and processes, manufactured and created by its subsidiary, Soma. Soma's 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, 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.

The Company continues to focus on monetizing its Soma 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.



## Skill and Knowledge

### *Patent Application*

The Company has previously filed 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 has succeeded in its efforts to patent its technology, and as such, 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.

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. The Company does not currently have its own Standard Processing License, as required by Health Canada to extract cannabinoids from cannabis and hemp.



## 7. SUMMARY OF QUARTERLY RESULTS

During the period ended January 31, 2022, the Company sold its interest in PED as a result PED operations were reclassified and included in loss from discontinued operations for all periods.

Quarters Ended	Revenue (\$)	Net Loss from continuing operations (\$)	Loss per Share (\$)
January 31, 2022	-	6,484,549	0.01
October 31, 2021	-	1,112,058	0.00
July 31, 2021	100,000	262,158	0.00
April 30, 2021	-	1,959,715	0.00
January 31, 2021	-	626,878	0.00
October 31, 2020	-	877,189	0.00
July 31, 2020	-	1,022,536	0.00
April 30, 2020	288,361	7,554,235	0.01

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.

Significant expenses during the quarter ended April 30, 2021 include office expenses of \$501,131, professional fees of \$(103,348), remuneration and benefits of \$439,596. Overall net loss was a higher due to the impairment of loans receivable of \$341,463, inventory written down to its carry value resulting in a loss of \$489,225, impairment of property and equipment of \$360,898, right-of-use asset of \$239,244 and prepaid deposit of \$166,607. The Company recorded \$66,204 in bad debt that relates to accounts receivable that is older than 90 days. These expenses were slightly offset from the reversal of year end audit accrual of \$152,000 to put the accrual in line with the Company's year end auditor quote.

Significant expenses during the quarter ended July 31, 2021 include office expenses of \$317,937, management fees of \$52,500, professional fees of \$77,983, remuneration and benefits of \$476,399, and share-based payments of \$17,544, which was offset with a gross profit of \$586,174. Office expenses increased due to an increase in insurance premiums, compliance expenses and an increase in PED operations. Remuneration and Benefits decreased due all of Soma's employees and a majority of WCE employees being terminated as of the date of this MD&A. Professional fees decreased from last quarter due to the decrease in audit fees associated with the change of auditors. 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, 2021 include office expenses of \$348,761, management fees of \$52,500, professional fees of \$124,146, remuneration and benefits of \$497,434, loss on derecognizing accounts receivable of \$83,001, impairment loss of \$147,279, rent expense of \$48,542 and share-based payments of \$5,313, which was offset with a gross profit of \$330,250. Office expenses increased due to an increase in insurance premiums, compliance expenses and an increase in PED operations. Remuneration and Benefits decreased due all of Soma's employees and a majority of WCE employees being terminated as of the date of this MD&A. Professional fees decreased from last quarter due to the decrease in audit fees associated with the change of auditors. Share-based payment was lower due to lower number of options vested for the period aggravated by the forfeitures and cancellations during the quarter. Loss on derecognizing accounts receivable increased due to PED entering into a factoring agreement during the current period.

Significant expenses during the quarter ended January 31, 2022, include loss on sale of PED of \$5,338,975, consulting fees of \$42,388, management fees of \$15,000, professional fees of \$23,384, remuneration and



benefits of \$91,459, impairment loss of \$10,001, and share-based payments of \$2,966, which was offset with a gross profit of \$330,250. Remuneration and benefits decreased due all of Soma's employees and a majority of WCE employees being terminated as of the date of this MD&A. Professional fees decreased from last quarter due to the decrease in audit fees associated with the change of auditors. Share-based payment was lower due to lower number of options vested for the period aggravated by the forfeitures and cancellations 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, 2022 is \$3,990,325 (April 30, 2021 - \$4,556,411). 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, 2022, the Company had not yet achieved profitable operations and had an accumulated deficit since inception of \$60,564,771 (April 30, 2021 – \$60,574,718). During the period ended January 31, 2022, the Company had a net loss and comprehensive loss of \$7,786,737 (2021 – \$2,526,603) and spent \$544,162 of cash on operating activities (2021 – \$1,500,017), received \$1,181,353 from investing activities (2021 – \$(274)) and spent \$98,146 on financing activities (2021 – \$138,882). 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 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 Management Risk](#)" below.

### Funding Outlook

As at January 31, 2022, 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, 2022 is \$nominal (April 30, 2021 – \$66,204).

### 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, 2022, the Company had a cash balance of \$2,916,680 (April 30, 2021 - \$2,377,635) to settle current liabilities of \$569,887 (April 30, 2021 - \$5,027,537). 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.

	January 31, 2022	April 30, 2021
Current liabilities	\$	\$
Accounts payable and accrued liabilities	218,841	1,014,802
Customer deposits	341,211	341,211
Due to related parties	957	437,991
Current portion of lease obligations	-	191,706
Convertible debt	-	2,255,249
Derivative liability	-	633,950
Loans payable	-	143,750
Liabilities of discontinued operations	8,878	8,878
<b>Total current liabilities</b>	<b>569,887</b>	<b>5,027,537</b>



The tables summarize the maturity profile of the Company's financial liabilities used for liquidity management and liabilities as at January 31, 2022 and April 30, 2021 based on contractual undiscounted receipts and payments.

<b>January 31, 2022</b>	<1 year	1-5 years	>5years
<b>Financial liabilities at amortized cost</b>			
Accounts payable and accrued liabilities	\$ 218,841	\$ -	\$ -
Due to related parties	957	-	-
Loans payable - current	-	-	-
Government grant	-	71,056	-
Convertible debt	-	-	-
<b>Total financial liabilities at amortized cost</b>	<b>\$ 219,798</b>	<b>\$ 71,056</b>	<b>\$ -</b>
<b>Financial liabilities at fair value</b>			
Derivative liability	\$ -	\$ -	\$ -

  

<b>April 30, 2021</b>	<1 year	1-5 years	>5years
<b>Financial liabilities at amortized cost</b>			
Accounts payable and accrued liabilities	\$1,014,802	\$ -	\$ -
Due to related parties	437,991	-	-
Loans payable - current	143,750	-	-
Government grant	-	95,618	-
Convertible debt	2,255,249	-	-
<b>Total financial liabilities at amortized cost</b>	<b>\$3,851,792</b>	<b>\$ 95,618</b>	<b>\$ -</b>
<b>Financial liabilities at fair value</b>			
Derivative liability	\$ 633,950	\$ -	\$ -

### 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.

**(c) Price risk**

The Company's investments are subject to fair value fluctuations. As at January 31, 2022, if the fair value of the Company's investment had decreased/increased by 10% with all other variables held constant, other comprehensive profit or loss for the period ended January 31, 2022 would have been approximately \$104,237 higher/lower.





## 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 27 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 period ended January 31, 2022 and the year ended April 30, 2021.

### Recent accounting pronouncements

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretation Committee ("IFRIC") that are not yet effective. Many are not applicable or do not have a significant impact to the Company and have been excluded.



## 11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

As at January 31, 2022, amounts due to related parties totaled \$957 (April 30, 2021 - \$437,991) of which \$957 (April 30, 2021 - \$45,906) are unsecured, payable on demand, and without interest.

	January 31, 2022 \$	April 30, 2021 \$
CEO of WCE	-	11,601
Former President of WCE	957	14,082
CFO of WCE	-	5,250
CEO of PED	-	250,091
CFO of PED	-	14,973
Director*	-	141,994
<b>Total</b>	<b>957</b>	<b>437,991</b>

\* Payable to a Company where Michael Galloro, Director is a principal. Amounts due to a company controlled by a Director include \$Nil (\$141,994 – April 30, 2021) of convertible debt and derivative liabilities.

Included in the due to the CEO of PED above is a promissory note entered into by the Company's subsidiary, PED, with a carrying value as at January 31, 2022 of \$Nil (April 30, 2021 - \$250,091). The details of the loan are as follows:

	Interest	Commencement	Maturity	Principal owing as at January 31, 2022 \$	Principal owing as at April 30, 2021 \$
Promissory Note	12%	March 30, 2020	March 31, 2022	-	240,945

Pursuant to the disposal of subsidiary, the due to related party in connection with PED has been derecognized during the period ended January 31, 2022.



During the periods ended January 31, 2022 and January 31, 2021, the Company entered into the following transactions with related parties:

	January 31, 2022 \$	January 31, 2021 \$
Management fees	120,000	169,500
Consulting fees	-	5,000
Accounting fees	2,396	24,000
Finders' fee	-	67,500
Legal fees	-	3,700
Remuneration and benefits	115,542	287,625
Remuneration and benefits from discontinued operations	373,300	459,567
Research and development	-	5,254
Other income	-	79,001
Share-based payments	25,823	377,758
	<b>637,061</b>	<b>1,478,905</b>

- Management fees reported as part of general and administrative expenses consist of \$75,000 (2021 - \$112,500) paid to a company of which Leo Chamberland, former President of the Company has significant interest and \$45,000 (2021 - \$57,000) was paid to a company controlled by Zara Kanji CFO.
- Consulting fees included as part of general and administrative expenses consist of \$Nil (2021: \$5,000 to a company of which Leo Chamberland, former President of the Company has significant interest).
- Accounting fees presented as part of professional fees consist of \$2,396 to a company controlled by Zara Kanji, CFO (2021: \$24,000).
- Remuneration and benefits reported as part of general and administrative expenses consist of \$115,542 to Rosy, Mondin, (2021: \$112,500 to Rosy Mondin, CEO, \$63,942 to the Former CIO, \$111,183 to the Former President of Soma)
- Remuneration and benefits from discontinued operations reported as part of discontinued operations consist of \$160,800 to Randy Rolf, CEO of PED, \$106,250 to Mike Sax, CFO of PED and \$106,250 to Michael Depualt, CTO of PED (2021 - \$240,800 to CEO of PED, \$112,500 to the CFO of PED and \$106,267 to the CTO of PED).
- Share-based payments reported as part of general and administrative expenses consist of \$12,912 to Randy Rolph, CEO of PED and \$12,911 to Michael Depualt, CTO of PED (2021: \$26,829 to former director, \$92,274 to Michael Galloro, Chang Jagpal and Anthony Durkacz, directors, \$114,540 to the former President, \$10,697 to Zara Kanji, CFO, \$114,540 to Rosy Mondin, CEO, \$12,585 to the former CIO and \$6,293 to the former President of Soma).

As at January 31, 2022, PED owes \$Nil (April 30, 2021 - \$580,340) 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. During the period ended January 31, 2022, in connection with the disposal of subsidiary, \$676,784 was repaid to the Company.



On February 3, 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.

## 12. PROPOSED TRANSACTIONS

---

As at the date of this MD&A, the Company has resolved to redeploy its assets and resources in a way that would, without a major acquisition or change of control, result in a “change of business” under the rules and policies of the Canadian Securities Exchange (the “**Proposed COB**”). The Proposed COB would see the Company move from being a “Life Science” company focused on cannabis to an “investment company” focused on the raising of money and investing in companies without getting involved in the mind and management of the investee companies. The Proposed COB is subject to regulatory approval, including the approval of the Canadian Securities Exchange and the approval of the Company’s Shareholders.

## 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 [Notes 2 and 3 to the Financial Statements](#) for the year ended April 30, 2021 on SEDAR at [www.sedar.com](http://www.sedar.com) and [www.thecse.com](http://www.thecse.com).

## 14. COMMITMENTS AND CONTINGENCIES

---

### Contingent Liability

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 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 continue to 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 ("**License 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. 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.

**Dependence on Third Party Suppliers.** The Company's business is dependent on its client's or joint venture partners' ability to secure financing, secure a license, or 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.

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 manufacturing 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 Strategies.** The success of the Company's business depends, in part, on its ability to execute on its strategy and to retain key management and employees. The Company continues to evaluate opportunities that have the potential to support and strengthen its business as part of its ongoing growth strategy. The Company expects to evaluate transactions on an ongoing basis in the future. The Company expects to regularly make non-binding 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 transaction(s). To successfully execute on its strategies, 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 and 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 transaction for any reason, including events beyond its control, the costs incurred up to that point for the proposed transaction likely would not be recoverable. 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.

**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, 2022, the Company had 625,196,572 shares, 29,600,000 stock options and 18,910,575 warrants issued and outstanding.

As of the date of this report, the Company has 625,196,572 shares, 29,600,000 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 10,500,000 escrowed shares have been released to the escrowed shareholders (January 31, 2022 – 8,925,000).

## 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.