**WORLD CLASS EXTRACTIONS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years ended April 30, 2022 and 2021**

(Expressed in Canadian Dollars)

INDEX

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of World Class Extractions Inc.

**Opinion**

We have audited the consolidated financial statements of World Class Extractions Inc. (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies ("collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

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

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of $8,219,850 during the year ended April 30, 2022 and, as of that date, had an accumulated deficit of $60,385,396. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**
**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, BC

October 27, 2022

MOORE

An independent firm
associated with Moore
Global Network Limited

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

| AS AT | Note | April 30, 2022 $ | April 30, 2021 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | **2,534,189** | 2,377,635 |
| Accounts receivable (net) | 6 | **-** | 1,760,325 |
| Consideration receivable | 5 | **53,108** | - |
| Sales tax receivable | 7 | **7,717** | 15,349 |
| Other receivable | 4 | **100,000** | - |
| Inventory | | **-** | 100,000 |
| Prepaid expenses and deposits | 9 | **1,150** | 362,036 |
| **Total current assets** | | **2,696,164** | 4,615,345 |
| | | | |
| **Non-current assets** | | | |
| Loan receivable | 8 | **408,715** | - |
| Investments | 5 | **638,856** | - |
| Goodwill | 4, 11 | **-** | 8,767,399 |
| Right-of-use assets | 4, 20 | **-** | 613,346 |
| Property and equipment (net) | 10 | **-** | 971,851 |
| Intangible assets (net) | 4, 11 | **-** | 678,089 |
| **Total non-current assets** | | **1,047,571** | 11,030,685 |
| | | | |
| **TOTAL ASSETS** | | **3,743,735** | 15,646,030 |

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
(Expressed in Canadian Dollars)

| AS AT | Note | April 30, 2022 $ | April 30, 2021 $ |
|---|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 12 | **213,936** | 1,014,802 |
| Customer deposits | 13 | **-** | 341,211 |
| Due to related parties | 27 | **136** | 437,991 |
| Current portion of lease obligations | 4, 21 | **-** | 191,706 |
| Convertible debt | 4, 16 | **-** | 2,255,249 |
| Derivative liabilities | 4, 16 | **-** | 633,950 |
| Loans payable | 4, 14 | **-** | 143,750 |
| Liabilities of discontinued operations | 29 | **1,677** | 8,878 |
| **Total current liabilities** | | **215,749** | 5,027,537 |
| | | | |
| **Non-current liabilities** | | | |
| Non-current portion of lease obligations | 4, 21 | **-** | 782,340 |
| Government grant loan | 15 | **36,713** | 95,618 |
| **Total non-current liabilities** | | **36,713** | 877,958 |
| | | | |
| **Total liabilities** | | **252,462** | 5,905,495 |
| | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 17 | **61,756,937** | 61,756,937 |
| Reserves | 18, 19 | **2,119,732** | 3,374,192 |
| Deficit | | **(60,385,396)** | (60,574,718) |
| Equity attributable to holders of the parent | | **3,491,273** | 4,556,411 |
| Non-controlling interest | 4, 29 | **-** | 5,184,124 |
| **Total shareholders' equity** | | **3,491,273** | 9,740,535 |
| | | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **3,743,735** | 15,646,030 |

Nature of operations and going concern (Note 1)
Subsequent events (Note 31)

APPROVED BY THE BOARD:

Signed "Chand Jagpal", Director    Signed "Michael Galloro", Director

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

## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

| | Notes | For the years ended April 30, 2022 $ | April 30, 2021 [i] $ |
|---|---|---|---|
| **Operating expenses** | | | |
| Selling expenses | 22 | **-** | 16,443 |
| General and administrative expenses | 22 | **1,058,711** | 2,217,748 |
| Impairment loss | 8, 9, 10 | **231,873** | 508,070 |
| Depreciation and amortization | 10, 20, 21 | **19,059** | 51,414 |
| **Loss before other expenses** | | **(1,309,643)** | (2,793,675) |
| **Other income (expenses)** | | | |
| Interest expenses and bank charges | 14, 15, 23 | **(5,269)** | 181,235 |
| Loss on sale of subsidiaries | 4, 23, 29 | **(4,719,708)** | - |
| Write-off of accounts payable | | **-** | 53,553 |
| Other income | 23 | **9,279** | 164,903 |
| Change in fair value of investment | 5 | **(578,380)** | - |
| **Total other income (expenses)** | | **(5,294,078)** | 399,691 |
| **Loss from continuing operations** | | **(6,603,721)** | (2,393,984) |
| **Loss from discontinued operations** | 29 | **(1,616,129)** | (2,092,334) |
| **Net loss and comprehensive loss for the year** | | **(8,219,850)** | (4,486,318) |
| **Allocation of net loss and comprehensive loss for the year:** | | | |
| **Equity holders of the parent** | | **(6,856,409)** | (4,241,047) |
| **Non-controlling Interest** | 4, 29 | **(1,363,441)** | (245,271) |
| **Net loss for the year** | | **(8,219,850)** | (4,486,318) |
| **Weighted average number of common shares outstanding - basic and diluted** | | **625,196,572** | 625,196,572 |
| **Loss per share for net loss attributable to equity holders of the parent** | | | |
| From continuing operations | | **(0.01)** | (0.00) |
| From discontinued operations | | **(0.00)** | (0.00) |
| **Basic and diluted loss per share** | | **(0.01)** | (0.00) |

i) *The comparative figures have been restated to conform with the current year's presentation, see Notes 2 and 30..*

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

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

| | | Equity attributable to holders of the Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | ISSUED CAPITAL | | RESERVES | | | | | |
| | Note | Number of Common Shares | Share Capital $ | Options $ | Warrants $ | Fair value revaluation $ | Deficit $ | Non-controlling Interest $ | Total Shareholders' Equity $ |
| **Balance, April 30, 2020** | | **625,196,572** | **61,756,937** | **5,270,728** | **2,246,614** | **-** | **(60,914,506)** | **5,436,999** | **13,796,772** |
| Pineapple Express Delivery (PED) shares issued for settlement of debt | | - | - | - | - | - | - | 24,896 | 24,896 |
| PED shares issued for finder's fee | | - | - | - | - | - | - | 67,500 | 67,500 |
| PED shares purchased from related party | | - | - | - | - | - | - | (100,000) | (100,000) |
| Cancellation or expiry of stock options | | - | - | (3,929,746) | - | - | 3,929,746 | - | - |
| Expiry of warrants | | - | - | - | (651,089) | - | 651,089 | - | - |
| Share-based payments | | - | - | 437,685 | - | - | - | - | 437,685 |
| Net loss for the year | | - | - | - | - | - | (4,241,047) | (245,271) | (4,486,318) |
| **Balance, April 30, 2021** | | **625,196,572** | **61,756,937** | **1,778,667** | **1,595,525** | **-** | **(60,574,718)** | **5,184,124** | **9,740,535** |
| Cancellation or expiry of stock options | 18 | - | - | (957,961) | - | - | 957,961 | - | - |
| Expiry of warrants | | - | - | - | (322,322) | - | 322,322 | - | - |
| WCE shares sold by PED | 4 | - | - | - | - | 101,279 | - | 298,721 | 400,000 |
| Share-based payments | 18 | - | - | 25,823 | - | - | - | - | 25,823 |
| Net loss from discontinued operations | 29 | - | - | - | - | - | (252,688) | (1,363,441) | (1,616,129) |
| Gain on sale of PED attributable to NCI | 29 | - | - | - | - | - | - | 1,544,765 | 1,544,765 |
| Disposition of PED | 29 | - | - | - | - | (101,279) | 5,765,448 | (5,664,169) | - |
| Net loss from continuing operations for the year | | - | - | - | - | - | (6,603,721) | - | (6,603,721) |
| **Balance, April 30, 2022** | | **625,196,572** | **61,756,937** | **846,529** | **1,273,203** | **-** | **(60,385,396)** | **-** | **3,491,273** |

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

## WORLD CLASS EXTRACTIONS INC.

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

| | For the years ended | |
|---|---|---|
| | **April 30, 2022** | April 30, 2021 [i] |
| | **$** | $ |
| Cash flows used in operating activities: | | |
| Net loss | **(8,219,850)** | (4,486,318) |
| Items not involving cash: | | |
| Write-off of accounts payable | **-** | 53,553 |
| Depreciation and amortization | **19,059** | 51,414 |
| Loss on disposition of subsidiaries | **4,719,708** | - |
| Impairment loss | **231,873** | 507,986 |
| Change in fair value of investment | **578,380** | |
| Foreign exchange loss | **-** | 35,350 |
| Lease interest | **22,740** | 3,834 |
| Share-based payments | **25,823** | 437,685 |
| Loss on sale of equipment | **-** | 16,443 |
| Interest | **(3,817)** | (11,814) |
| Other income | **-** | (13,120) |
| Change in non-cash operating working capital: | | |
| Accounts receivable | **-** | 15,001 |
| Accounts payable and accrued liabilities | **(57,321)** | (634,686) |
| Due to related parties | **(24,136)** | (130,139) |
| Sales tax receivable | **(3,879)** | 484,145 |
| Liabilities from discontinued operations | **-** | 1,677 |
| Prepaid expenses | **17,327** | 34,563 |
| Cash used in operating activities - continuing operations | **(2,694,093)** | (3,634,426) |
| Cash from operating activities - discontinued operations | **1,618,288** | 1,215,504 |
| Cash flows from investing activities: | | |
| Issuance of loan to Cobra | **-** | (2,500,000) |
| Issuance of loan receivable | **(400,000)** | - |
| Disposition of loan receivable | **-** | 2,500,000 |
| Disposal of PED, cash payment | **1,911,984** | - |
| Cash disposed of from sale of subsidiaries | **(152,048)** | |
| Disposal of property and equipment | **-** | 213 |
| Cash flows from investing activities - continuing operations | **1,359,936** | 213 |
| Cash flows (used in) from investing activities - discontinued operations | **26,983** | (547,912) |
| Cash flows used in financing activities: | | |
| Repayment of lease obligation | **(39,813)** | (24,057) |
| Cash flows used in financing activities - continuing operations | **(39,813)** | (24,057) |
| Cash flows used in financing activities - discontinued operations | **(114,747)** | (263,847) |
| Change in cash for the year | **156,554** | (3,254,525) |
| Cash, beginning of the year | **2,377,635** | 5,632,160 |
| **Cash, end of the year** | **2,534,189** | 2,377,635 |

i) *The comparative figures have been restated to conform with the current year's presentation, see Note 2.*

Supplemental cash flow information (Note 27)

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

World Class Extractions Inc. ("World-Class" or "WCE" or "the Company") was incorporated under the laws of British Columbia on December 2, 1965. The head office of the Company is located at Suite 308 - 9080 University Crescent, Burnaby, BC, V5A 0B7. The registered office is located at 2200 - 885 W Georgia St. Vancouver, BC, V6C 3E8.

The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "PUMP", the Frankfurt Stock Exchange under the symbol "WCF" and "WKN:A2PF9C", and the OTCQB Venture Market, under the symbol: "WCEXF".

The Company was an innovation-driven company previously operating through its wholly-owned subsidiary Soma Labs Scientific Inc. ("Soma Labs" or "Soma") based in the Lower Mainland of British Columbia and partially-owned subsidiary, Pineapple Express Delivery Inc. ("PED") based in Burlington, Ontario. PED specializes in compliant and secure delivery of government regulated products, including legal cannabis delivery within select provinces in Canada and liquor delivery in certain jurisdictions in Saskatchewan and was disposed of during the year ended April 30, 2022 (Note 4). Soma Labs was a designer, manufacturer, and supplier of extraction and processing equipment and solutions and was disposed of during the year ended April 30, 2022. The shareholders approved a special resolution to change the Company's business. The proposed change of business would refocus the Company's business operations from a cannabis and hemp company to an investment company focused on the raising of money and investing in the cannabis and cannabis related sectors without getting involved in the mind and management of the investee companies. The proposed change of business is subject to regulatory approval.

### Going Concern

The Company incurred a net loss and comprehensive loss of $8,219,850 for the year ended April 30, 2022. As at April 30, 2022, the Company had a history of losses and an accumulated deficit of $60,385,396. Total cash for the year ended April 30, 2022, amounted to $2,534,189.

The ability of the Company to continue as a going concern is dependent on achieving profitable operations, positive operating cash flows and obtaining the necessary financing. The outcome of these matters cannot be predicted at this time. The Company will continue to review the prospects of raising additional debt and equity financing to support its operations until such time that its operations become self-sustaining, to fund its operating activities and to ensure the realization of its assets and discharge of its liabilities. While the Company is exerting its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for future operations. These factors indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future rather than a process of forced liquidation. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

## 2. BASIS OF PRESENTATION

### Statement of Compliance and Presentation

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

As a result of the disposition of PED and Soma disclosed in Note 4, the net earnings of the subsidiaries have been reported as discontinued operations. Management has restated the comparative figures in the consolidated statements of loss and comprehensive loss and cash flows to conform to this presentation.

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

These consolidated financial statements were approved and authorized for issue by the directors of the Company on October 27, 2022.

### Basis of Measurement

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

### Significant Estimates, Assumptions and Judgments

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

## 2. BASIS OF PRESENTATION (continued)

### Significant Estimates, Assumptions and Judgments (continued)

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

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

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

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

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

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

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

## 2. BASIS OF PRESENTATION (continued)

### Significant Estimates and Judgments (continued)

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

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

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

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

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

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

## 2. BASIS OF PRESENTATION (continued)

### Significant Estimates and Judgments (continued)

*Leases*

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Cash and cash equivalents

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

(Expressed in Canadian Dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### b) Consolidation

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

| Entity | Country of Incorporation | Operations | Interest |
|---|---|---|---|
| 1230167 BC Ltd. | Canada | Inactive | 100% |

On December 23, 2020, Greenmantle Products Limited, a company that had sales of premium disposable vaporizer cartridges, pens and related materials, was dissolved.

On October 21, 2019, Cobra Ventures Inc. ("Cobra") was incorporated as a 100% wholly owned subsidiary, to serve as a holding company for new business ventures of WCE. During the year ended April 30, 2021, the Company sold its 100% equity investment in Cobra to an arm's length party.

As at the year ended April 30, 2021, the Company held a 25.32% economic interest of PED and a voting interest of 80% until March 27, 2022. The voting interest effectively gave WCE the right to control business decisions of PED that can directly affect the return of its investment. During the year ended April 30, 2022, the Company, PED, Fire & Flower Holdings Corp. ("FFHC") and its wholly owned subsidiary Hifyre™ Inc. ("Hifyre") entered into agreements whereby Hifyre acquired 100% of the issued and outstanding shares of PED (the "Transaction"). As a result of the sale, all of the Company's shares in PED have been exchanged for common shares of FFHC (Note 4). PED's financials were consolidated in accordance with IFRS 10 Consolidated Financial Statements up to the sale of PED.

During the year ended April 30, 2022, Soma and 1323194 BC Ltd. Amalgamated and were sold to CannaWorld Ventures Inc. ("CannaWorld") (Note 4).

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### b) Consolidation (continued)

Control

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

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

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

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

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

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

Non-controlling Interests

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### c) Goodwill

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

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

### d) Property and equipment

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

Property and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statements of loss and comprehensive loss as incurred.

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### e) Revenue recognition

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

The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:
1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

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

### f) Inventory

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### g) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the depreciation requirements of IAS 16 Property, from the commencement date to the earlier of the end of its useful life or the end of the lease term. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### h) Foreign currencies

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

### i) Impairment of non-financial assets

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

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

### j) Related party transactions

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

### k) Share-based payments

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

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**l) Share-based payments (continued)**

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

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based payments is transferred to accumulated losses (deficit).

**m) Financial instruments**

**(i) Financial assets**

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

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

Financial assets at FVTPL
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. None of the Company’s financial assets are classified at FVTPL.

Financial assets at FVTOCI
Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Company’s investments are classified as FVTOCI.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**n) Financial instruments (continued)**

**(i) Financial assets (continued)**

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

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

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

| Financial Assets | Classification |
|---|---|
| Cash | **Amortized cost** |
| Accounts receivable | **Amortized cost** |
| Consideration receivable | **FVTPL** |
| Loans receivable | **Amortized cost** |
| Other receivable | **Amortized cost** |
| Investments | **FVTPL** |

**(ii) Financial liabilities and equity instruments**

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A financial liability is defined as any contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### n) Financial instruments (continued)

**(ii) Financial liabilities and equity instruments (continued)**

| Financial Liabilities | Classification |
|---|---|
| Accounts payable | **Amortized cost** |
| Accrued liabilities | **Amortized cost** |
| Due to related parties | **Amortized cost** |
| Loans payable | **Amortized cost** |
| Liabilities of discontinued operations | **Amortized cost** |
| Government grant loan | **Amortized cost** |
| Convertible debt | **Amortized cost** |
| Derivative liabilities | **FVTPL** |

**(iii) Impairment of financial assets**

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

**(iv) Compound financial instruments**

Convertible debentures are compound financial instruments whose components may be allocated between a financial liability component and an equity instrument component. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option is fixed, the financial liability, represents the discounted obligation to repay the cash component and is initially measured at fair value and subsequently measured at amortized cost. The residual amount is recognized in equity. Where the conversion option is variable, the derivative liability is measured first and carried at fair value and the residual balance represents the financial liability measured at amortized cost. Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### o) Loss per share

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

### p) Income tax

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### q) Share capital

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

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

### r) Intangible assets

Expenditures on the research phase of projects are recognized as an expense as incurred. Development costs not meeting the criteria for capitalization are expensed as incurred.

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

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

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

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

Amortization is calculated on software and technology straight line over 5 years.

### s) Segment reporting

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### t) Discontinued operations

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

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

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

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

### u) Government grants

Government grants are recognized at fair value once there is reasonable assurance that the Company will comply with the conditions attached to the grants and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. A forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

### v) 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.

## 4. SALE OF SUBSIDIARIES

*Cobra*

During the year ended April 30, 2021, the Company completed the sale of its wholly owned subsidiary, Cobra, to arm’s length parties. In connection with the disposition, the Company received cash consideration of $1 and a payment of $2,500,000 for the settlement of the Cobra demand promissory note (Note 8).

*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 316,995 FFHC common shares (“FFHC Common Shares”) with a fair value of $970,344. 62,800 FFHC Common Shares were released on closing (“Initial Release Shares”) with a fair value of $243,144 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 shares being released upon the trailing nine-month revenue is agreed upon (“Revenue Holdback Shares”).

(Expressed in Canadian Dollars)

## 4. SALE OF SUBSIDIARIES (continued)

*PED (continued)*

Revenue Holdback Shares were valued using Monte Carlos Simulation ("MCS") with level 3 inputs, which uses the baseline revenue forecast, as at acquisition date, through the end of the performance period. MCS captures the expected cumulative revenue, which is variable based on both randomness in the simulation coupled with volatility expectations around revenue generation. Within each iteration of the simulation, an expected present value of the payout is calculated. The model assumes the CCC Corporate Bond Credit spread of 9.93%, volatility of 50.34%, risk free rate of 0.78%, and discount rate of 15%.

Working Capital Holdback Shares were valued using the Black Scholes option pricing model that assumes no expected dividends, weighted average expected life remaining of 0.79, weighted volatility of 68.21% and risk-free rate of 1.22%.

At January 21, 2022, the fair value of the escrowed shares are $569,319.

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, FFHC 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. Subsequent to the year end, FFHC and the Company agreed on additional shares of 38,050 for excess working capital. As the subsequent event is a result of existing condition before the year end, the value of the shares is $157,880.

Within 30 days after September 30, 2022, FFHC 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, the proceeds were recognized in shareholders' equity split between the equity holders of the Parent for $101,279 and non-controlling shareholders for $298,721.

During the year ended April 30, 2022, the Company recorded a loss on disposal of PED of $5,361,311 as outlined below:

| | April 30, 2022<br>$ |
|---|---|
| Net liabilities disposed attributable to equity holders of the parent (Note 29) | (523,740) |
| Goodwill disposed (Notes 11 and 29) | 8,767,399 |
| Fair value of FFHC investment received | (970,344) |
| Cash received, net overpayment | (1,911,984) |
| Loss on sale of PED | 5,361,331 |

(Expressed in Canadian Dollars)

## 4. SALE OF SUBSIDIARIES (continued)

*Soma Labs*
On April 29, 2022, the Company completed the sale of Soma Labs to CannaWorld, whereby the Company received 15,000,000 CannaWorld common shares with a fair value of $300,000. These shares are valued using the share subscription price of the most recent capital financing prior to the disposition which are considered as a level 3 input. In the event that at any time until CannaWorld lists its common shares for trading on a stock exchange, CannaWorld issues common shares less than $0.075 to any person, other than common shares issued pursuant to this agreement, CannaWorld shall issue to the Company additional common shares that equals the difference between $750,000 divided by the lower per price share, less the number of common shares previously issued to the Company.

As at April 30, 2022, amounts due from Soma totaled $100,000 (April 30, 2021 - $nil) were unsecured, receivable on demand, and without interest. Subsequent to April 30, 2022, the full balance was collected.

During the year ended April 30, 2022, the Company recorded a gain on disposal of Soma Labs of $641,623 as outlined below:

| | April 30, 2022<br>$ |
|---|---|
| Net liabilities disposed attributable to equity holder of the parent (Note 29) | **(341,623)** |
| Fair value of CannaWorld investment received | **(300,000)** |
| Gain on sale of Soma Labs | **(641,623)** |

## 5. INVESTMENTS

Investments consists of 316,955 FFHC Common Shares and 15,000,000 CannaWorld common shares.

The Company acquired 316,955 FFHC Common Shares in connection with the sale of PED with a fair value of $970,344 (Note 4). Of 316,955 FFHC Common Shares, 16,949 Working Capital Holdback Shares and 199,196 Revenue Holdback Shares are in escrow pending completion of customary working capital adjustments and subject to PED's achievement of certain performance-based milestones in the nine-month period subsequent to the disposition of PED.

16,949 Working Capital Holdback Shares were valued at $53,108 using the Black Scholes option pricing model that assumes no expected dividends, weighted average expected life remaining of 0.52, weighted volatility of 67.87% and risk-free rate of 2.60%.

199,196 Revenue Holdback Shares were valued at $nil using Monte Carlos Simulation ("MCS") with level 3 inputs, which uses the baseline revenue forecast, as at acquisition date, through the end of the performance period. MCS captures the expected cumulative revenue, which is variable based on both randomness in the simulation coupled with volatility expectations around revenue generation. Within each iteration of the simulation, an expected present value of the payout is calculated. The model assumes the CCC Corporate Bond Credit spread of 10.74%, volatility of 50.34%, risk free rate of 1.66%, and discount rate of 15%.

Subsequent to April 30, 2022, 16,949 FFHC Common Shares were released from the escrow. As at April 30, 2022, such FFHC Common Shares with a fair value of $53,108 are classified as consideration receivable.

During the year ended April 30, 2022, the Company recorded an unrealized loss on investment through profit and loss of $578,380, of which $505,120 pertains to the change in the fair value of the Revenue Holdback Shares.

(Expressed in Canadian Dollars)

## 5. INVESTMENTS (continued)

Pursuant to the disposition of Soma, the Company acquired 15,000,000 common shares of CannaWorld, a private company incorporated in British Columbia, with a fair value of $300,000 (Note 4). As at April 30, 2022, CannaWorld common shares are valued at $300,000.

| | **April 30, 2022 $** | April 30, 2021 $ |
|---|---|---|
| Balance, beginning of year | **-** | - |
| Addition | **1,270,344** | - |
| Unrealized loss in FVTPL | **(578,380)** | - |
| Reclassed to consideration receivable | **(53,108)** | - |
| Balance, end of year | **638,856** | - |

## 6. ACCOUNTS RECEIVABLE

| | **April 30, 2022 $** | April 30, 2021 $ |
|---|---|---|
| Trade receivables | **-** | 1,826,529 |
| Less: Allowance for expected credit loss | **-** | (66,204) |
| **Accounts receivable - net of allowance** | **-** | 1,760,325 |

Trade receivables arise from sales in the normal course of business and usually has a 30-day credit term. These are non-interest bearing and are carried at amortized cost.

## 7. SALES TAX RECEIVABLE

The balance as at April 30, 2022 is $7,717 (April 30, 2021 – $15,349) which consists of the refunds claimed for goods and services taxes

## 8. LOANS RECEIVABLE

(a) On July 30, 2019, a supplier issued a promissory note to the Company for the principal sum up to US$500,000 or lesser with interest at 5% per annum. This secured loan was due and payable on July 31, 2020. As at April 30, 2021, the Company loaned US$250,000 and recorded accrued interest of US$21,918 for a total of US$271,918 due. The balance of the promissory note amounted to $341,463. As at April 30, 2021, the supplier has been unable to pay the loan, and has been unable to come to any settlement with the Company. There is significant uncertainty on the collectability of the loan, and as such, the total value of the loan amounting to $341,463 was charged to impairment loss for the year ended April 30, 2021. As at April 30, 2022, there has been no change to the collectability of the loan.

(b) 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 at a rate of 10% per annum, compounded monthly. During the year ended April 30, 2021, the Company entered into a share purchase agreement, whereby the remaining 50% equity investment in Cobra was sold and the full balance of the note receivable was settled with cash proceeds of $2,500,000.

(c) During the year ended April 30, 2022, a promissory note with a principal balance of $400,000 was issued to the Company, it is, as amended, due on or before October 14, 2023 ("Maturity Date"). Interest is payable at a rate of 4% per annum on the Maturity Date. As at April 30, 2022, the loan receivable consists of $400,000 principal and $8,715 accrued interest. In the subsequent period, the loan receivable is assigned to a new debtor (Note 29).

(Expressed in Canadian Dollars)

## 9. PREPAID EXPENSES AND DEPOSITS

| | **April 30, 2022** **$** | April 30, 2021 $ |
|---|---|---|
| Rent security deposit | **1,150** | 82,475 |
| Equipment deposits | **-** | 134,934 |
| Other prepayments to vendors | **-** | 144,627 |
| **Prepaid Expenses and Deposits** | **1,150** | 362,036 |

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

*Equipment deposits*
Equipment deposits refer to payments made for the extraction equipment ordered but were not yet delivered and for future equipment purchases. During the year ended April 30, 2022, the Company decided not to pursue business in the hemp extraction field and impaired equipment deposit of $134,934 to profit or loss.

*Deposit for hemp supply*
On February 25, 2019, the Company and two other entities, one party being a medical standard processing entity and the other being a research and development license holder (collectively, the "Purchasers"), entered supply agreements with a supplier. Pursuant to the agreement, the Company advanced $166,667 to the supplier on May 7, 2019.

During the year ended April 30, 2021, the Company decided not to pursue the project, and impaired the deposit of $166,667 to profit or loss.

*Other prepayments*
Other prepayments include various advance payments to suppliers for purchases and services, including insurance premiums, which were delivered or rendered after the end of the reporting period. During the year ended April 30, 2022, the Company impaired other prepayments of $10,000 to profit or loss.

(Expressed in Canadian Dollars)

## 10. PROPERTY AND EQUIPMENT

| | Facility Equipment $ | Computer Software and Equipment $ | Leasehold Improvements and Office Furniture $ | Leasehold Improvements not yet in use $ | Automobile $ | Total $ |
|---|---|---|---|---|---|---|
| **Costs:** | | | | | | |
| Balance, April 30, 2020 | 260,502 | 99,687 | 809,381 | - | 129,390 | 1,298,960 |
| Additions | - | - | 175,030 | 257,257 | 16,000 | 448,287 |
| Impairment | (174,003) | (43,477) | (380,051) | - | - | (597,531) |
| Disposals | - | (3,794) | (25,000) | - | (9,000) | (37,794) |
| Balance, April 30, 2021 | 86,499 | 52,416 | 579,360 | 257,257 | 136,390 | 1,111,922 |
| Additions | 67,065 | - | 71,576 | - | - | 138,641 |
| Impairment | (29,589) | (52,416) | (27,749) | - | - | (109,754) |
| Disposal of subsidiaries | (123,975) | - | (623,187) | (257,257) | (136,390) | (1,140,809) |
| **Balance, April 30, 2022** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Accumulated Depreciation:** | | | | | | |
| Balance, Apr 30, 2020 | 50,020 | 31,589 | 63,856 | - | 2,845 | 148,310 |
| Amortization | 30,714 | 18,421 | 170,884 | - | 25,582 | 245,601 |
| Impairment | (80,640) | (26,914) | (129,079) | - | - | (236,633) |
| Disposals | - | (2,252) | (9,011) | - | (5,944) | (17,207) |
| Balance, Apr 30, 2021 | 94 | 20,844 | 96,650 | - | 22,483 | 140,071 |
| Amortization | 14,025 | 1,910 | 68,609 | - | 16,268 | 100,812 |
| Impairment | (94) | (22,754) | 33 | - | - | (22,815) |
| Disposal of subsidiaries | (14,025) | - | (165,292) | - | (38,751) | (218,068) |
| **Balance, April 30, 2022** | **-** | **-** | **-** | - | **-** | **-** |
| Net Book Value: | | | | | | |
| April 30, 2021 | 86,405 | 31,572 | 482,710 | 257,257 | 113,907 | 971,851 |
| **April 30, 2022** | - | - | - | - | - | - |

*Additions*
Additions for the period pertain to leasehold improvements on PED's facilities in Ontario and new facility equipment purchased for Soma that were derecognized on the date the Company lost control of PED and Soma.

*Impairment*
During the year ended April 30, 2022, the Company determined that the equipment, computer software and equipment, and leasehold improvements and office furniture are unable to generate economic benefit as at April 30, 2022 and hence recorded an impairment loss of $86,939.

*Disposal of subsidiary*
The Company sold its interest in PED and Soma; therefore, on the date the Company lost control of PED and Soma, leasehold improvements and office furniture, leasehold improvements not yet in use and automobile of $922,741 was derecognized (Notes 4 and 29).

(Expressed in Canadian Dollars)

## 11. GOODWILL AND INTANGIBLE ASSETS

| | Goodwill $ | Software and Technology $ | Total $ |
|---|---|---|---|
| **Costs:** | | | |
| Balance, April 30, 2020 and April 30, 2021 | 8,767,399 | 865,653 | **9,633,052** |
| Disposal of subsidiary | (8,767,399) | (865,653) | (9,633,052) |
| **Balance, April 30, 2022** | - | - | - |
| | | | |
| **Accumulated Depreciation:** | | | |
| Balance, April 30, 2020 | - | 14,428 | 14,428 |
| Amortization | - | 173,136 | 173,136 |
| Balance, April 30, 2021 | - | 187,564 | 187,564 |
| Amortization | - | 129,852 | 129,852 |
| Disposal of subsidiary | - | (317,416) | (317,416) |
| **Balance, April 30, 2022** | - | - | - |
| | | | |
| **Net Book Value:** | | | |
| April 30, 2021 | 8,767,399 | 678,089 | 9,445,488 |
| **April 30, 2022** | - | - | - |

*Goodwill*

During the year ended April 30, 2020, the Company recognized goodwill resulting from the acquisition of PED amounting to $8,767,399. As at April 30, 2021, impairment assessments were done on the CGU by determining the fair value less costs of disposal using a discounted cash flow approach. It was determined that there was no impairment of goodwill. During the year ended April 30, 2022, the Company sold its interest in PED, therefore, goodwill of $8,767,399 was derecognized (Notes 4 and 29).

*Software and Technology*

Upon acquisition of PED, the Company gained access to PED's software and technology. The fair values of these assets were determined to be $865,653 as at March 31, 2020. During the year ended April 30, 2022, the Company sold its interest in PED, therefore, software and technology of $548,237 was derecognized (Notes 4 and 29).

(Expressed in Canadian Dollars)

## 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | **April 30, 2022**<br>**$** | April 30, 2021<br>$ |
|---|---|---|
| Accounts payable | **32,145** | 591,802 |
| Accrued liabilities | **181,791** | 423,000 |
| **Accounts payable and accrued liabilities** | **213,936** | 1,014,802 |

Accounts payable are generally trade payables, non-interest bearing and are settled on 30 to 60-day payment terms. Accruals include liabilities for remuneration and benefits, interest, and other expenses billed after the reporting period. As of April 30, 2022, an accrual of $100,756 was recorded for an overpayment pursuant to the PED credit facility agreement. Accrued liabilities are generally settled within 12 months from end of reporting period.

## 13. CUSTOMER DEPOSITS

Customer deposits refer to amounts paid by customers in advance for goods they have ordered. As at April 30, 2022, the balance of the deposits was $Nil (April 30, 2021, - $341,211).

## 14. LOANS PAYABLE

Loans payable pertain to two promissory notes entered into by the Company's subsidiary, PED. The details of the loans are as follows. During the year ended April 30, 2022, the Company derecognized the two promissory notes due to the sale of PED (Notes 4 and 29).

| | **Interest** | **Commencement** | **Maturity** | **Principal and interest owing as at April 30, 2022**<br>**$** | **Principal and interest owing as at April 30, 2021**<br>**$** |
|---|---|---|---|---|---|
| Promissory Note 1 | 12% | October 31, 2019 | March 31, 2021 | - | 71,875 |
| Promissory Note 2 | 12% | October 31, 2019 | March 31, 2021 | - | 71,875 |
| **Loans Payable** | | | | **-** | **143,750** |

## 15. GOVERNMENT GRANT LOAN

| | **April 30, 2022**<br>**$** | April 30, 2021<br>$ |
|---|---|---|
| CEBA Loan – WCE | 36,713 | 31,849 |
| CEBA Loan – Soma Labs | - | 31,816 |
| CEBA Loan – PED | - | 31,953 |
| **Government Grant Loan** | **36,713** | **95,618** |

(Expressed in Canadian Dollars)

## 15. GOVERNMENT GRANT LOAN (continued)

Due to the global outbreak of Novel Coronavirus ("COVID-19"), the federal government of Canada introduced the Canada Emergency Business Account ("CEBA"). CEBA provides an interest-free loan ("CEBA Loan") of $40,000 to eligible businesses. The CEBA Loan has an initial term that expires on December 31, 2022, throughout which, the CEBA Loan remains interest free. Repayment of $30,000 by December 31, 2022, results in a $10,000 loan forgiveness. If the balance is not paid prior to December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly effective January 1, 2023. The full balance must be repaid by no later than December 31, 2025. WCE, Soma and PED each received $40,000 loans from the Government as part of the CEBA. During the year ended April 30, 2022, the Company sold its interest in PED and Soma Labs, therefore, the PED and Soma Labs loan from the Government as part of the CEBA was derecognized (Notes 4 and 30).

Pursuant to IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, the benefit of a government loan at below – market rate is treated as a government grant and measured in accordance with IFRS 9, Financial Instruments. The benefit of below market rate shall be 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 initial carrying value of each CEBA loan was $26,880, discounted at 15%, which was the estimated market rate for a similar loan without the interest-free component. The difference of $13,120 is accreted to CEBA Loan liability over the term and offset to profit or loss. During the year ended April 30, 2022, total interest expense of $4,897 (April 30, 2021– $4,937) was recorded.

As a result of COVID-19, some governments made available wage-subsidy programs for eligible entities who meet certain criteria. During the year ended April 30, 2022, the Company, through Soma Labs, applied for the Canada Emergency Wage Subsidy ("CEWS") and received $Nil (April 30, 2021- $96,923) 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, 2022, the Company, through Soma Labs, received $Nil (April 30, 2021 - $22,208) from CERS.

## 16. CONVERTIBLE DEBT AND DERIVATIVE LIABILITIES

| | Interest | Maturity | Principal owing as at April 30, 2022 $ | Principal owing as at April 30, 2021 $ |
|---|---|---|---|---|
| Convertible debt* | 3% | December 31, 2021 | - | 610,941 |
| Convertible note | 12% | December 31, 2021 | - | 1,624,895 |
| **Balance** | | | **-** | **2,235,836** |

*Amounts due to a company controlled by a Director include $Nil (April 30, 2021 - $112,941) of principal owing (Note 26).

(Expressed in Canadian Dollars)

## 16. CONVERTIBLE DEBT AND DERIVATIVE LIABILITIES (continued)

A) Convertible debt

| | Convertible debt $ | Convertible note $ | Total $ |
|---|---|---|---|
| Balance, April 30, 2020 | 452,921 | 1,543,484 | 1,996,405 |
| Reclass to related parties | (105,192) | - | (105,192) |
| Revaluation | - | (81,999) | (81,999) |
| Interest accretion | 18,328 | 197,148 | 215,476 |
| Accretion | 98,547 | 132,012 | 230,559 |
| Balance, April 30, 2021 | 464,604 | 1,790,645 | 2,255,249 |
| Reclass from related parties | 105,192 | - | 105,192 |
| Revaluation | - | (45,484) | (45,484) |
| Interest accretion | 31,037 | 210,735 | 241,772 |
| Accretion | 48,244 | 84,181 | 132,425 |
| Disposal of subsidiary | (649,077) | (2,040,077) | (2,689,154) |
| **Balance, April 30, 2022** | **-** | **-** | **-** |

Upon acquisition of PED, included in the liabilities assumed are convertible debentures to arm's length investors. The conversion of the loans to shares in PED is subject to WCE's pre-emptive rights. Due to the sale of PED, during the year ended April 30, 2022, the Company derecognized the PED convertible debentures to arm's length investors (Notes 4 and 29).

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

Also upon acquisition of PED, included in the liabilities assumed is a promissory note to an investor with a conversion feature. The loan bears a 12% interest and is convertible to PED shares subject to the Company's pre-emptive rights. The secured loan carries with it a pledge to the lender of PED's assets as collateral. Due to the sale of PED, during the year ended April 30, 2022, the Company derecognized PED promissory note to an investor with a conversion feature (Notes 4 and 29).

For accounting purposes, the promissory note with a conversion feature is a hybrid financial instrument and was bifurcated into corresponding debt and derivative liability (conversion feature) components at the date of issue. The Company used the fair value method, which allocated the values based on their fair market value at date of issue. Upon issuance of the secured note, the fair value of the debt component was $1,518,181. During the year ended April 30, 2021, the Company, through PED, renegotiated the promissory note whereby the maturity date of March 31, 2021 was moved to September 30, 2021. All other terms remained the same. The remeasured fair value of the debt component as at March 31, 2021 was $1,762,923, resulting in an unrealized gain of $81,999. Prior to the sale of PED, the promissory note was renegotiated whereby the maturity date was extended to December 31, 2021. All other terms remained the same. The remeasured fair value of the debt component as at September 30, 2021 was $1,895,932, resulting in a gain of $45,484.

(Expressed in Canadian Dollars)

## 16. CONVERTIBLE DEBT AND DERIVATIVE LIABILITIES (continued)

B) Derivative liabilities

| | Convertible debentures | | | Convertible note | | |
|---|---|---|---|---|---|---|
| | | **April 30, 2022** | April 30, 2021 | | **April 30, 2022** | April 30, 2021 |
| Number of options | | - | 4,238,233 | | - | 12,401,139 |
| Stock price | $ | - | $ 0.15 | $ | - | $ 0.15 |
| Exercise price | $ | - | $ 0.15 | $ | - | $ 0.15 |
| Term (year) | | - | 0.65 | | - | 0.42 |
| Volatility | | -% | 100% | | -% | 100% |
| Annual rate of quarterly dividends | | -% | 0% | | -% | 0% |
| Risk-free rate | | -% | 0.29% | | -% | 0.29% |
| **Fair Value** | $ | - | $199,077[1] | $ | - | $471,675 |

[1] As at April 30, 2021 - $36,802 of the $199,077 has been reclassified to due to related parties.

*Convertible Debentures*
The derivative component of the convertible debentures is classified as a liability since the instruments has multiple conversion features and will not be settled with a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The derivative component was determined using the Black-Scholes option pricing model and debt component was calculated at the present value of cash flows, which consist of the interest and principal payments. Upon acquisition, the fair value of the derivative was valued at $323,812. The derivative was re-measured at each reporting period using the key assumptions listed above. Due to the sale of PED, during the year ended April 30, 2022, the Company derecognized the full balances of the derivative component (Notes 4 and 29).

As at April 30, 2022, the balance of the derivative was $Nil (April 30, 2021 - $199,077 ) of which $Nil (April 30, 2021 - $36,802) was reclassed to due to related parties since one of the holders of the instrument is a Company controlled by a Director (Note 26).

*Convertible Notes*
The derivative component of the convertible note was determined using the Black-Scholes option pricing model and debt component was calculated at the present value of cash flows, which consist of the interest and principal payments. Upon acquisition, the fair value of the derivative was valued at $732,932. The derivative was re-measured at each reporting period using the key assumptions listed above. Due to the sale of PED, during the year ended April 30, 2022, the Company derecognized the full balances of the derivative component (Notes 4 and 29).

## 17. SHARE CAPITAL

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

No capital activity was initiated during the years ended April 30, 2022 and April 30, 2021.

(Expressed in Canadian Dollars)

## 17. SHARE CAPITAL (continued)

**Shares held in escrow**

Pursuant to an escrow agreement dated March 11, 2019, 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;<br>15% released 6 months from Listing (listing to the CSE);<br>15% released 12 months from Listing;<br>15% released 18 months from Listing;<br>15% released 24 months from Listing;<br>15% released 30 months from Listing;<br>15% released 36 months from Listing. |

As at April 30, 2022, a total of 10,500,000 escrowed shares have been released to the escrowed shareholders (April 30, 2021 – 7,350,000).

## 18. SHARE-BASED COMPENSATION

**Stock Option Plan ("SOP")**

The Company maintains a stock option plan under which directors, officers, employees and consultants of the Company (the "Grantees") and its affiliates are eligible to receive stock options. Pursuant to the SOP, the Board may in its discretion grant to eligible Grantees, the option to purchase common shares at the fixed price over a defined future period. Generally, the options vest over six months from the date of grant. The SOP is a rolling plan under which the maximum number of common shares reserved for issuance is 10% of the issued shares of the Company at the time of granting the options. At April 30, 2022, there are a total of 37,519,657 (April 30, 2021 – 19,909,657) stock options available for granting under the SOP.

The SOP is intended to enhance the Company's ability to attract and retain highly qualified officers, directors, key employees and consultants, and to motivate such persons to serve the Company and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company.

**Stock Options**

During the year ended April 30, 2022:

i) On June 1, 2021, the Company granted a total of 2,000,000 incentive stock options to certain officers of the company's subsidiary. The options have an exercise price of $0.05 per share and expire on June 1, 2026. The options vested at a rate of 50% upon the date of the grant and the remaining 50% six months thereafter.

ii) The Company recognized share-based payments of $25,823. (Note 26).

(Expressed in Canadian Dollars)

**18. SHARE-BASED COMPENSATION (continued)**

**Stock Options (continued)**

iii) 19,610,000 stock options were cancelled/forfeited.

During the year ended April 30, 2021:

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

ii) The Company recognized share-based payments of $437,685.

iii) 5,560,000 stock options were cancelled/forfeited.

The following summarizes the stock options activity:

| | April 30, 2022 | | April 30, 2021 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price $ | Number of Options | Weighted Average Exercise Price $ |
| Outstanding, beginning of year | **42,610,000** | **0.06** | 39,160,000 | 0.07 |
| Grant and issuance | **2,000,000** | **0.05** | 9,010,000 | 0.05 |
| Cancelled/Forfeited | **(19,610,000)** | **0.08** | (5,560,000) | 0.08 |
| Total Outstanding | **25,000,000** | **0.05** | 42,610,000 | 0.06 |
| Total Outstanding and Exercisable | **25,000,000** | **0.05** | 42,610,000 | 0.06 |

During the year ended April 30, 2022, the Company transferred $957,961 (2021 - $3,929,746) from reserves to deficit for stock options forfeited and options that expired unexercised.

The following summarizes the stock options outstanding at April 30, 2022:

| Expiry Date | Exercise Price | Weighted Average Contractual Life (Years) | Number of Options Issued and Outstanding | Number of Options Exercisable |
|---|---|---|---|---|
| March 9, 2023 | $ 0.20 | 0.86 | 90,000 | 90,000 |
| April 23, 2024 | $ 0.05 | 1.98 | 16,900,000 | 16,900,000 |
| May 26, 2024 | $ 0.05 | 2.07 | 8,010,000 | 8,010,000 |
| | $ 0.05 | 2.01 | 25,000,000 | 25,000,000 |

(Expressed in Canadian Dollars)

## 18. SHARE-BASED COMPENSATION (continued)

### Stock Options (continued)

For valuation purposes, the fair values of compensation options granted were estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions:

| | **April 30, 2022** | April 30, 2021 |
|---|---|---|
| Volatility Rate | **115%** | 157% |
| Risk-free rate | **0.91%** | 0.35% |
| Forfeiture rate | **0%** | 0% |
| Exercise price | **0.05** | 0.05 |
| Share price | **0.02** | 0.025 |
| Dividend yield rate | **0%** | 0% |
| Weighted average life | **5.00 years** | 4.00 years |

## 19. WARRANTS

No warrant activity was initiated during the year ended April 30, 2022.

During the year ended April 30, 2022, 3,000,000 (April 30, 2021 - 15,924,825) warrants expired unexercised.

The following is a summary of warrant transactions:

| | **April 30, 2022** | | April 30, 2021 | |
|---|---|---|---|---|
| | **Number of Warrants** | **Weighted Average Exercise Price $** | Number of Warrants | Weighted Average Exercise Price $ |
| Balance, beginning of year | **18,910,575** | **0.14** | 34,835,400 | 0.14 |
| Expired | **(3,000,000)** | **0.18** | (15,924,825) | 0.13 |
| Balance, end of year | **15,910,575** | **0.13** | 18,910,575 | 0.14 |

During the year ended April 30, 2022, the Company transferred $322,322 (April 30, 2021 - $651,089) from reserves to deficit for warrants that expired unexercised.

The following warrants were outstanding and exercisable as at April 30, 2022:

| Expiry Date | Exercise Price | Weighted Average Contractual Life (Years) | Number of Warrants |
|---|---|---|---|
| September 22, 2022 | $ 0.13 | 0.40 | 15,910,575 |

## 20. RIGHT-OF-USE ASSET

**Langley Facility**
On March 6, 2018, the Company through Soma, entered into a 5-year lease agreement for leased premises in Langley, British Columbia, commencing June 1, 2018 and ending on May 31, 2023. The minimum base rent is $13,350 per month. In accordance with IFRS 16, the Company recognized right-of-use asset of $468,918 as at May 1, 2019 equal to the present value of all remaining lease payments discounted at an incremental borrowing rate of 14%. The Company depreciates the right-of-use assets on a straight-line basis, over the remaining lease term. During the year ended April 30, 2021, The Company determined that the right-of-use asset was unable to generate economic benefit, and impaired the full balance. On October 31, 2021, the lease was terminated. The related security deposit of $36,116 was retained by the landlord, the amount was written off in profit and loss.

**Richmond Facility**
On October 26, 2021, the Company, through PED, entered into a 5-year lease agreement for leased premises in Richmond, British Columbia, commencing November 1, 2021 and ending on October 31, 2026. The minimum base rent is $6,555 per month with increment of $0.5/sq. per annum. In accordance with IFRS 16, the Company recognized right-of-use asset of $310,402 as at November 1, 2020 equal to the present value of all remaining lease payments discounted at an incremental borrowing rate of 12%. The Company depreciates the right-of-use assets on a straight-line basis, over the remaining lease term. Due to the sale of PED, during the year ended April 30, 2022, the Company derecognized the right-of-use assets asset relating to the Richmond Facility (Notes 4 and 29).

**Equipment Lease**
On November 25, 2019, the Company leased equipment for a monthly fee of $1,874, with first month payment of $4,464. The term is for 24 months starting on December 1, 2019 and the Company has the option to buy the equipment at the end of the lease term for a price of $4,933. The Company recognized right-of-use asset of $47,221 as at December 1, 2019 equal to the present value of all remaining lease payments discounted at an incremental borrowing rate of 14%. The lease expired during the year ended April 30, 2022.

**Ontario Facility**
Upon acquisition of PED, the Company acquired the right to use the leased premises in Burlington, Ontario. The lease is for 10 years and commenced on October 1, 2019. The minimum base rent per month for years 1 to 10 of the 10-year lease are respectively $7,520 for year 1, $7,725 for year 2, $7,929 for year 3, $8,133 for year 4, $8,338 for year 5, $8,542 for year 6, $8,746 for year 7, $8,951 for year 8, $9,155 for year 9, and $9,359 for year 10. The fair value on March 31, 2020 recognized upon acquisition was $523,861, equal to the present value of all remaining lease payments discounted at PED's incremental borrowing rate of 12%. The Company depreciates the right-of-use assets on a straight-line basis, over the remaining lease term. Due to the sale of PED, during the year ended April 30, 2022, the Company derecognized the right-of-use asset relating to the Ontario Facility (Notes 4 and 29).

**Manitoba Facility**
Upon acquisition of PED, the Company acquired the right to use the leased premises in Winnipeg, Manitoba. The lease is for three years and commenced on November 1, 2018. The monthly rent per month for years 1 to 3 for the 3-year lease are respectively $1,600 for year 1, $1,700 for year 2, and $1,800 for year 3. As at March 31, 2020, the right-of-use asset recognized was $28,602, equal to the present value of all remaining lease payments discounted at PED's incremental borrowing rate of 12%. The Company depreciates the right-of-use assets on a straight-line basis, over the remaining lease term. The lease expired during the year ended April 30, 2022

**20. RIGHT-OF-USE ASSET (continued)**

**Manitoba Facility (continued)**

During the year ended April 30, 2022, PED entered into a five-year lease for a 1,600 square foot facility in Winnipeg, Manitoba. The lease is for five years and commenced on August 1, 2021, renewable for another five years. The annual lease payment is $17,520 for years one (1) to three (3) and $19,120 for years four (4) and five (5). On August 1, 2020, the right-of-use asset recognized amounted to $107,788, equal to the present value of all remaining lease payments discounted at PED's incremental borrowing rate of 12%. The Company depreciates the right-of-use assets on a straight-line basis, over the remaining lease term, including the renewal term. Due to the sale of PED, during the year ended April 30, 2022, the Company derecognized the right-of-use asset relating to the Manitoba Facility (Notes 4 and 29).

**Ottawa Facility**

On April 30, 2020, PED entered into a five-year lease agreement for a 1,803 sq. ft facility in Ottawa, Ontario, renewable for another five years commencing on May 1, 2020 and ending on April 30, 2025. The annual lease payment is $21,636 with an escalation rate of $0.25 per sq. ft. per year. On May 1, 2020, the right-of-use asset recognized amounted to $139,887, equal to the present value of all remaining lease payments discounted at PED's incremental borrowing rate of 12%. The Company depreciates the right-of-use assets on a straight-line basis, over the remaining lease term, including the renewal term. Due to the sale of PED, during the year ended April 30, 2022, the Company derecognized the right-of-use asset relating to the Ottawa Facility (Notes 4 and 29).

(Expressed in Canadian Dollars)

## 20. RIGHT-OF-USE ASSETS (continued)

| Cost | Langley Facility $ | Richmond Facility $ | Equipment Lease $ | Ontario Facility $ | Manitoba Facility $ | Ottawa Facility $ | Total $ |
|---|---|---|---|---|---|---|---|
| Balance, April 30, 2020 | 468,918 | - | 47,221 | 523,861 | 28,602 | - | 1,068,602 |
| Additions | - | - | - | - | - | 139,887 | 139,887 |
| Impairment | (468,918) | - | - | - | - | - | (468,918) |
| Balance, April 30, 2021 | - | - | 47,221 | 523,861 | 28,602 | 139,887 | 739,571 |
| Additions | - | 310,402 | - | - | 107,788 | - | 418,190 |
| Disposal of subsidiary | - | (310,402) | - | (523,861) | (136,390) | (139,887) | (1,110,540) |
| **Balance, April 30, 2022** | **-** | - | **47,221** | **-** | **-** | **-** | **47,221** |
| **Accumulated depreciation** | | | | | | | |
| Balance, April 30, 2020 | (114,837) | - | (9,838) | (4,555) | (1,505) | - | (130,735) |
| Additions | (114,837) | - | (23,610) | (54,663) | (18,065) | (13,989) | (225,164) |
| Impairment | 229,674 | - | - | - | - | - | 229,674 |
| Balance, April 30, 2021 | - | - | (33,448) | (59,218) | (19,570) | (13,989) | (126,225) |
| Additions | - | - | (13,773) | (40,998) | (14,421) | (10,492) | (79,684) |
| Disposal of subsidiary | - | - | - | 100,216 | 33,991 | 24,481 | 158,688 |
| **Balance, April 30, 2022** | - | - | **(47,221)** | **-** | **-** | **-** | **(47,221)** |
| **Carrying value** | | | | | | | |
| Balance, April 30, 2021 | - | | 13,773 | 464,643 | 9,032 | 125,898 | 613,346 |
| **Balance, April 30, 2022** | **-** | | **-** | **-** | **-** | **-** | **-** |

(Expressed in Canadian Dollars)

## 21. LEASE OBLIGATIONS

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, using the effective interest method for the present value determination. As the rate implicit in the lease cannot be readily determined, the Company applied an average incremental borrowing rate. The Company used discount rates of 12-14% to calculate the present value of its lease payments. Total interest expense on lease liabilities for the year ended April 30, 2022 was $976 (April 30, 2021 - $3,834). During the year ended April 30, 2022, due to the sale of subsidiaries, the Company derecognized lease obligations relating to subsidiaries (Notes 4 and 29).

The following table represents lease obligation for the Company:

| | **April 30, 2022** **$** | April 30, 2021 $ |
|---|---|---|
| Current | - | 191,706 |
| Non-current | - | 782,340 |
| **Total lease obligation** | - | 974,046 |

The following table shows the rollforward of lease obligations:

| | **April 30, 2022** **$** | April 30, 2021 $ |
|---|---|---|
| Beginning balance | **974,046** | 1,015,719 |
| Additions | **418,190** | 131,989 |
| Interest expense | **976** | 3,834 |
| Interest expense from discontinued operations | **64,126** | 142,508 |
| Reversals | **(211,105)** | - |
| Lease payments | **(203,148)** | (320,004) |
| Disposal of subsidiary | **(1,043,085)** | - |
| **Ending balance** | - | 974,046 |

The following table presents the contractual undiscounted cashflows for lease obligation:

| | **April 30, 2022** **$** | April 30, 2021 $ |
|---|---|---|
| Less than one year | - | 300,323 |
| One to five years | - | 773,826 |
| More than 5 years | - | 367,432 |
| **Total undiscounted lease obligation** | - | 1,441,581 |

## 22. OPERATING EXPENSES

**Selling expenses**

| | **Years ended** | |
|---|---|---|
| | **April 30, 2022** **$** | April 30, 2021 $ |
| Investor relations | - | 5,770 |
| Marketing and research | - | 10,167 |
| Travel and marketing | - | 506 |
| | - | 16,443 |

(Expressed in Canadian Dollars)

## 22. OPERATING EXPENSES (continued)

### General and administrative expenses

| | Note | Years ended April 30, 2022 $ | April 30, 2021 $ |
|---|---|---|---|
| Consulting fees | 26 | **93,385** | 146,632 |
| Filing fees | | **74,786** | 89,544 |
| Lease interest | 21 | **976** | 3,834 |
| Office expenses | | **66,259** | 132,373 |
| Management fees | 26 | **135,000** | 222,000 |
| Professional fees | | **163,669** | 337,655 |
| Remuneration and benefits | 26 | **454,718** | 755,793 |
| Rent | | **44,095** | 92,232 |
| Share-based payments | 18, 26 | **25,823** | 437,685 |
| | | **1,058,711** | 2,217,748 |

### Impairment loss

| | Note | Years ended April 30, 2022 $ | April 30, 2021 $ |
|---|---|---|---|
| Loan receivable | 8 | **-** | 341,463 |
| Prepaid expenses and deposits | 9 | **144,934** | 166,607 |
| Property and equipment | 10 | **86,939** | - |
| | | **231,873** | 508,070 |

## 23. OTHER INCOME (EXPENSES)

| | Note | Years ended April 30, 2022 $ | April 30, 2021 $ |
|---|---|---|---|
| Interest expense and bank charges | 16,17 | **(5,269)** | 181,235 |
| Interest income | | **9,279** | 20,764 |
| Loss on sale of PED | 4 | **(5,361,331)** | - |
| Gain on sale of SOMA | 4 | **641,623** | |
| Government grant | 17 | **-** | 13,120 |
| Unrealized loss in FVTPL | 5 | **(578,380)** | - |
| Reversal of impairment on deposit | | **-** | 205,277 |
| Write-off of accounts payable | | | 53,553 |
| Foreign exchange gain (loss) | | **-** | (74,790) |
| Others | | **-** | 532 |
| | | **(5,294,078)** | 399,691 |

(Expressed in Canadian Dollars)

## 24. FINANCIAL INSTRUMENTS

As at April 30, 2022 and April 30, 2021, the carrying value of all financial instruments carried at amortized cost are equivalent to fair value. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and market risk.

*Credit risk*
Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The risk for cash and cash equivalents cash is mitigated by holding these instruments with highly rated Canadian financial institutions. Accounts receivable primarily consist of trade accounts receivable and other receivables.

The Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. The Company's credit risk exposure lies on its ability to collect from its business partners for advances made for new business deals. The Company's ECL on its trade receivables as at April 30, 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 April 30, 2022, the Company had a cash balance of $2,534,189 (April 30, 2021 - $2,377,635) to settle current liabilities of $215,749 (April 30, 2021 - $5,027,537). All of the Company's current financial liabilities have contractual maturities of less than a year and are subject to normal trade terms.

| **Current liabilities** | **Note** | **April 30, 2022** **$** | April 30, 2021 $ |
|---|---|---|---|
| Accounts payable and accrued liabilities | 12 | **213,936** | 1,014,802 |
| Customer deposits | 13 | **-** | 341,211 |
| Due to related parties | 27 | **136** | 437,991 |
| Current portion of lease obligations | 21 | **-** | 191,706 |
| Convertible debt | 16 | **-** | 2,255,249 |
| Derivative liability | 16 | **-** | 633,950 |
| Loans payable | 14 | **-** | 143,750 |
| Liabilities of discontinued operations | 29 | **1,677** | 8,878 |
| **Total current liabilities** | | **215,749** | 5,027,537 |

(Expressed in Canadian Dollars)

**24. FINANCIAL INSTRUMENTS (continued)**

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

| April 30, 2022 | <1 year | 1-5 years | >5years |
|---|---|---|---|
| **Financial liabilities at amortized cost** | | | |
| Accounts payable and accrued liabilities | $ 213,936 | $ - | $ - |
| Due to related parties | 136 | - | - |
| Government grant loan | - | 36,713 | - |
| Liabilities of discontinued operations | 1,677 | - | - |
| Total financial liabilities at amortized cost | $ 215,749 | $ 36,713 | $ - |
| **Financial liabilities at fair value** | | | |
| Derivative liability | $ - | $ - | $ - |

*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.

(b) Price risk
The Company's investments are subject to fair value fluctuations. As at April 30, 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 year ended April 30, 2022 would have been approximately $69,196 higher/lower.

(Expressed in Canadian Dollars)

**24. FINANCIAL INSTRUMENTS (continued)**

*Fair value hierarchy*

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

The three levels are defined as follows:

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

During the year ended April 30, 2022 and year ended April 30, 2021, there were no transfers between the three levels of fair value measurements. The fair value of the convertible debts is affected by market rates which are applicable to them on the dates of issuance. A change in those discount rates may result in significantly higher or lower fair value measurements. Financial assets measurement in the fair value hierarchy are presented below:

| **April 30, 2022** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| **Financial assets at fair value** | | | |
| Investment in shares | $ 338,856 | $ 53,108 | $ 300,000 |
| **Financial liabilities at fair value** | | | |
| Derivative liability | $ - | $ - | $ - |

| **April 30, 2021** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| **Financial assets at fair value** | | | |
| Investment in shares | $ - | $ - | $ - |
| **Financial liabilities at fair value** | | | |
| Derivative liability | $ - | $ - | $ 633,950 |

Valuation of Assets / Liabilities that use Level 1 Inputs ("Level 1 Assets / Liabilities"). Consists of the Companys investments in public company common stock without trading resection, where quoted prices in active markets are available.

Valuation of Assets / Liabilities that use Level 2 Inputs ("Level 2 Assets / Liabilities"). Consists of the Company's investments in public company common stock with trading restriction, where quoted prices in active markets are note available directly. (Note 4)

Valuation of Assets / Liabilities that use Level 3 Inputs ("Level 3 Assets / Liabilities"). Consists of the Company's investments in common stock,

- For investment in private company common shares, fair value was determined utilizing the share subscription price of the most recent capital financing prior to the transaction (Note 4).
- For investment in public company common shares, whose receipts is contingent on whether PDE's trailing nine-month revenue exceeds the earn-out target. The fair value is calculated using Monte Carlos Simulation ("MCS") with level 3 inputs, which uses the baseline revenue forecast till the end of the performance period. MCS captures the expected cumulative revenue, which is variable based on both randomness in the simulation coupled with volatility expectations around revenue generation (Note 4).

(Expressed in Canadian Dollars)

## 25. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash. The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company is primarily dependent on the capital markets as its source of operating capital and the Company's capital resources are largely determined by the strength of the cannabis company markets and its ability to compete for investor support of its technical capability. The Company's total managed capital cash of $2,534,189 (April 30, 2021 - $2,377,635) and equity attributable to holders of the parent of $3,491,273 (April 30, 2021 - $4,556,411).

There was no change to the Company's management of capital during the year ended April 30, 2022. The Company is not subject to any externally imposed capital requirements.

## 26. RELATED PARTY TRANSACTIONS

As at April 30, 2022, amounts due to related parties totaled $136 (April 30, 2021 - $437,991) of which $136 (April 30, 2021 - $45,906) are unsecured, payable on demand, and without interest.

| | **April 30, 2022**<br>**$** | April 30, 2021<br>$ |
|---|---|---|
| CEO of WCE | **136** | 11,601 |
| Former President of WCE | **-** | 14,082 |
| CFO of WCE | **-** | 5,250 |
| CEO of PED | **-** | 250,091 |
| CFO of PED | **-** | 14,973 |
| Director* | **-** | 141,994 |
| Total | **136** | 437,991 |

*Amounts due to a company controlled by a Director include $Nil ($141,994 – April 30, 2021) of convertible debt and derivative liabilities (Note 16).

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 April 30, 2022 of $Nil (April 30, 2021 - $250,091). The details of the loan are as follows:

| | **Interest** | **Commencement** | **Maturity** | **Principal owing as at April 30, 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 year ended April 30, 2022.

(Expressed in Canadian Dollars)

## 26. RELATED PARTY TRANSACTIONS (continued)

During the years ended April 30, 2022 and 2021, the Company entered into the following transactions with related parties:

| | **April 30, 2022 $** | April 30, 2021 $ |
|---|---|---|
| Management fees | **135,000** | 222,000 |
| Consulting fees | **-** | 5,000 |
| Accounting fees | **2,396** | 35,640 |
| Finders' fee from discontinued operations | **-** | 67,500 |
| Legal fees from discontinued operations | **-** | 3,700 |
| Remuneration and benefits | **153,042** | 222,942 |
| Remuneration and benefits from discontinued operations | **444,190** | 726,150 |
| Research and development from discontinued operations | **-** | 4,373 |
| Other income | **-** | 79,001 |
| Share-based payments | **25,823** | 377,758 |
| | **760,451** | 1,744,064 |

- Management fees reported as part of general and administrative expenses (Note 22) consist of $75,000 (2021 - $150,000) paid to a company of which the former President of the Company has significant interest and $60,000 (2021 - $72,000) was paid to a company controlled by the CFO.
- Consulting fees included as part of general and administrative expenses (Note 22) consist of $Nil (2021 - $5,000 to a company of which the former President of the Company has significant interest).
- Accounting fees presented as part of professional fees (Note 22) consist of $2,396 (2021 - $35,640) to a company controlled by the CFO.
- Remuneration and benefits reported as part of general and administrative expenses (Note 22) consist of $153,042 to the CEO (2021 - $157,846 to CEO and $65,096 to the Former CIO).
- Remuneration and benefits from discontinued operations reported as part of discontinued operations (Notes 4 and 29) consist of $231,690 to the CEO of PED, $106,250 to the CFO of PED and $106,250 to the CTO of PED (2021 - $321,200 to CEO of PED, $150,000 to the CFO of PED and $143,767 to the CTO of PED and $111,183 to the former President of Soma Labs).
- Share-based payments reported as part of general and administrative expenses (Note 18) consist of $12,912 to the CEO of PED and $12,911 to the CTO of PED (2020: $26,829 to former director, $92,274 to directors, $114,540 to the former President, $10,697 to the CFO, $114,540 to the CEO, $12,585 to the Former CIO and $6,293 to the Former President of Soma).

As at April 30, 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 year ended April 30, 2022, in connection with the disposal of subsidiary, $676,784 was repaid to the Company (Notes 4 and 29).

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. The transaction took place prior to the sale of PED.

(Expressed in Canadian Dollars)

## 27. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred the following non-cash financing transactions during the years ended April 30, 2022 and 2021:

| | April 30, 2022 $ | April 30, 2021 $ |
|---|---|---|
| Shares issued for settlement of debt of PED | - | 24,896 |

Cash payments for the year ended April 30, 2022 amounted to $203,149 (April 30, 2021: $320,004). Reconciliation of movements of liabilities to cash flows arising from financing activities:

| | Convertible debentures $ | Convertible note $ | Lease obligations $ | Government grant $ | Total $ |
|---|---|---|---|---|---|
| April 30, 2020 | 452,921 | 1,543,484 | 1,015,719 | 80,000 | 3,092,124 |
| **Cash items:** | | | | | |
| Payments | - | - | (185,095) | - | (185,095) |
| Payments* | - | - | (134,909) | - | (134,909) |
| **Non-cash items:** | | | | | |
| Reclass* | (105,192) | (81,999) | - | (26,242) | (213,433) |
| Additions* | - | - | 131,989 | 27,215 | 159,204 |
| Interest expense* | 18,328 | 197,148 | 93,567 | 4,737 | 313,780 |
| Interest expense | | | 52,775 | 9,908 | 62,683 |
| Accretion* | 98,547 | 132,012 | - | - | 230,559 |
| April 30, 2021 | 464,604 | 1,790,645 | 974,046 | 95,618 | 3,324,913 |
| **Cash items:** | | | | | |
| Payments | - | - | (18,047) | - | (18,047) |
| Payments* | - | - | (185,101) | - | (185,101) |
| **Non-cash items:** | | | | | |
| Reclass* | 105,192 | (45,484) | - | - | 59,708 |
| Additions* | - | - | 107,788 | - | 107,788 |
| Reversal* | - | - | (211,105) | - | (211,105) |
| Interest expense* | 31,037 | 210,735 | 60,955 | 8,346 | 311,073 |
| Interest expense | - | - | 976 | 4,898 | 5,874 |
| Accretion* | 48,244 | 84,181 | - | - | 132,425 |
| Disposal of subsidiary | (649,077) | (2,040,077) | (729,512) | (72,149) | (3,490,815) |
| **April 30, 2022** | **-** | **-** | **-** | **36,713** | **36,713** |

*from discontinued operations

(Expressed in Canadian Dollars)

## 28. SEGMENTED INFORMATION

During the year ended April 30, 2022, the Company's principal reporting segments are corporate and development and discontinued operations which makes up the previous segments: development and deployment of extraction technology and services, delivery, sale of disposable vaporizer pens and cartridges and sale of automation solution equipment (April 30, 2021 – corporate and development, development and deployment of extraction technology and services (discontinued during the year ended April 30, 2022), delivery (discontinued during the year ended April 30, 2022), segments sale of disposable vaporizer pens and cartridges (discontinued during the year ended April 30, 2021), and sale of automation solution equipment (discontinued during the year ended April 30, 2020). The reportable segments were determined based on the nature of the services provided and goods sold. All of the Company's assets are situated in Canada.

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

| April 30, 2022 | Corporate and development $ | Discontinued operations $ | Total $ |
|---|---|---|---|
| Corporate general and administrative expenses | (1,037,180) | - | (1,037,180) |
| Change in FV of investment | (578,380) | - | (578,380) |
| Impairment | (231,873) | - | (231,873) |
| Interest income | 9,279 | - | 9,279 |
| Depreciation and amortization | (19,059) | - | (19,059) |
| Stock-based compensation | (25,823) | - | (25,823) |
| Loss on sale of subsidiaries | (4,719,708) | - | (4,719,708) |
| Lease interest | (977) | - | (977) |
| Loss from continuing operations | (6,603,721) | - | (6,603,721) |
| Loss from discontinued operations | - | (1,616,129) | (1,616,129) |
| Reportable segment assets | 3,743,735 | - | 3,743,735 |
| Reportable segmented liabilities | 250,785 | 1,677 | 252,462 |

(Expressed in Canadian Dollars)

## 28. SEGMENTED INFORMATION (continued)

| April 30, 2021 | Corporate and development $ | Development and deployment of extraction equipment, technology and services $ | Delivery $ | Discontinued operations $ | Total $ |
|---|---|---|---|---|---|
| Selling, general and administrative expenses | (16,443) | - | - | - | (16,443) |
| Corporate general and administrative expenses | (1,397,302) | - | - | - | (1,397,302) |
| Impairment | (508,070) | | | | (508,070) |
| Depreciation and amortization | (51,414) | - | - | - | (51,414) |
| Stock-based compensation | (437,685) | - | - | - | (437,685) |
| Interest income | 20,764 | - | - | - | 20,764 |
| Lease interest | (3,834) | - | - | - | (3,834) |
| Net loss from continuing operations | (2,393,984) | - | - | - | (2,393,984) |
| Income (loss) from discontinued operations | - | (2,257,335) | 165,001 | - | (2,092,334) |
| Reportable segment assets | 2,413,232 | 234,026 | 4,231,373 | - | 6,878,631 |
| Reportable segmented liabilities | 164,666 | 757,262 | 4,974,689 | 8,878 | 5,905,495 |

## 29. DISCONTINUED OPERATIONS

During the year ended April 30, 2022, the Company sold its subsidiaries, PED and Soma (Note 4). The sale of the subsidiaries meets the criteria of a discontinued operation under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The subsidiaries were not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statements of comprehensive loss has been restated to show the discontinued operation separately from continuing operations.

(Expressed in Canadian Dollars)

## 29. DISCONTINUED OPERATIONS (continued)

As at April 30, 2022, the liabilities of discontinued operations recognized in the consolidated statements of financial position relate to the customer deposits and accounts payable amounting to $1,677 (April 30, 2021 – $8,878).

| Liabilities of discontinued operations | April 30, 2022 $ | April 30, 2021 $ |
|---|---|---|
| Sales of automation on control solution equipment – customer deposits | - | 7,201 |
| Sales of disposable vaporizer pens – accounts payable | 1,677 | 1,677 |
| **Total** | **1,677** | **8,878** |

The financial performance results of the discontinued operations, which are presented as a net amount on the consolidated statements of loss and comprehensive loss, are summarized below:

| PED | Period from May 1, 2021 to January 21, 2022 $ | Year ended April 30, 2021 $ |
|---|---|---|
| Sales | **7,074,315** | 9,642,757 |
| Cost of sales | **(5,641,119)** | (6,818,968) |
| Gross profit | **1,433,196** | 2,823,789 |
| | | |
| Selling Expense | - | 12,752 |
| Depreciation | **278,751** | 383,713 |
| Administrative expenses | **1,034,720** | 948,719 |
| Lease interest | **60,955** | 93,567 |
| Professional fees | **230,820** | 85,044 |
| Transaction costs | **144,119** | - |
| Rent | **187,172** | 159,408 |
| Remunerations and benefits | **1,082,635** | 1,230,949 |
| Total operating expense | **3,019,172** | 2,914,152 |
| | | |
| Loss before other expenses | **(1,585,976)** | (90,363) |
| | | |
| Other income (expenses) | | |
| Acquisition fees | **-** | (67,500) |
| Interest and bank charges | **(602,309)** | (689,493) |
| Unrealized gain on conversion feature | **362,581** | 504,979 |
| Other income | **-** | 12,785 |
| Total other income (expenses) | **(239,728)** | (239,229) |
| | | |
| Loss from discontinued operations | **(1,825,704)** | (329,592) |
| | | |
| Allocation of income (loss) from discontinued operations: | | |
| Equity holder of the parent | **(462,263)** | (84,321) |
| Non-controlling interest | **(1,363,441)** | (245,271) |
| Income (loss) from discontinued operations | **(1,825,704)** | (329,592) |

(Expressed in Canadian Dollars)

## 29. DISCONTINUED OPERATIONS (continued)

| Soma Labs | Period form May 1, 2021 to April 29, 2022 $ | Year ended April 30, 2021 $ |
|---|---|---|
| Sales | **100,000** | - |
| Cost of sales | **(100,000)** | - |
| Gross profit | **-** | - |
| Selling | - | 4,384 |
| Consulting | **5,527** | 2,220 |
| Depreciation | **12,538** | 208,776 |
| Administrative expenses | **10,569** | 83,072 |
| Impairment | **-** | 1,089,368 |
| Lease interest | **3,172** | 48,940 |
| Professional fees | - | 2,628 |
| Rent | **67,363** | 75,338 |
| Bad debt expenses | **48,989** | |
| Research and development | **-** | 222,631 |
| Remunerations and benefits | **13,030** | 314,861 |
| Shop expense | **-** | 2,342 |
| Total operating expense | **161,188** | 2,054,560 |
| Loss before other expenses | **(161,188)** | (2,054,560) |
| Other income (expenses) | | |
| Interest and bank charges | **(5,966)** | (7,829) |
| Gain on lease liability | **211,105** | - |
| Gain on asset disposal | **165,624** | - |
| Customer deposit write-down | **-** | 135,238 |
| Government grant | **-** | 13,121 |
| CEWS | **-** | 96,923 |
| CERS | **-** | 22,208 |
| Other income | **-** | 32,157 |
| Total other income (expenses) | **370,763** | 291,818 |
| Income (loss) from discontinued operations | **209,575** | (1,762,742) |
| Allocation of income (loss) from discontinued operations: | | |
| Equity holder of the parent | **209,575** | (1,762,742) |
| Non-controlling interest | **-** | - |
| Income (loss) from discontinued operations | **209,575** | (1,762,742) |

(Expressed in Canadian Dollars)

**29. DISCONTINUED OPERATIONS (continued)**

As at January 21, 2022, the date of disposition, the net assets (liabilities) of PED derecognized totaled $6,698,895 as detailed below:

| PED | $ |
|---|---|
| Cash | 8,385 |
| Accounts receivables | 595,656 |
| Other receivables | 316,365 |
| Prepaids | 266,829 |
| Plant and equipment | 868,216 |
| Right-of-use-assets | 951,852 |
| Intangibles | 548,237 |
| Accounts payable and accrued liability | (977,476) |
| Current portion of lease obligations | (46,460) |
| Long term portion of lease obligations | (996,625) |
| Derivative liability | (353,652) |
| Government grant | (35,448) |
| Convertible debenture | (2,689,154) |
| Due to related party | (299,875) |
| Factoring loan | (70,354) |
| Loans payable | (155,000) |
| Net assets (liabilities) | (2,068,504) |
| | |
| Net assets (liabilities) attributable non controlling interest | (1,544,764) |
| Net assets (liabilities) attributable to equity holder of the parent | (523,740) |
| Total net assets (liabilities) | (2,068,504) |
| Goodwill | 8,767,399 |
| **Total net assets (liabilities) derecognized** | **6,698,895** |

As at January 21, 2022, the date of disposition, the non-controlling interest and reserves that were derecognized to deficit totaled $5,765,448, as detailed below:

| | $ |
|---|---|
| Fair value revaluation reserve | 101,279 |
| Non-controlling interest | 5,664,169 |
| **Total** | **5,765,448** |

(Expressed in Canadian Dollars)

## 29. DISCONTINUED OPERATIONS (continued)

The financial information of PED, WCE's subsidiary that was disposed of during the year ended April 30, 2022, that had a material non-controlling interest is provided below. As at April 30, 2022, WCE has Nil% (April 30, 2021 – 25.32%) economic interest in PED and non-controlling stockholders have 100% in PED (April 30, 2021 – 74.68%).

| PED | April 30, 2022 $ | April 30, 2021 $ |
|---|---|---|
| Current assets | - | 2,953,711 |
| Noncurrent assets | - | 1,626,185 |
| Current liabilities | - | 3,486,772 |
| Noncurrent liabilities | - | 654,131 |

The table below summarizes the movements in NCI:

| PED | April 30, 2022 $ | April 30, 2021 $ |
|---|---|---|
| Beginning balance | **5,184,124** | 5,436,999 |
| Addition (reduction) | **298,721** | (7,604) |
| Net loss from discontinued operations | **(1,363,441)** | (245,271) |
| Gain on sale of PED | **1,544,765** | - |
| Disposition of subsidiary | **(5,664,169)** | - |
| Ending balance | - | 5,184,124 |

As at April 29, 2022, the date of disposition, the net assets (liabilities) of Soma Labs derecognized totaled $341,623, as detailed below:

| Soma Labs | $ |
|---|---|
| Cash | 143,663 |
| Sales tax receivable | 10,970 |
| Prepaids | 2,296 |
| Plant and equipment | 54,527 |
| Accounts payable and accrued liability | (167,967) |
| Liabilities of discontinued operations | (7,201) |
| Customer deposits | (341,211) |
| Government grant | (36,700) |
| **Total net assets (liabilities) derecognized** | (341,623) |

The financial information of Soma Labs, WCE's subsidiary that was disposed of during the year ended April 30, 2022, is provided below. As at April 30, 2022, WCE has Nil% (April 30, 2021 – 100%) interest in Soma Labs.

| Soma Labs | April 30, 2022 $ | April 30, 2021 $ |
|---|---|---|
| Current assets | - | 173,685 |
| Noncurrent assets | - | - |
| Current liabilities | - | 558,050 |
| Noncurrent liabilities | - | 192,011 |

(Expressed in Canadian Dollars)

## 30. DEFERRED INCOME TAX

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statement of operations and comprehensive loss for the period ended April 30, 2022 and April 30, 2021:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Net loss before tax | (8,219,849) | (4,486,317) |
| Statutory tax rate | 27.0% | 27.0% |
| Expected income tax (recovery) | (2,219,000) | (1,211,000) |
| Non-deductible items and other | 1,352,000 | 264,000 |
| Change in estimates | (1,226,000) | (2,345,000) |
| Adjustment to prior years provision versus statutory tax returns | (421,000) | - |
| Disposition of subsidiaries | 5,887,000 | - |
| Change in deferred tax assets not recognized | (3,373,000) | 3,292,000 |
| Total income tax expense (recovery) | - | - |

The unrecognized deductible temporary differences as at April 30, 2021 and April 30, 2020 is comprised of the following:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Non-capital losses | 18,314,815 | 36,162,963 |
| Property and equipment | 355,556 | 688,889 |
| Intangible assets | 13,766,667 | 13,940,741 |
| Debt with accretion | - | (11,112) |
| Capital losses | 7,740,741 | 1,092,885 |
| Lease obligation | - | 925,926 |
| Financing costs | - | 7,407 |
| Total unrecognized deductible temporary differences | 40,177,778 | 52,807,699 |

The Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $18,316,383 (2021: $36,192,963) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

| Expiry | $ | Expiry | $ |
|---|---|---|---|
| 2026 | 115,393 | 2035 | 199,371 |
| 2027 | 132,810 | 2036 | 173,370 |
| 2028 | 112,197 | 2037 | 138,825 |
| 2029 | 115,495 | 2038 | 165,930 |
| 2030 | 764,903 | 2039 | 77,742 |
| 2031 | 114,626 | 2040 | 13,323,249 |
| 2032 | 140,219 | 2041 | 1,251,964 |
| 2033 | 135,075 | 2042 | 1,225,821 |
| 2034 | 127,825 | | |
| Grand Total | | | 18,314,815 |

## 31. SUBSEQUENT EVENTS

16,949 FFHC Common Shares have been released from escrow leaving 199,196 in escrow pending PED's achievement of certain performance-based milestones in the nine-month period subsequent to the transaction. Pursuant to the working capital being greater than the target working capital, 38,050 additional FFHC Common Shares were issued to the Company that was equal that was equal to the working capital adjustment amount divided by the deemed share price.

The promissory note with principal of $400,000 (Note 8c), was reassigned to a new debtor, and the term has been amended whereby the note can be converted into debtor's shares.

1,000,000 stock options expired unexercised.