WORLD-CLASS
Extractions
FRA: WCF OTCQB: WCEXF CSE: PUMP

**WORLD CLASS EXTRACTIONS INC.**

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

**For the Period Ended July 31, 2022**

(Expressed in Canadian Dollars unless otherwise indicated)

## 1. INTRODUCTION

The following Management's Discussion and Analysis ("**MD&A**") is a review of the financial condition and results of operations by the management ("**Management**") of World Class Extractions Inc. ("**World-Class**" "**WCE**" or the "**Company**") for the period ended July 31, 2022 (the "**Reporting Period**"). This MD&A is prepared as at November 2, 2022, unless otherwise indicated, and should be read in conjunction with the interim condensed consolidated financial statements for the period ended July 31, 2022 and period ended July 31, 2021 and annual consolidated financial statements for the year ended April 30, 2022 and year ended April 30, 2021 ("**Financial Statements**") and the notes related thereto which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A was reviewed by the Audit Committee and, on the Audit Committee's recommendation, approved by the Board of Directors of World-Class. All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") – http://www.sedar.com and are also available on the Company's website https://worldclassextractions.com/.

## 2. CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION

This MD&A and the documents incorporated into this MD&A contain "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws (forward-looking information and forward-looking statements being collectively hereinafter referred to as "**forward-looking statements**").

These forward-looking statements include statements regarding:

- the intentions, plans and future actions of the Company, including the completion of the Proposed COB (as defined herein) on the terms and conditions outlined in this MD&A;
- the intentions, plans and future actions of CannaWorld Ventures Inc. (the Company's investee) with respect to the build out of CannaPark;
- the ability of the Company to obtain necessary financing;
- the ability of the Company to locate, negotiate and make investments;
- performance of the Company's business and operations as it relates to its investees;
- the Company's future liquidity and financial capacity;
- costs, timing and future plans concerning the business and operations of the Company and its investees; and
- results and expectations concerning various and prospective investments of the Company.

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

The forward-looking statements made in this MD&A are made on a number of assumptions, risks, and material factors, which include but are not limited to: the Company's ability to obtain shareholder and CSE approval to complete the Proposed COB; estimated budgets; requirements for additional capital; the timing and possible outcome of regulatory and permitting matters; planned business activities and planned future acquisitions; the adequacy of financial resources; the Company's competitive position and the regulatory environment in which the Company operates; general risk of negative global financial consequences and heightened uncertainty as a result of COVID-19 (as defined herein), including but not limited to: the recent and future anticipated impact on operations in jurisdictions most impacted by the virus; the impact on demand for products and services, including positive impacts (for example, companies that are part of mitigation efforts or otherwise involved in addressing COVID-19); the triggering of force majeure clauses by third-party supplies or service providers; the effect on third-party suppliers or service providers; and other events or conditions that may occur in the future.

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

The forward-looking statements contained herein are based on information available as of the date of this MD&A.

**Management's Responsibility for Financial Statements**

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

## 3. DISCUSSION AND ANALYSIS

### Nature of Operations and Company Focus

World-Class is an innovation-driven company. On April 29, 2022, the shareholders of WCE approved a special resolution to change WCE's business. WCE is determined to refocus its business operations from a cannabis and hemp company to an investment company. WCE’s primary focus will be to seek returns through investments in equity, debt or other securities of publicly traded or private companies or other entities in the cannabis and cannabis related sectors with exceptional management and high growth potential, providing financing in exchange for financial appreciation and investment income. The Company will be looking to primarily invest its funds for purposes of generating returns from capital appreciation and investment income. It intends to accomplish these goals through the identification of investment in securities of private and publicly listed entities that are involved in or connected with the cannabis and cannabis related industries. The Company will not invest in any companies with cannabis-related practices or activities (including the cultivation, possession or distribution of cannabis) in the United States of America.

During the year ended April 30, 2022, WCE, Fire & Flower Holdings Corp. (“**FFHC**”) and its wholly owned subsidiary Hifyre™ Inc. (“**Hifyre**”) entered into an agreement whereby Hifyre acquired 100% of the issued and outstanding shares of Pineapple Express Delivery Inc. (“**PED**”) (the “**Transaction**”). As consideration for the Transaction, FFHC has assumed and repaid approximately $5.15 million in debt owed by PED and issued a total of 1,153,142 common shares of FFHC (“**Common Shares**”), of which a total of 313,708 were released on closing, with the remainder placed into escrow pending completion of customary working capital adjustments and subject to achievement of certain performance-based milestones in the fiscal 2022 year. FFHC is a technology-powered, adult-use cannabis retailer with more than 100 corporate-owned stores in its network. FFHC leverages its wholly-owned technology development subsidiary, Hifyre, to continually advance its proprietary retail operations model while also providing additional independent high-margin revenue streams. FFHC guides consumers through the complex world of cannabis through education-focused, best-in-class retailing while the Hifyre digital retail and analytics platform empowers retailers to optimize their connections with consumers. Its leadership team combines extensive experience in the technology, logistics, cannabis and retail industries. FFHC is a publicly traded company listed on the Toronto Stock Exchange under the symbol ‘FAF’.

During the year ended April 30, 2022, the Company completed the sale of its wholly owned subsidiary, Soma Labs Scientific Inc. (“**Soma**”), to CannaWorld Ventures Inc. (“**CannaWorld**”), whereby the Company received 15,000,000 CannaWorld common shares with a fair value of $300,000. In the event that at any time until CannaWorld lists its common shares for trading on a stock exchange, CannaWorld issues common shares at 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. CannaWorld is an early-stage company engaged in the development of cannabis growing facilities dedicated to providing self-contained Cultivation MicroPods to independent micro-cultivators. CannaWorld is currently building a “CannaPark” in the lower Fraser Valley in British Columbia. The CannaPark is expected to have a central licensed nursery operated by the park and a community of micro-growers, each in their own, self-contained, stand alone, MicroPod. The nursery will house specialist staff to help micro-cultivators, design, successfully grow and harvest unique cultivar, and ensure it remains healthy to harvest. The Pitt Meadows CannaPark is located on 22 acres of prime agricultural land and will feature 60 state of the art MicroPods, and an on-site full-service cannabis nursery.

**Corporate Overview**

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

- World-Class Extractions Inc. was incorporated under the *Business Corporations Act* (British Columbia) (the "**BCBCA**"), under the name "Luaaron Metals Ltd." Subsequent to this, there were several name changes before changing to World-Class Extractions Inc.
- During the year ended April 30, 2022, Soma and 1323194 BC Ltd. amalgamated.

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

***Sale of Interest in PED***

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

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

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

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

Subsequent to the period ended July 31, 2022, FFHC and the Company agreed on additional shares of 38,050 for excess working capital. As the subsequent event is the result of existing condition before the year end, the value of the shares is included in the fair value of $970,344. Subsequent to the period ended July 31, 2022, 16,949 FFHC Common Shares have been released from escrow leaving 199,196 in escrow pending achievement of certain performance-based milestones in the fiscal 2022. As of the date of this MD&A, the additional shares of 38,050 for the excess working capital have been issued.

Pursuat to the agreement, Hifrye is to provide an income statement and trailing nine month revenue statement ("**Revenue Statement**") to WCE, which was received on October 31, 2022. WCE has 15 business days to review the Revenue Statement ad provide comments back to HiFyre. 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. As of the date of this MD&A, the Company is reviewing the Revenue Statement.

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

Given evidence of control over PED, PED's financials were consolidated to WCE in accordance with IFRS 10 Consolidated Financial Statements up to the sale of PED. As at January 21, 2022, the date of disposition, the net assets (liabilities) of PED derecognized totaled $6,698,895, as detailed below:

| | $ |
|---|---:|
| 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 | (1,544,765) |
| 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** |

During the year ended April 30, 2022, the Company recorded a loss on disposal of PED of $5,361,331 as outlined below:

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

***Sale of Interest in Soma***

During the year ended April 30, 2022, the Company completed the sale of its wholly owned subsidiary, Soma to CannaWorld, whereby the Company received 15,000,000 CannaWorld common shares with a fair value of $300,000.

As at April 29, 2022, the date of disposition, the net assets (liabilities) of Soma 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) |

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 $** |
|---|---|
| Net assets disposed attributable to equity holder of the parent | **(341,623)** |
| Fair value of CannaWorld investment received | **(300,000)** |
| Gain on sale of Soma Labs | **(641,623)** |

**Directors, Officers and Management of the Company**

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

- Anthony Durkacz, Director and Chair of the Board of Directors
- Chand Jagpal, Director
- Michael Galloro, Director
- Rosy Mondin, Chief Executive Officer (CEO) and Director
- Zara Kanji, Chief Financial Officer (CFO)
- Shimmy Posen, Corporate Secretary

**Registered and Records Office | Head Office**

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

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

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

## 4. HIGHLIGHTS

- ***Proposed Change of Business***. Further to a shareholder approved special resolution (approved at the Company's AGM on April 29, 2022), the Company has resolved to redeploy its assets and resources in a way that would, without a major acquisition or change of control, result in a "change of business" under the rules and policies of the Canadian Securities Exchange (the "**Proposed COB**"). The Proposed COB would see the Company move from being a cannabis-focused company to that of an "investment company" focused on raising of money and investing in companies without getting involved in the mind and management of the investee companies.
- ***Sale of Soma Labs***. Effective April 29, 2022, the Company closed the sale of its wholly-owned subsidiary, Soma Labs Scientific Inc. ("**Soma Labs**") to CannaWorld Ventures Inc. ("**CannaWorld**"). Pursuant to a share purchase agreement, World-Class sold 100% of its issued and outstanding common shares of Soma Labs in exchange for 15,000,000 common shares in the capital of CannaWorld.

- ***Temporary Management Cease Trade Order***. On August 30, 2022 the British Columbia Securities Commission (the "**BCSC**") issued a temporary management cease trade order (the "**MCTO**") under *National Policy 12-203 Management Cease Trade Orders*, made at the request of the Company. This MCTO (citation: 2022 BCSECCOM 346) prohibits the chief executive officer and chief financial officer of World-Class from trading in the securities of the Company until such time as the Required Filings (i.e. the audited financial statements for the financial year ended April 30, 2022, the management's discussion and analysis, and the related Chief Executive Officer and Chief Financial Officer certificates) and all continuous disclosure requirements have been filed by the Company, and the MCTO has been lifted. During the period in which the MCTO is effective, the general public, who are not insiders of World-Class, will continue to be able to trade in the Company's listed securities. The Company's inability to file the Required Filings before the August 29, 2022 filing deadline (the "**Filing Deadline**") is due to a combination of factors including delays in the Company's year-end audit, which arose from delays in obtaining financial information with respect to the Company's interest in Pineapple Express Delivery Inc., which was disposed of during the financial year ended April 30, 2022 to Fire & Flower Holdings Corp. and valuation of such disposition and assets. The MCTO was in effect until the Required Filings completed.

## 5. OVERALL PERFORMANCE

**Financial Position**

As at July 31, 2022, the Company had cash of $2,368,834 (April 30, 2022 - $2,534,189) to settle current liabilities of $193,856 (April 30, 2022 - $215,749). Total assets stood at $3,383,130 a decrease of $360,605 from April 30, 2022 assets of $3,743,735.

Significant changes were noted on the following balance sheet items:

- *Cash*. $2,368,834 (April 30, 2022 – $2,534,189). Cash decreased due to payments relating to operating expenses funded for the period.
- *Consideration receivable.* $129,127 (April 30, 2022 - $53,108). Relates to the fair value of the Working Capital Holdback Shares and Revenue Holdback Shares held in escrow pursuant to the sale of PED.
- *Sales tax receivable*. $12,369 (April 30, 2022 – $7,717). This account increased due to timing of collection of refunds.
- *Loans receivable*. $412,850 (April 30, 2022 - $408,715). Relates to a promissory note, as amended was issued to the Company for the principal sum of $400,000. Interest is payable on the promissory note at a rate of 4% per annum, payable on the maturity date. As at July 31, 2022, the Company loaned $400,000 (April 30, 2022 - $400,000) and recorded accrued interest of $12,850 (April 31, 2022 – $8,715).
- *Prepaid expenses and deposits*. 18,650 (April 30, 2022 - $1,150). Prepaid expenses and deposits increased during the period due to the prepayment to a supplier for future services.

- *Accounts payable and accrued liabilities*. $190,612 (April 30, 2022 – $213,936). The decrease from year end pertains to the payment of trade payables, non-interest bearing which are settled on 30-to-60-day payment terms.

- *Government Grant Loan*. $37,947 (April 30, 2022 – $36,713). The CEBA loans have no maturity and has a feature, that if repaid by December 31, 2023, then 25% of the loan will be forgiven. The CEBA loan was valued using the market interest rate at the date of the receipt of the loan following *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*. This amount is being accreted to the CEBA loan liability over the life of the loan.

- *Due to related parties*. $1,567 (April 30, 2022 – $136). The increase from year end pertains to amounts owed to the Chief Executive Officer for operating expenses which are unsecure, payable on demand and without interest.

- *Equity*. $3,151,327 (April 30, 2021 – $3,491,273). The decrease during the period ended July 31, 2022, pertain to the net loss for the period.

**Cash Flows**

For the period ended July 31 2022 and 2021, the Company has the following cash flow activities:

| | Period Ended | |
|---|---|---|
| **Cash Flow Activities** | **July 31, 2022<br>$** | **July 31, 2021<br>$** |
| Operating – continued operations | (165,355) | (254,707) |
| Operating – discontinued operations | - | (52,503) |
| Investing – discontinued operations | - | (69,403) |
| Financing – continued operations | - | (5,321) |
| Financing – discontinued operations | - | (74,444) |
| Change in cash during the year | (165,355) | (456,378) |

**Operating Activities**

Operating activities generated a net cash outflow of $165,355 (July 31, 2021 - $254,707). The decreased use of cash is primarily attributable management controlling costs.

**Financing Activities**

The cash outflows from financing activities for the period ended July 31, 2022 was $Nil (July 31, 2021 - $5,321) pertaining to lease liability payments.

**Result of Operations**

The net loss and comprehensive loss for the period ended July 31, 2022 was $339,946 (July 31, 2021 - $262,158) The increase in net loss and comprehensive loss was driven by the following:

- *Consulting fees*. $54,860 (July 31, 2021 - $11,070) Relates to payments to consultants for various services pertaining to business development. Consulting fees increased over the same period last year due the engagement of additional consultants.

- *Filing fees.* $11,756 (July 31, 2021 - $5,958) Relate to compliance and regulatory filings. The increase is due to the corporate activity pertaining to the refocus of the Company's business operations from a cannabis and hemp company to an investment company.

- *Office expenses.* $1,843 (July 31, 2021 - $30,806) Relate to general expenses incurred in the office from operations and regulatory compliance.
- *Management fees.* $15,000 (July 31, 2021 - $52,500). Relate to the former President and the CFO fees. The decrease relates to the resignation of the President.
- *Professional Fees*. $37,172 (July 31, 2021 - $38,813) Mainly related to to patent applications and general corporate legal, audit fees and accounting fees.
- *Rent.* $9,000 (July 31, 2021 - $9,000) These are payments to lessors whose lease agreement details did not meet the threshold required for IFRS 16 leases application (i.e. all short-term and low value lease agreements).
- *Remuneration and Benefits*. $91,657 (July 31, 2021 - $107,028) Are for wages paid to employees of the Company who are responsible for management, compliance, and operations. The amount also includes the salaries paid to related parties.
- *Share-based Payments*. $Nil (July 31, 2021 - $17,544) These payments were recorded for the value of stock options vested during the year.
- *Interest expense (income) and bank charges.* $2,879 – (July 31, 2021 - $132) These are primarily attributable to the interest amortization of the government grant and interest earned on the promissory note issued during period.
- *Unrealized loss in FVTPL.* $121,537 (July 31, 2021 - $Nil). Relates to the fair value of investments in FFHC and CannaWorld.
- *Income (loss) from Discontinued operations.* During the year ended April 30, 2022, the Company completed the sale of its partially owned subsidiary, PED, to FFHC and the sale of its wholly-owned subsidiary, Soma Labs to CannaWorld. A discontinued operation is a component of the Company that either has been abandoned, disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operation; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or (iii) is a subsidiary acquired exclusively with a view to resell. The results of the discontinued operation relating to the disposition of PED and Soma Labs, which are presented as one net amount on the consolidated statements of loss and comprehensive loss are summarized below:

| | **Soma Period ended July 31, 2021 $** | **PED Period ended July 31, 2021 $** | **Total $** |
|---|---|---|---|
| Sales | 100,000 | 2,567,561 | 2,667,561 |
| Cost of sales | (100,000) | (1,981,387) | (2,081,387) |
| Gross profit | - | 586,174 | 586,174 |
| Depreciation | 2,579 | 93,463 | 96,042 |
| Administrative expenses | 27,501 | 250,630 | 278,131 |
| Consulting | 3,379 | - | 3,379 |
| Lease interest | 2,255 | 14,096 | 16,351 |
| Professional fees | - | 39,170 | 39,170 |
| Rent | - | 54,109 | 54,109 |

| | Soma Period ended July 31, 2021 $ | PED Period ended July 31, 2021 $ | Total $ |
|---|---|---|---|
| Remunerations and benefits | 10,634 | 358,737 | 369,371 |
| Total operating expense | 46,348 | 810,205 | 856,553 |
| Loss before other expenses | (46,348) | (224,031) | (270,379) |
| Other income (expenses) | | | |
| Interest and bank charges | - | (135,361) | (135,361) |
| Gain on lease liability | 211,105 | - | 211,105 |
| Gain on asset disposal | 14,050 | - | 14,050 |
| Unrealized gain on conversion feature | - | 202,742 | 202,742 |
| Total other income (expenses) | 225,155 | 67,381 | 292,536 |
| Loss from discontinued operations | 178,807 | (156,650) | 22,157 |
| Allocation of income (loss) from discontinued operations: | | | |
| Equity holder of the parent | 178,807 | (39,663) | 139,144 |
| Non-controlling interest | - | (116,987) | (116,987) |
| Income (loss) from discontinued operations | 178,807 | (156,650) | 22,157 |

## 6. OPERATIONS REVIEW

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

- *Pandemic.* Due to COVID-19, Management is closely monitoring the global and Canadian situation and is actively taking steps to mitigate the impact and spread of COVID-19.
- *Business Practices*. Continues to implement internal audit, corporate governance, and business conduct/ethics policies to guide corporate and financial practices in a transparent manner.
- *Proposed Change of Business*. On April 29, 2022, the shareholders of WCE approved a special resolution to change World-Class' business. The Company is determined to refocus its business operations from a cannabis and hemp company to that of an investment issuer. As an investment issuer, the Company's primary focus will be to seek returns from investments in the securities of private and publicly listed entities that are involved in or connected with the cannabis and cannabis related industries.

**General Description of the Business**

World-Class is an innovation-driven company. On April 29, 2022, the shareholders of WCE approved a special resolution to change WCE's business. WCE is determined to refocus its business operations from a cannabis and hemp company to an investment company. WCE's primary focus will be to seek returns through investments in equity, debt, or other securities of publicly traded or private companies or other entities in the cannabis and cannabis related sectors with exceptional management and high growth potential, providing financing in exchange for financial appreciation and investment income. WCE will be looking to focus its investment objectives in high growth companies and technologies, private companies that intend to go public, and companies requiring capital markets expertise and leadership.

**Skill and Knowledge**

*Patents*

The Company has previously filed patent applications directed to its proprietary systems and methods for producing cannabis and hemp extracts. Such systems and methods are believed to be novel and non-obvious. The Company has succeeded in its efforts to patent its technology, and as such, the Company will likely have, subject to customary risks associated with intellectual properties, including those discussed elsewhere in this report, the ability to prevent competitors from making, using, selling and/or offering for sale the systems and methods as claimed by the Company's patent applications.

On June 29, 2021 the U.S. Patent and Trademark Office ("**USPTO**") issued U.S. Patent No. 11,046,664 in relation to the Company's methods for extracting and concentrating cannabinoids and other target compounds from cannabis using ultrasound-enhanced solvent extraction. Provisions of the patent covers several broad steps throughout the extraction process ranging from: compound removal, purification, cannabinoid isolation, filtration, separation, solvent recovery, compound mixtures and more. This Patent No. 11,046,664 represents a divisional application of U.S. patent application Ser. No. 16/265,768, filed Feb. 1, 2019 (pending), which relates to and claims the benefit of U.S. Provisional Application No. 62/627,616 filed Feb. 7, 2018 and entitled "Methods for Extracting Compositions from Plants," the entire disclosure of each of which are wholly incorporated by reference to U.S Patent 11,046,664.

## 7. SUMMARY OF QUARTERLY RESULTS

During the period ended July 31, 2022, the Company has focused on the redeployment of the Company's assets from that of a life sciences company focused on the cannabis industry to that of an investment issuer.

| Quarters Ended | Revenue ($) | Net Loss (Income) and Comprehensive Loss (Income) ($) | Loss per Share ($) |
|---|---|---|---|
| July 31, 2022 | - | 339,946 | 0.00 |
| April 30, 2022 | - | 523,634 | 0.00 |
| January 31, 2022 | - | 6,322,000 | 0.01 |
| October 31, 2021 | - | 1,112,058 | 0.00 |
| July 31, 2021 | - | 262,158 | 0.00 |
| April 30, 2021 | - | 1,959,715 | 0.00 |
| January 31, 2021 | - | 626,878 | 0.00 |
| October 31, 2020 | - | 877,189 | 0.00 |

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

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

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

Significant expenses during the quarter ended July 31, 2021 include office expenses of $317,937, management fees of $52,500, professional fees of $77,983, remuneration and benefits of $476,399, and share-based payments of $17,544, which was offset with a gross profit of $586,174. Office expenses increased due to an increase in insurance premiums, compliance expenses and an increase in PED operations. Remuneration and Benefits decreased due all of Soma's employees and a majority of WCE employees being terminated as of the date of this MD&A. Professional fees decreased from last quarter due to the decrease in audit fees associated with the change of auditors. Share-based payment was lower due to lower number of options vested for the period aggravated by the forfeitures and cancellations during the quarter. The total net loss also decreased mainly due to the absence of the impairment losses and write-downs recorded during the last quarter.

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

Significant expenses during the quarter ended January 31, 2022, include loss on sale of PED of $5,361,331, consulting fees of $42,388, management fees of $15,000, professional fees of $23,384, remuneration and benefits of $91,459, impairment loss of $10,001, and share-based payments of $2,966. Remuneration and benefits decreased due all of Soma's employees and a majority of WCE employees being terminated as of the date of this MD&A. Professional fees decreased from last quarter due to the decrease in audit fees associated with the change of auditors. Share-based payment was lower due to lower number of options vested for the period aggravated by the forfeitures and cancellations during the quarter.

Significant expenses during the quarter ended April 30, 2022, include gain on sale of Soma Labs of $641,623, consulting fees of $50,997, management fees of $15,000, professional fees of $78,979, remuneration and benefits of $124,144, impairment loss of $97,726. Remuneration and benefits decreased due to a majority of WCE employees being terminated as of the date of this MD&A. Professional fees increased from last quarter due the sale of PED and Soma Labs.

Significant expenses during the quarter ended July 31, 2022, include consulting fees of $54,860, management fees of $15,000, professional fees of $37,172, remuneration and benefits of $91,657 and change in fair value of investments loss of $121,537. Filing fees increased over the same period last year due to the Proposed COB. Consulting fees increased over the same period last year due the engagement of additional consultants. Management fees decreased over the same period last year due to the resignation of the President.

## 8. LIQUIDITY AND CAPITAL RESOURCES

The Company considers the capital that it manages to include share capital, reserves, and deficit, which at July 31, 2022 is $3,151,327 (April 30, 2022 - $3,491,273). The Company manages and adjusts its capital structure based on the funds needed to support operations and business development. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets.

As at July 31, 2022, the Company had not yet achieved profitable operations and had an accumulated deficit since inception of $60,725,342 (April 30, 2022 – $60,385,396). During the period ended July 31, 2022, the Company had a net loss and comprehensive loss of $339,946 (2021 – $262,158) and spent $165,355 of cash on operating activities (2021 – $254,707), and spent $nil on financing activities (2021 – $5,321). The Company expects to incur further losses in the development and operation of its businesses. The Company's ability to continue as a going concern is dependent upon its ability to redeploy its assets and resources in a way that would, without a major acquisition or change of control, result in the Proposed COB of the Company from that of a cannabis-focused company to that of an investment issuer, under the rules and policies of the Canadian Securities Exchange. The Proposed COB would see the focused on the raising of money and investing in companies without getting involved in the mind and management of the investee companies. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. To date, the Company has relied on equity and debt financing to fund its acquisitions. The remaining funds will be used to sustain operations and sustain current acquisitions. Additional funding will be required and could come in the form of equity, debt and or convertible debt; however, there is no assurance that such additional funding will be available when and as needed. The Company's access to sufficient capital will impact its ability to continue operations and fund acquisitions. For further information, see section "Financial Management Risk" below.

**Funding Outlook**

As at July 31, 2022, the Company may not be able to conduct its operations and meet its financial obligations. Depending on the strategies followed, revenue opportunities, and any future expansion going forward, additional financing will be required. Management is considering different sources of potential funding, including further equity issuances, the issuance of debt, the sale of assets and the exercise of warrants and stock options.

## 9. FINANCIAL MANAGEMENT RISK

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

**Credit Risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The risk for cash and cash equivalents cash is mitigated by holding these instruments with highly rated Canadian financial institutions.

**Liquidity Risk**

Liquidity risk is the risk that the Company may not be able to meet its contractual obligations and financial liabilities as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2022, the Company had a cash balance of $2,368,834 (April 30, 2022 - $2,534,189) to settle current liabilities of $193,856 (April 30, 2022 - $215,749). The Company's future financial success will be dependent upon the ability to monetize its technologies or obtain necessary financing to meet its contractual obligations. All of the Company's current financial liabilities have contractual maturities of less than a year and are subject to normal trade terms.

| **Current liabilities** | **Note** | **July 31, 2022**<br>**$** | April 30, 2022<br>$ |
|---|---|---|---|
| Accounts payable and accrued liabilities | 12 | **190,612** | 213,936 |
| Due to related parties | 27 | **1,567** | 136 |
| Liabilities of discontinued operations | 29 | **1,677** | 1,677 |
| **Total current liabilities** | | **193,856** | 215,749 |

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

| **July 31, 2022** | **<1 year** | **1-5 years** | **>5years** |
|---|---|---|---|
| **Financial liabilities at amortized cost** | | | |
| Accounts payable and accrued liabilities | $ 190,612 | $ - | $ - |
| Due to related parties | 1,567 | - | - |
| Government grant loan | - | 37,947 | - |
| Total financial liabilities at amortized cost | $ 192,179 | $ 37,947 | $ - |

| **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 | - |
| Total financial liabilities at amortized cost | $ 214,072 | $ 36,713 | $ - |

**Market Risk**

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

**(a) Interest rate risk**

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

**(b) Foreign currency risk**

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

**(c) Price risk**

The Company's investments are subject to fair value fluctuations. As at July 31, 2022, if the fair value of the Company's investment had decreased/increased by 10% with all other variables held constant, other comprehensive profit or loss for the period ended July 31, 2022 would have been approximately $57,043 higher/lower.

**Business Risks**

*Laws and Regulations are Subject to Change*

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

*Financial Instrument measurement and valuation.*

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

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

The measurement of the Company's financial instruments is disclosed in Note 14 to the Financial Statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

## 10. ACCOUNTING POLICIES

For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 3 to the Financial Statements for the year ended April 30, 2022.

**Recent accounting pronouncements**

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

## 11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

As at July 31, 2022, amounts due to related parties totaled $1,567 (April 30, 2022 - $136) which are unsecured, payable on demand, and without interest.

| | **July 31, 2022**<br>**$** | April 30, 2022<br>$ |
|---|---|---|
| CEO of WCE | **1,567** | 136 |
| Total | **1,567** | 136 |

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

| | **July 31, 2022** **$** | July 31, 2021 $ |
|---|---|---|
| Management fees | **15,000** | 52,500 |
| Accounting fees | **-** | 847 |
| Remuneration and benefits | **37,500** | 39,888 |
| Remuneration and benefits from discontinued operations | **-** | 155,400 |
| Share-based payments | **-** | 17,544 |
| | **52,500** | 266,179 |

- Management fees reported consist of $Nil (July 31, 2021 - $37,500) paid to a company of which Leo Chamberland, former President of the Company has significant interest and $15,000 (July 31, 2021 - $15,000) was paid to a company controlled by Zara Kanji, CFO.
- Accounting fees presented as part of professional fees consist of $Nil (July 31, 2021 - $847) to a company controlled by Zara Kanji, CFO.
- Remuneration and benefits consist of $37,500 to Rosy Mondin, CEO (July 31, 2021 - $39,888 to Rosy Mondin, CEO).
- Remuneration and benefits from discontinued operations reported as part of discontinued operations consist of $Nil (July 31, 2021 - $80,400 to Randy Rolph, CEO of PED, $37,500 to Mike Sax, CFO of PED and $37,500 to Michael Depault, CTO of PED).
- Share-based payments consist of $Nil (July 31, 2021 - $17,544 to officers of the former subsidiary PED).

## 12. PROPOSED TRANSACTIONS

As at the date of this MD&A, the Company has resolved to redeploy its assets and resources in a way that would, without a major acquisition or change of control, result in a “change of business” under the rules and policies of the Canadian Securities Exchange. The Proposed COB would see the Company move from being a “Life Science” company focused on cannabis to an “investment company” focused on the raising of money and investing in companies without getting involved in the mind and management of the investee companies. The Proposed COB is subject to regulatory approval, including the approval of the Canadian Securities Exchange and the approval of the Company’s Shareholders. Shareholder approval was received at the Annual General and Special Meeting of the Company held April 29, 2022.

## 13. CRITICAL ACCOUNTING ESTIMATES

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

For a detailed summary of the Company's significant accounting policies, the readers are directed to Notes 2 and 3 to the Financial Statements for the year ended April 30, 2022 on SEDAR at www.sedar.com and www.thecse.com.

## 14. RISKS AND UNCERTAINTIES

Although Management attempts to mitigate risks and minimize their effect on the Company's financial performance, there is no guarantee that the Company will be profitable in the future and the Company's common shares should be considered speculative.

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

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

The Company endeavors to comply with all relevant laws, regulations, and guidelines. To the Company's knowledge, it is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines.

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

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

**Competition**. There can be no assurance that potential competitors of the Company, which may have greater financial and personnel resources than the Company, are not currently developing, or will not in the future develop, products and strategies that are equally or more effective and/or economical as any products or strategies developed by the Company or which would otherwise render the Company's products or strategies obsolete. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

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

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

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

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

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

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

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

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

**Execution of Strategies.** The success of the Company's business depends, in part, on its ability to execute on its strategy and to retain key management and employees. The Company continues to evaluate opportunities that have the potential to support and strengthen its business as part of its ongoing growth strategy. The Company expects to evaluate transactions on an ongoing basis in the future. The Company expects to regularly make non-binding proposals, and it may enter into non-binding, confidential letters of intent from time to time in the future. The Company cannot predict the timing or size of any future transaction(s). To successfully execute on its strategies, the Company may need to raise additional equity and/or indebtedness, which could increase its leverage level. There can be no assurance that the Company will enter into definitive agreements with respect to any contemplated transaction or that any contemplated transaction will be completed. The investigation and negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys, and others. If the Company fails to complete any transaction for any reason, including events beyond its control, the costs incurred up to that point for the proposed transaction likely would not be recoverable. The Company may actively pursue a number of opportunities simultaneously and may encounter unforeseen expenses, complications and delays, including difficulties in employing sufficient staff and maintaining operational and management oversight.

**Future Acquisitions or Dispositions.** Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business, (ii) distraction of management, (iii) the Company may become more financially leveraged, (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected, (v) increasing the scope and complexity of the Company's operations, and

(vi) loss or reduction of control over certain of the Company's assets. Additionally, the Company may issue additional equity interests in connection with such transactions, which would dilute a shareholder's holdings in the Company.

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

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

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

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

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

**Shareholders Have Little or No Rights to Participate in the Company's Affairs.** Except for the limited rights of shareholders under applicable laws, the day-to-day decisions regarding the management of the

Company's affairs will be made exclusively by the Board of Directors and its officers. Shareholders will have little or no control over the Company's future business and investment decisions, its business, and its affairs. The Company may also retain other officers and agents to provide various services to the Company, over which the shareholders will have no control. There can be no assurance that the Board of Directors, officers, or its other agents will effectively manage and direct the affairs of the Company.

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

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

## 15. OUTSTANDING SHARES

As at July 31, 2022, the Company had 625,196,572 shares, 25,000,000 stock options and 15,910,575 warrants issued and outstanding.

As of the date of this report, the Company has 625,196,572 shares, 24,000,000 stock options and nil warrants issued and outstanding.

## 16. OFF-BALANCE SHEET ARRANGEMENT

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