



WORLD-CLASS Extractions

FRA: WCF OTCQB: WCEXF CSE: PUMP

WORLD CLASS EXTRACTIONS INC. (formerly CBD Med Research Corp.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars unless otherwise indicated)
(Unaudited – Prepared by Management)

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WORLD CLASS EXTRACTIONS INC. (formerly CBD Med Research Corp.)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the interim condensed consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor, MNP LLP, has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim condensed consolidated financial statements by an entity's auditor.

March 24, 2020

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

(Expressed in Canadian Dollars)

AS AT	Note	January 31, 2020	April 30, 2019
ASSETS			
Current assets			
Cash		\$ 7,469,714	\$ 16,002,152
Short term investments	3	-	275,500
Accounts receivable		324,709	-
Sales tax receivable		623,351	191,689
Loans receivable	5	506,372	1,757,767
Convertible loan receivable	7, 16	1,954,442	1,954,442
Inventory	6	3,598,025	-
Prepaid expenses and deposits	8	239,101	776,129
		14,715,714	20,957,679
Non-current assets			
Investment	7, 16	493,139	493,139
Series B convertible preferred stock	7	1	1
Right-of-use asset	14	448,821	100,347
Property and equipment (net)	9	735,703	332,811
Intangible assets (net)	10	591,230	9,824,654
TOTAL ASSETS		\$ 16,984,608	\$ 31,708,631
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 575,477	\$ 289,765
Customer deposits		505,100	-
Due to related parties	18	139,418	29,235
Current portion of lease obligations	15	125,461	6,281
Liabilities of discontinued operations	20	7,201	-
		1,352,657	325,281
Non-current liabilities			
Non-current portion of lease obligations	15	339,294	103,165
Total liabilities		1,691,951	428,446
SHAREHOLDERS' EQUITY			
Share capital	11	61,256,937	40,349,053
Reserves	12, 13	7,435,740	3,305,673
Deficit		(53,400,020)	(12,374,541)
Total shareholders' equity		15,292,657	31,280,185
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 16,984,608	\$ 31,708,631

Nature of operations (Note 1)

Commitments (Note 21)

Subsequent events (Note 22)

APPROVED BY THE BOARD:

Signed, "Donal Carroll", Director

Signed, "Chand Jagpal", Director

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(UNAUDITED)

(Expressed in Canadian Dollars)

	Note	For the three months ended		For the nine months ended	
		January 31, 2020	January 31, 2019	January 31, 2020	January 31, 2019
Sales		\$ 75,562	\$ -	\$ 255,401	\$ -
Cost of Sales		(45,641)	-	(141,424)	-
Gross Profit		29,921	-	113,977	-
Expenses					
Acquisition fees	4	-	-	982,675	-
Amortization	9, 10	729,128	2,434,306	2,229,930	2,434,306
Bank charges		1,679	-	8,645	586
Bad debt		290,637	-	291,141	-
Consulting fees	18	141,777	54,956	693,473	383,684
Development & research	6	830,180	6,637	1,648,617	59,097
Filing fees		26,075	-	83,268	-
Freight Costs		45,415	3,155	49,245	3,155
General and administrative expenses		173,208	8,491	283,861	23,256
Professional fees	18	195,315	47,509	771,506	137,762
Investor relations		90,669	-	190,648	-
Lease interest	15	8,966	-	49,308	-
Management fees	18	48,000	182,000	150,500	182,000
Marketing and research		25,957	-	500,124	-
Remuneration and benefits	18	640,550	-	1,439,989	-
Rent		20,473	-	41,096	-
Repairs and Maintenance		-	-	150,902	-
Share-based payments	12, 17	241,131	625,883	1,730,771	625,883
Shop expenses		53,442	-	65,887	-
Travel		27,966	223,442	215,016	389,927
		3,590,568	3,586,379	11,576,602	4,239,656
Net loss before other income		(3,560,647)	(3,586,379)	(11,462,625)	(4,239,656)
Other Income					
Interest income (expense)		653	-	40,093	-
Foreign exchange gain (loss)		116	1,218	(16,352)	1,218
Impairment loss	4, 10	(29,364,656)	-	(29,364,656)	-
Loss on asset disposal	9	2,256	-	-	-
Total other income		(29,361,631)	1,218	(29,340,915)	1,218
Net loss from continuing operations		(32,922,278)	(3,585,161)	(40,803,540)	(4,238,438)
Loss from discontinued operations	20	(221,939)	-	(221,939)	-
Loss and comprehensive loss for the period		\$ (33,144,217)	\$ (3,585,161)	\$ (41,025,479)	\$ (4,238,438)
Weighted average number of common shares outstanding - basic and diluted					
		600,196,572	135,698,059	574,188,530	45,232,686
Basic and diluted loss per share		\$ (0.06)	\$ (0.03)	\$ (0.07)	\$ (0.09)

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(Expressed in Canadian Dollars)

	Number of Common Shares ¹	Share Capital \$	Options \$	Warrants \$	Retained Earnings (Deficit) \$	Shareholders' Equity \$
Balance, April 30, 2018	-	-	-	-	10,737	10,737
Shares issued for private placement	35,242,500	2,349,500	-	-	-	2,349,500
Shares issued for intangible assets	195,000,000	13,000,000	-	-	-	13,000,000
Share issuance costs and issuance of warrants	-	(379,139)	-	167,684	-	(211,455)
Subscription received	172,474,320	22,421,662	-	-	-	22,421,662
Share-based payments	-	-	625,884	-	-	625,884
Net loss for the period	-	-	-	-	(4,238,438)	(4,238,438)
Balance, January 31, 2019	402,716,820	37,392,023	625,884	167,684	(4,227,701)	33,957,890
Balance, April 30, 2019	451,180,147	40,349,053	1,864,786	1,440,887	(12,374,541)	31,280,185
Shares issued for acquisition	148,316,425	20,764,300	-	-	-	20,764,300
Options issued for acquisition of Quadron	-	-	1,097,418	-	-	1,097,418
Warrants issued for acquisition of Quadron	-	-	-	1,375,462	-	1,375,462
Stock options exercised	700,000	70,000	-	-	-	70,000
Fair value of options exercised	-	73,584	(73,584)	-	-	-
Share-based compensation expense for options	-	-	1,730,771	-	-	1,730,771
Net loss for the period	-	-	-	-	(41,025,479)	(41,025,479)
Balance, January 31, 2020	600,196,572	61,256,937	4,619,391	2,816,349	(53,400,020)	15,292,657

¹ 2018 figures were adjusted to reflect the share split on February 28, 2019

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(Expressed in Canadian Dollars)

Nine months ended	January 31, 2020	January 31, 2019
Cash flows from operating activities:		
Net loss for the period	\$ (41,025,479)	\$ (4,238,438)
Items not involving cash:		
Bad debts	291,141	-
Depreciation	2,229,929	-
Acquisition fees	982,675	-
Impairment of intangible assets	29,364,656	-
Lease interest	354,826	-
Share-based payments	1,730,771	-
Change in non-cash operating working capital:		
Accounts receivable	(5,230)	113,543
Short-term investments	275,500	-
Accounts payable and accrued liabilities	61,140	54,582
Amounts payable to related parties	104,006	(117,982)
GST recoverable	(250,571)	(71,395)
Inventory	(2,027,070)	-
Assets of discontinued operations	-	-
Liabilities of discontinued operations	7,201	-
Prepaid expenses	660,740	(839,357)
Customer deposits	82,921	-
	(7,162,844)	(5,099,047)
Cash flows from investing activities:		
Expenditures on intangible assets	(524,308)	-
Purchase of equipment	(735,309)	2,249,351
	(1,259,617)	2,249,351
Cash flows from financing activities:		
Cash acquired upon acquisition of Quadron	1,323,465	-
Loans payable	(1,503,442)	-
Proceeds from the issuance of common shares, net of share issuance costs	70,000	25,185,591
	(109,977)	25,185,591
Change in cash and cash equivalents for the period	(8,532,438)	22,335,895
Cash and cash equivalents, beginning of the period	16,002,152	138,894
Cash and cash equivalents, end of the period	\$ 7,469,714	\$ 22,474,789

Supplemental cash flow information (Note 19)

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

World Class Extractions Inc. (previously CBD Med Research Corp.) (the "CBD" or "Company") was incorporated under the laws of British Columbia on December 2, 1965, under the name "Luaron Metals Ltd." Subsequent to this, there were several name changes and on February 28, 2019, the Company changed its name to World Class Extractions Inc. ("WCE"). The head office and registered office of the Company is located at Suite 308 - 9080 University Crescent, Burnaby, BC, V5A 0B7.

On March 11, 2019, the Company completed its reverse takeover transaction (the "Transaction" or "RTO") (Note 4) with World Class Extractions (Ontario) Inc. (formerly World Class Extractions Inc.) ("WCE"), a private company incorporated under the laws in Ontario on January 25, 2018. Pursuant to the RTO, CBD acquired all of the issued and outstanding shares of WCE for the issuance of 1 CBD share for each WCE share. CBD did not have any significant operations at the time of the Transaction. Following the closing of the Transaction, CBD changed its name to World Class Extractions Inc. World Class Extraction (Ontario) Inc. became a wholly owned subsidiary of World Class Extractions Inc. During the quarter ended January 31, 2020, World Class Extractions (Ontario) Inc. was continued to British Columbia and changed its name to World Class Extractions (Subco) Inc.

On June 17, 2019, the Company and Quadron Cannatech Corporation ("Quadron") completed their previously announced plan of arrangement (the "Arrangement") (Note 4(b)) under the provisions of the British Columbia Business Corporations Act ("BCBCA"), pursuant to which the Company acquired all of the common shares of Quadron following Quadron's amalgamation with the Company's wholly-owned subsidiary, 1212476 B.C. Ltd. to form a new wholly-owned subsidiary of the Company continuing as "Quadron Cannatech Corporation" ("Amalco"). Under the terms of the Arrangement, each former Quadron shareholder received two common shares of the Company. In addition, options and warrants to purchase Quadron shares will continue to remain outstanding as options and warrants of the Company. The Company paid \$280,500 and issued 5,015,531 common shares of the Company to financial advisors as acquisition fees.

The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "PUMP" and on the Frankfurt Stock Exchange under the symbol "WCF" and "WKN:A2PF9C". On January 22, 2020, the Company's common shares commenced trading on the OTCQB Venture Market, a US trading platform that is operated by the OTC Markets Group in New York, under the symbol: "WCEXF".

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

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS (continued)

The Company operates through its two wholly owned subsidiaries: Soma Labs Scientific Inc., and Greenmantle Products Inc., both based in the Lower Mainland of British Columbia.

- Soma Labs Scientific Inc., (“**Soma Labs**”) incorporated under the Business Corporations Act of the Province of British Columbia on January 22, 2020, is a leading-edge designer, manufacturer, and supplier of innovative extraction and processing equipment and solutions. Combining Soma engineered and industry standard equipment, Soma Labs works with strategic industry partners to design and establish scalable extraction and processing facilities for cannabis and hemp oil production.
- Greenmantle Products Ltd. (“**Greenmantle**”), incorporated under the *Business Corporations Act* of the Province of British Columbia on January 15, 2016, specializes in cannabis product development with expertise in vape hardware design, formulation science, and packaging. Greenmantle has curated a diverse array of ancillary products and service offerings to provide customized strategic solutions for emerging market demands. Combined experience in extract science, product manufacturing, design and distribution allows Greenmantle to offer unique insight and guidance to World-Class partners.

On July 5, 2019, the Board of Directors (the “Board”) filed a change of year end to change the Company’s year end from December 31 to April 30, effective for the period ended April 30, 2019 to align its reporting periods with Quadron (see Note 4).

2. BASIS OF PRESENTATION

Statement of Compliance and presentation

These interim condensed consolidated financial statements (“Financial Statements”) have been prepared by management of the Company in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, following the same accounting principles and methods of computation as outlined in the Company’s financial statements for the period ended April 30, 2019 and December 31, 2018, with exception to the newly adopted International Financial Reporting Standards (“IFRS”) effective January 1, 2019, as discussed in Note 3 below. A description of accounting standards and interpretations that have been adopted by the Company can be found in the notes of the audited consolidated financial statements for the period ended April 30, 2019 and December 31, 2018. These interim condensed consolidated financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the most recent audited annual financial statements and the notes thereto for the period ended April 30, 2019 and December 31, 2018.

These Financial Statements are presented in Canadian dollars except where otherwise indicated.

These interim condensed consolidated financial statements were approved and authorized for issue by the directors of the Company on March 24, 2020.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

Significant Estimates and Judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities 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.

The information about significant areas of estimation uncertainty 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 investment in warrants

Management uses Black-Scholes option pricing model in measuring the fair value of investment in warrants, where active market quotes are not 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.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories), and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories 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 profit or loss in the period for any difference between book value and net realizable value.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

Significant Estimates and Judgments (continued)

Property and Equipment

The estimated useful lives of assets are reviewed by management and adjusted if necessary. To estimate equipment's 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 apply statistical methods to assist in its determination of useful life.

Intangible assets

The useful lives of intangible assets 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 long-lived assets

Determining the amount of impairment of long-lived 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 changes may result in future impairments in the Company's long term assets such as development assets.

Allowance for doubtful accounts

The Company recognizes an impairment loss allowance for expected credit losses on trade 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.

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 if an acquisition meets the definition of business or whether assets are acquired;
- iii. the determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets;
- iv. 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; and
- v. the determination of the Company's ability to continue as a going concern.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

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.

b) Short term investments

As at April 30, 2019, the Company had a guaranteed investment certificate ("GIC") held at the Bank of Montreal, valued at \$275,500 prime less 2.7%. Upon the completion of the amalgamation, the investment was realized and transferred to cash. Therefore, as at January 31, 2020, the short-term investments amounted to \$Nil.

c) Convertible loan receivable

The convertible loan receivable consists of a convertible loan receivable component and a separate equity conversion feature component. The convertible loan receivable is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. Subsequent measurements are recognized at fair value through profit and loss.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiaries' functional currency. 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	Effective Interest
World Class Extractions (Subco) Inc. (previously known as World Class Extraction (Ontario) Inc.)	Canada	Commercialization of the Company's extraction and processing systems utilizing various technologies to effectively produce extracts and concentrates from cannabis and hemp and isolate essential compounds found in the plant material	100%
Quadron Cannatech Corporation ("Quadron")	Canada	Corporate entity overseeing the operations of its subsidiaries	100%
Soma Labs Scientific Inc. ("Soma") (Subsidiary of Quadron)	Canada	Development and deployment of extraction equipment, technology and services	100%
Greenmantle Products Limited ("Greenmantle") (Subsidiary of Quadron)	Canada	Sale of premium disposable vaporizer cartridges, pens and related materials	100%
1141588 BC Ltd. (Subsidiary of Quadron)	Canada	Inactive	80%
1230167 BC Ltd.	Canada	Inactive	100%

On November 16, 2017, 1141588 BC Ltd. was incorporated to facilitate the development of new extraction systems: Alcohol Extraction System, Pressure Assisted Filtration System, Distillation System, and Hydrocarbon Extraction System. As of January 31, 2020, the subsidiary has been inactive.

On January 22, 2020, Soma Labs Scientific Inc. and Cybernetic Control Systems Inc. amalgamated to form Soma Labs Scientific Inc., the amalgamated Company.

On March 6, 2020, Quadron Cannatech Corporation, World Class Extractions (Subco) Inc. and World Class Extractions, Inc. amalgamated to form World Class Extractions, Inc., the amalgamated Company (see Note 22 – Subsequent Events).

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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. The corresponding liability is recognized within provisions.

Property and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. 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, plant and equipment are recognized in the statements of 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 comprehensive loss during the financial period in which they occurred.

Gains and losses on disposal of an item of property, plant 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 comprehensive loss.

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

Computer equipment	30% - 55% declining balance
Furniture, fixtures and equipment	20% declining balance
Leasehold improvement	20% declining balance
Production equipment	30% declining balance.

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

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue recognition

The Company's revenue is comprised of sales of its automation control systems and solutions, extraction and procession solutions, provision of research and laboratory services and the sale of vaporizer pens and cartridges. Revenues are recognized when persuasive evidence of a sale arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. For its services related to automation control systems, extraction and procession solutions and research and laboratory services, revenue is recognized when the service has been rendered.

g) 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.

h) Business combination

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition related costs are recognized in profit or loss as incurred. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill. Any gain on a bargain purchase is recorded in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any goodwill that arises is tested annually for impairment.

i) Right-to-use Asset

Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct cost (e.g., commissions) and an estimate of restoration, removal and dismantling costs. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made, and the related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment. Right-of-use assets are subject to impairment testing under IAS 36 Impairment of Assets. Other leases are operating leases and are recognized on a straight-line basis in the Company's consolidated statements of loss and comprehensive loss. Please also see Note 14.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Foreign Currencies

Transactions in currencies other than the functional currency 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 income or expense 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.

k) Impairment of non-financial assets

The carrying amounts of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

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 group of assets that generate cash inflows or CGUs.

Impairment losses are recognized in profit or loss. 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.

l) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. 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.

m) Share-based payments

The stock option plan allows Company directors, officers, employees and consultants 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.

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 payment, otherwise, share-based payments are measured at the fair value of the services received.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Share-based payments (continued)

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.

n) 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 - Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly
- Level 3 - Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 15 to these consolidated financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

o) 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 operations and comprehensive loss in the period in which they arise. The Company's convertible loan receivable and investments are classified as FVTPL.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments (continued)

(i) Financial assets (continued)

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. None of the Company's financial assets are classified as FVTOCI.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value 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, restricted cash, short-term investments, accounts receivable and loans receivable.

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 operations and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

(ii) Financial liabilities

The Company classified its financial liabilities as subsequently measured at amortized cost which include trade and other payables. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

(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.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

q) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or 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.

r) 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.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) 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.

s) Intangible assets

Expenditures on the research phase of projects are recognized as an expense as incurred.

Cost that are directly attributable to a project's development phase are recognized as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Company intends to and has sufficient resources to complete the project
- the Company has the ability to use or sell the internally developed equipment and machines
- the equipment and machines will generate probable future economic benefits

Development costs not meeting these 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.

Amortization has been included within depreciation, amortization and impairment of non-financial assets. 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 profit or loss within other income or other expenses.

Amortization is calculated using the following terms and methods:

Intellectual property	5 years straight-line
Patent costs	5 years straight-line
Development	5 years straight-line

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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 group 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

As at January 31, 2020, assets and liabilities of the discontinued operations amounted to \$Nil.

Discontinued operations are excluded from Net loss from continuing operations and are presented as a single amount under "Net loss from discontinued operations" account in the consolidated statement of loss and comprehensive loss.

Newly adopted accounting standards

The following amendment was adopted by the Company for the four months ended April 30, 2019 and the nine months ended January 31, 2020, others are not applicable:

IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company adopted IFRS 16 by applying a modified retrospective approach, under which the transition impact is recognized as an adjustment to the opening balance of retained earnings on the adoption date with no restatement of comparative information.

In order to implement the IFRS 16 standard, the Company developed new processes and controls to track and account for leases, including the lease identification, initially and subsequently measuring lease-related assets and liabilities, lease and non-lease components identification, and collecting the disclosure information.

The Company reviewed all its agreements, to determine if they met the "lease" criteria (according to the IFRS 16) at the inception of the contract. A lease is a contract or part of a contract, that conveys the right to control the use of an identified asset (the underlying asset) for a certain period (term) in exchange for consideration. IFRS 16 applies a control model for the identification of leases, distinguishing between leases and service contracts based on whether there is an identified asset controlled by the customer.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Newly adopted accounting standards (continued)

IFRS 16 Leases (continued)

Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs. The Company is not obligated to incur any initial direct costs, restoration, removal and dismantling costs at the end of lease terms.

The lease liability is measured at amortized cost using the effective interest method. It 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.

Lessees increase the carrying amount of lease liability to reflect interest and reduce carrying amount of the lease liability to reflect lease payments made.

Presentation

The Company presented the Right-of-use assets separately from other assets on the consolidated statements of financial position, and Depreciation expenses are presented separately in the consolidated statements of operations and comprehensive loss.

Lease liabilities are presented separately from other liabilities on the statement of financial position. Interest expense is presented separately in the statement of operation and comprehensive income (loss). In the statement of cash flows, principal payments are presented within financial activities and interest payments are presented in the operating activities.

Elections

- The Company, as a practical expedient, elected, by class of underlying asset, not to separate non-lease from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.
- The Company has also elected to expense the lease payments and not recognize lease assets and lease liabilities for leases with a lease term of 12 months or less.

IFRIC 23, Uncertainty over Income Tax Treatments

This is a new standard clarifying the accounting for uncertainties over income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The application of the new standard had no impact on the consolidated financial statements as at April 30, 2019.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Newly adopted accounting standards (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretation. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements.

Changes in accounting policies resulting from the adoption of IFRS 15 do not have a material impact on the Company's consolidated financial statements.

Recent accounting pronouncement

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

IFRS 3 - In October 2018, the IASB issued “Definition of a Business (Amendments to IFRS 3)”. The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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(Expressed in Canadian Dollars)

4. ACQUISITIONS

(a) Reverse takeover

On March 11, 2019, the Company completed its RTO (Note 1). The RTO was completed by way of a “three-cornered amalgamation” under the provisions of the BCBCA whereby CBD Acquisition Corp., a wholly-owned subsidiary of CBD incorporated on January 30, 2019, amalgamated with WCE and continue as one amalgamated corporation (“Amalco”) as a wholly-owned subsidiary of CBD. Prior to the closing the Transaction, CBD split its common shares on the basis of 1 old share for 3 new shares (“CBD Shares”), and WCE split its common shares on the basis of 1 old share for 1.5 new share (“WCE Shares”). Under the terms of the arrangement, CBD acquired all of the issued and outstanding shares of WCE on a 1 to 1 basis, for a total of 230,242,500 CBD Shares.

In accordance with IFRS 3 “Business Combinations”, the substance of the transaction was a reverse takeover of a non-operating company. The transaction does not constitute a business combination since CBD does not meet the definition of a business under IFRS 3. Thus, the transaction was accounted for using the reverse takeover method of acquisition accounting under IFRS 2 “Share-based payments”. Under this basis of accounting, the consolidated financial statements are presented as a continuation of the legal acquiree, WCE, except for the capital structure which is that of CBD. In addition, the net identifiable assets of CBD are deemed to be acquired by WCE.

For the Company’s consolidated financial statements as at December 31, 2018, the Company had disclosed the ending number of shares to be 325,969,320, which was the number of shares of WCE prior to the transaction, which includes 172,474,320 share subscriptions. The number of shares has been revised to 29,014,575 to reflect the number of shares of the legal acquirer in the RTO, CBD.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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4. ACQUISITIONS (continued)

(a) Reverse takeover (continued)

The consideration paid by WCE to acquire CBD was measured on the basis of the fair value of the notional equity instruments deemed to have been issued considering the price per share of the subscription receipt offering closing concurrently with the Transaction. In accordance with IFRS 2, any excess of the fair value of the shares issued by the Company over the value of the net monetary assets of CBD is recognized in the consolidated statements of comprehensive loss, as a listing fee. The fair value of the consideration of \$3,771,895 has been allocated as follows:

Purchase Price	
29,014,575 shares issued at \$0.13	\$ 3,771,895
Total Purchase Price	\$ 3,771,895
Allocation of Purchase Price	
Cash	\$ 445,495
Short term investments	275,000
Prepaid expenses and deposits	6,250
Sales tax receivable	2,940
Convertible notes receivable	1
Series B convertible preferred stock	1
Equipment (net)	2,153
Accounts payable	(102,416)
Non-cash loss on completion of RTO	3,142,471
	\$ 3,771,895

In addition, finders' fees of 15,000,000 common shares, valued at \$1,950,000, was issued and has been recorded in share capital and non-cash loss on completion of the RTO.

(b) Quadron Cannatech Corporation

On June 17, 2019, the Company purchased 100% of the issued and outstanding shares of Quadron Cannatech Corporation, which was incorporated under the BCBCA on November 7, 2011. Quadron, through its wholly owned subsidiaries, provides turn-key extraction and processing solutions for the cannabis and hemp industry including proprietary industrial grade equipment, custom build processing facilities, ancillary products, and scientific services. The combined entities will leverage Quadron's technical expertise, established customer base and seasoned management team with the Company's unique patent-pending technology and strong cash position resulting from the private placements (Note 11). Quadron shares, options and warrants were exchanged at a ratio of 1 to 2.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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4. ACQUISITIONS (continued)

(b) Quadron Cannatech Corporation (continued)

On closing, 143,300,894 common shares were issued to former shareholders of Quadron at a price of \$0.14 for consideration of \$20,062,125. 13,205,000 replacement options and 21,438,716 replacement warrants were granted to former Quadron options and warrants holders. The fair value of the common shares issued as consideration for the transaction was based on June 17, 2019 closing price of the Company on the CSE of \$0.14 per share. The fair value of the options was estimated to be \$1,308,130 using a Black-Scholes model, whereby \$1,097,418 has been included as consideration paid as it related to pre-combination services and the residual \$210,712 fair value will be recognized as stock compensation expense rateably over the post-combination vesting period. The fair value of the warrants was estimated to be \$1,375,462 using a Black-Scholes model, where this value has been included as consideration paid. In connection to this acquisition, the Company incurred a cash payment of \$280,500 and issued 5,015,531 common shares at a price of \$0.14 to financial advisors. These were expensed as acquisition fees.

The following table summarizes the fair value of the consideration transferred and the estimated fair values assigned to each major class of assets acquired and liabilities assumed at June 17, 2019 acquisition date:

Total Consideration	
Common shares to Quadron shareholders	\$ 20,062,125
Fair value of replacement of options issued	1,097,418
Fair value of replacement of warrants issued	1,375,462
Total Consideration	\$ 22,535,006
Net identifiable assets acquired (liabilities assumed)	
Cash and cash equivalents	\$ 1,603,965
Accounts receivable	610,620
Inventory	1,570,955
GST recoverable	181,091
Prepaid expenses and other	87,597
Deposits	36,115
Plant and equipment	260,186
Intangible assets	1,357
Accounts payable	(225,056)
Customer deposits	(422,179)
Related party	(6,177)
Intercompany loan	(2,754,837)
Net assets acquired	\$ 943,637
Purchase price allocation	
Net identifiable assets acquired	\$ 943,637
Goodwill	21,591,369
	\$ 22,535,006

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

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4. ACQUISITIONS (continued)

(b) Quadron Cannatech Corporation (continued)

Goodwill arose in the acquisition as the cost of acquisition included a control premium. The consideration paid for the acquisition reflected the benefit of expected revenue growth and future market development. These benefits were not recognized separately from goodwill, as they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes. During the quarter ended January 31, 2020, and in considering uncertainty in general and cannabis sector market conditions, management assessed uncertainty in the recoverability of goodwill pursuant to the business combination. As such, the Company fully impaired the goodwill and recorded an impairment loss amounting to \$21,591,369.

In the period from June 17, 2019 to July 31, 2019, the operations of Quadron contributed revenues of \$106,314 and a net loss of \$503,471. If the acquisition had occurred on May 1, 2019, management estimates that the unaudited consolidated revenue would have been \$286,153 and an unaudited consolidated net loss would have been \$8,381,804 for the nine months ended January 31, 2020.

The accounting for the acquisition had been provisionally determined at July 31, 2019 and was adjusted subsequently at October 31, 2019. The fair value of net assets acquired, and total consideration have been determined provisionally and subject to adjustment within one year from the acquisition date. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, goodwill may be adjusted retrospectively to the acquisition date in future reporting periods.

5. LOANS RECEIVABLE

On February 25, 2019, the Company and two other entities ("Purchasers") entered into a supply and loan agreement with a supplier. Pursuant to this agreement, Purchasers agreed to purchase up to 1,000 kilograms of the supplier's 2018 hemp crop. In addition, the Purchasers agreed to make a loan to the supplier in the principal amount of up to \$500,000 for the supplier to purchase equipment and to fund expenses approved by the Purchasers. The Purchasers guarantee to purchase at least \$1,000,000 in product from the supplier where \$500,000 will be paid by this loan. On May 7, 2019, the Company loaned \$166,607 to the supplier pursuant to the agreement.

On July 30, 2019, a supplier issued a promissory note to the Company for the principal sum of US\$500,000 or lesser with interest at 5% per annum. This secured loan is due and payable on July 31, 2020. As at January 31, 2020, the Company has loaned US\$250,000 (CA\$331,500) and has accrued interest of CA\$8,265.

The loan balance at April 30, 2019 included loans provided between the Company and Quadron amounting to \$2,754,839. Upon the acquisition, this balance was eliminated with the consolidation.

6. INVENTORY

	January 31, 2020	April 30, 2019
Raw materials and parts	\$ 635,346	\$ -
Work in progress	2,019,542	-
Finished goods	943,137	-
Total inventory	\$ 3,598,025	\$ -

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

6. INVENTORY (continued)

During the period ended January 31, 2020, the Company wrote down its work -in process inventory at its net realizable value given the uncertainty and market conditions surrounding the realization of the future economic benefit from it. As a result, a total of \$453,127 was charged to research and development.

7. CONVERTIBLE LOAN RECEIVABLE

- (a) During the year ended December 31, 2016, CBD entered into a definitive agreement with Medipacs Inc., based in San Diego, California. Medipacs has developed technology configured into a small (hand-size) infusion pump that can be easily attached to animals and humans to deliver precise pain medication of both standard and large molecule liquids.

CBD formally terminated the agreement with Medipacs on January 7, 2017 and wrote down the convertible notes receivable and convertible preferred stock to a nominal value of \$1, respectively, in 2016. The Company reserves its right to seek the remedies available to it pursuant to the law of fundamental breach and rescission of contract including damages and recovery of expenses.

- (b) On April 8, 2019, the Company announced it had entered into an agreement to invest up to \$3 million (the "Alkaline Financing") by way of a private placement in Alkaline Spring Inc. ("Alkaline Spring"), a privately-held, Alberta-based natural alkaline water company. In connection with the closing of the first tranche of the Alkaline Financing, the Company invested \$2 million in consideration for 2,000 senior secured convertible debentures ("Alkaline Debentures"), 11,111,111 common share purchase warrants ("Alkaline Warrants"), and certain investor rights. The Alkaline Debentures mature in two years, are priced at \$1,000 per debenture, bear interest at 9% per annum, and are convertible into common shares of Alkaline Spring at an initial price of \$0.18 per share, subject to downward adjustment in certain circumstances ("Liquidity Event"). The Alkaline Warrants are each exercisable into one further share at a price of \$0.25 for a period of three years.

Given that the Liquidity Event did not occur by January 31, 2020, the Alkaline Debentures are assumed to have automatically accelerated to maturity such that the fair value at reporting date of April 30, 2019 approximated the face value. The Alkaline Warrants have been fair valued using Black Scholes Model with stock price of \$0.12, volatility of 85.0%, risk free rate of 1.6% dividend yield of 0.00% and weighted average life of 2.91 years. The fair value of the Alkaline Warrant was \$493,139 as of April 30, 2019. The convertible loan receivable and the warrants have been classified as a Level 3 in the fair value hierarchy (Note 16). As of January 31, 2020, the fair value of the Alkaline Debentures has not been significantly changed. Therefore, a gain or loss on the valuation of Alkaline Debentures is not recorded for the nine months ended January 31, 2020. No interest was accrued for the period ended January 31, 2020 given the uncertainty over the loan's collectability as of end of period.

8. PREPAID EXPENSES AND DEPOSITS

	January 31, 2020	April 30, 2019
Rent security deposit	\$ 45,265	\$ 5,254
Prepaid equipment	-	770,875
Other prepayments to vendors	193,836	-
	<u>\$ 239,101</u>	<u>\$ 776,129</u>

Other prepayments include various advance payments to suppliers for purchases which were delivered after the end of the reporting period.

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9. PROPERTY AND EQUIPMENT

	Facility Equipment	Computer software and Equipment	Leasehold Improvements and Office Furniture	Automobile	Total
Costs:					
Balance, April 30, 2019	284,393	21,936	53,355	-	359,684
Additions	68,925	80,570	349,009	4,275	502,779
Disposals	(9,800)	-	-	-	(9,800)
Balance, January 31, 2020	\$ 343,518	\$ 102,506	\$ 402,364	\$ 4,275	\$ 852,663
Accumulated Depreciation:					
Balance, April 30, 2019	15,790	10,360	723	-	26,873
Amortization	48,598	13,068	31,515	450	93,631
Disposals	(3,544)	-	-	-	(3,544)
Balance, January 31, 2020	\$ 60,844	\$ 23,428	\$ 32,238	\$ 450	\$ 116,960
Net Book Value:					
April 30, 2019	\$ 268,603	\$ 11,576	\$ 52,632	\$ -	\$ 332,811
January 31, 2020	\$ 282,674	\$ 79,078	\$ 370,126	\$ 3,825	\$ 735,703

During the year ended April 30, 2019, the Company incurred costs of \$54,272 for leasehold improvement of the lease facility and \$163,098 for parts built for the facility. Accumulated depreciation pertaining to these items amounted to \$42,157 and \$12,805 as at January 31, 2020 and April 30, 2019, respectively.

During the nine months ended January 31, 2020, the Company acquired a total of \$502,779 in property and equipment of which \$313,961 property and equipment were acquired through the acquisition of Quadron.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

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10. INTANGIBLE ASSETS

A continuity of the intangible assets for the period ended January 31, 2020 and April 31, 2019 is as follows:

	Intellectual Property	Patent Application Cost	Development	Total
Costs:				
Balance, December 31, 2018	\$ 13,000,000	\$ 101,367	\$ -	\$ 13,101,367
Additions	-	-	-	-
Balance, April 30, 2019	13,000,000	101,367	-	13,101,367
Additions	-	-	726,199	726,199
Disposals	-	-	(222,274)	(222,274)
Balance, January 31, 2020	\$ 13,000,000	\$ 101,367	\$ 503,925	\$ 13,605,292
Accumulated Depreciation:				
Balance, December 31, 2018	\$ 2,421,918	\$ -	\$ -	\$ 2,421,918
Amortization	854,795	-	-	854,795
Balance, April 30, 2019	3,276,713	-	-	3,276,713
Amortization	1,950,000	-	21,381	1,971,381
Disposals	-	-	(7,319)	(7,319)
Balance, January 31 2020	\$ 5,226,713	\$ -	\$ 14,062	\$ 5,240,775
Accumulated impairment losses	\$ 7,773,287	\$ -	\$ -	\$ 7,773,287
Net Book Value:				
April 30, 2019	\$ 9,723,287	\$ 101,367	\$ -	\$ 9,824,654
January 31, 2020	\$ -	\$ 101,367	\$ 489,863	\$ 591,230

The right to the intellectual property was acquired on inception date January 25, 2018 through issuance 130,000,000 of common shares to the founders of the Company (**see Note 11 – Share Capital**) and are classified as definite life intangible asset. The intellectual property acquired is a unique ultrasonic extraction process from the cannabis flower to be used for vaporizers, edibles, topicals and beverages. During the period ended January 31, 2020, due to uncertainty in the realization of future economic benefits from the intellectual property as well as the local and global market conditions in general and the cannabis sector, the Company assessed and recognized \$7,773,287 in impairment loss for this asset which is equivalent to 100% of its carrying amount.

Development assets additions (net of disposals) of \$503,925 relate to the development of extraction and machine systems being developed by the Company. The useful life on these is estimated at 5 years and amortized accordingly.

11. 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 CBD (Note 4).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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11. SHARE CAPITAL (continued)

During the four months ended April 30, 2019:

- (a) the Company completed a non-brokered private placement at a price of \$0.13 per share. The Company issued a total of 176,923,072 common shares for gross proceeds of \$23,000,000. The Company agreed to pay compensation to certain agents. As a result, commissions totaling \$2,070,000 were paid in cash and a total of 15,910,575 broker warrants were issued in connection with the WCE Financing. **See Note 13 – Warrants.** These costs are recorded on the consolidated statement of financial position as share issue costs.
- (b) the Company issued a total of 15,000,000 common shares as finders' fees related to certain persons assisting with the Transaction; the cost assigned to these shares was \$0.13 per share and was recorded as non-cash loss on completion of RTO on the consolidated statements of loss and comprehensive loss pursuant to IFRS 2;

During the nine months ended January 31, 2020:

- (a) the Company issued 143,300,894 common shares at a price of \$0.14 for consideration of \$20,062,125 for the acquisition of Quadron (Note 4).
- (b) The Company issued a total of 5,015,531 common shares at a price of \$0.14 for consideration of \$702,175 to financial advisors as acquisition fees for the acquisition of Quadron (Note 4).
- (c) The Company issued 700,000 common shares for gross proceeds of \$70,000 for options exercised.

Shares held in escrow

Pursuant to an escrow agreement dated March 11, 2019, (the "**Escrow Agreement**"), a total of 9,450,000 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
9,450,000	2.10%	10% released on March 13, 2019; 15% released 6 months from Listing; 15% released 12 months from Listing; 15% released 18 months from Listing; 15% released 24 months from Listing; 15% released 30 months from Listing; 15% released 36 months from Listing.

In addition to the securities subject to escrow, the Company has entered into lock-up agreements with five major shareholders of the Company. The locked-up securities shall be released as follows: 25% were released on March 21, 2019 ("**Date of Listing**") on the CSE, and a further 25% shall be released 90, 180 and 270 days after the Date of Listing. As at January 31, 2020, a total of 9,165,000 escrowed shares have been released to the escrowed shareholders.

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12. 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 January 31, 2020, there is a total of 20,329,657 (April 30, 2019 – 18,968,015) stock options available for granting under the Plan.

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

Stock Options

During the four months ended April 30, 2019:

- i) On July 6, 2018, World Class granted 13,500,000 (9,000,000 pre 1:1.5 split) stock options to directors and officers. Each option is exercisable to acquire one common share at a price of \$0.067 (\$0.10 per 1:1.5 split). These options expire on July 7, 2021.
- ii) On March 18, 2019, the Company granted 10,600,000 stock options to directors, officers and consultants. A total of 5,300,000 (50%) of the stock options vested on the grant date and the remaining 50% vested on September 18, 2019. Each option is exercisable to acquire one common share at a price of \$0.17. These options expire on March 19, 2022.
- iii) On April 8, 2019, the Company granted 350,000 stock options to consultants. Each option is exercisable to acquire one common share at a price of \$0.17. A total of 175,000 (50%) of the stock options vested on the grant date and the remaining 50% vested on July 8, 2019. The options expire on April 8, 2024. On October 21, 2019 the contract was terminated. As such, any unexercised options were cancelled on January 21, 2020.
- iv) On April 8, 2019, the Company granted 300,000 stock options to consultants. Each option is exercisable to acquire one common share at a price of \$0.17. These options vested on the grant date and have an expiry date of April 8, 2021.
- v) On April 8, 2019, the Company granted 1,400,000 stock options to consultants. Each option is exercisable to acquire one common share at a price of \$0.13. A total of 500,000 of the stock options vested on the grant date and the remaining will vest in increments of 100,000 on the eighth date of each month. These options have an expiry date of April 8, 2024. On August 21, 2019, the contract was terminated. As such, all unexercised options were cancelled on November 21, 2019.

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12. SHARE-BASED COMPENSATION (continued)**Stock Options (continued)**

During the nine months ended January 31, 2020:

- i) On May 1, 2019, the Company granted 10,000,000 stock options, exercisable at a price of \$0.21 per option, to Quadron's officers. 2,500,000 option vests on the date on which the acquisition of Quadron completed (June 17, 2019) and the balance of stock options vests in increments of 1,250,000 options every 6 months. These options have an expiry date of April 30, 2022
- ii) On June 10, 2019, the Company granted 300,000 stock options to a consultant. Each option is exercisable to acquire one common share at a price of \$0.17. A total of 150,000 options vested on the grant date and the remaining will vested on December 10, 2019. These options have an expiry date of June 10, 2022.
- iii) On June 17, 2019, the Company granted 13,205,000 replacement options to the former Quadron option holders. The fair value of the options were estimated to be \$1,308,130 using a Black-Scholes model, whereby \$1,097,418 has been included as consideration paid as it related to pre-combination services and the residual \$210,712 fair value will be recognized as stock compensation expense ratably over the post-combination vesting period (Note 4).
- iv) During the nine months ended January 31, 2020, 9,265,000 stock options were cancelled, and 700,000 stock options were exercised at a price of \$0.10.

The following summarizes the stock options activity during the nine months ended January 31, 2020 and the four months ended April 30, 2019:

	January 31, 2020		April 30, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	26,150,000	\$ 0.05	13,500,000	\$ 0.10
Grant and issuance	23,505,000	\$ 0.17	12,650,000	\$ 0.17
Exercised	(700,000)	\$ 0.10	-	\$ -
Cancelled	(9,265,000)	\$ 0.17	-	\$ -
Total Outstanding	39,690,000	\$ 0.17	26,150,000	\$ 0.05
Total Outstanding and Exercisable	32,962,500	\$ 0.14	19,775,000	\$ 0.10

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12. SHARE-BASED COMPENSATION (continued)

Stock Options (continued)

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

Expiry Date	Exercise Price	Contractual Life (Years)	Number of Options
April 8, 2021	\$ 0.170	1.69	300,000
July 7, 2021	\$ 0.067	1.94	13,200,000
February 21, 2022	\$ 0.100	2.57	2,500,000
March 19, 2022	\$ 0.170	2.64	6,100,000
April 30, 2022	\$ 0.210	2.75	10,000,000
June 10, 2022	\$ 0.170	2.87	300,000
March 9, 2023	\$ 0.200	3.61	3,020,000
October 15, 2023	\$ 0.125	4.21	1,630,000
February 12, 2024	\$ 0.100	4.54	2,640,000
	\$ 0.137	2.69	39,690,000

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:

	January 31, 2020	April 30, 2019
Volatility Rate	95% - 127%	90%
Risk-free rate	1.34% - 1.56%	1.60% - 1.63%
Dividend yield rate	0%	0%
Weighted average life	2.63 - 4.66 years	2-5 years

The expected price volatilities were based on the average historic volatility of three similar companies adjusted for any expected changes to future volatility, since there is no historical price data for the Company.

13. WARRANTS

During the four months ended April 30, 2019:

- i) On March 11, 2019, the Company issued 15,910,575 warrants to in connection with the WCE Financing. The warrants have an exercise price of \$0.13 and expire on September 22, 2022.
- ii) On March 18, 2019, the Company issued an aggregate of 5,600,000 warrants to certain consultants, for services rendered. The two-year warrants have exercise prices of \$0.13 - \$0.17 per common share and expire on March 21, 2021.
- iii) On April 18, 2019, the Company issued 3,000,000 warrants to financial advisor to the Company. The warrants have an exercise price of \$0.18 and expire on April 18, 2022.

During the nine months ended January 31, 2020:

- i) On June 17, 2019, the Company granted 21,438,716 replacement warrants to the former Quadron warrant holders. The fair value of the warrants was estimated to be \$1,375,462 using a Black-Scholes model, where the value has been included as consideration paid (Note 4).
- ii) During the nine months ended January 31, 2020 228,572 warrants were transferred and 14,285,716 warrants expired unexercised.

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13. WARRANTS (continued)

The following is a summary of warrant transactions for the nine months ended January 31, 2020 and the four months ended April 30, 2019:

	January 31, 2020		April 30, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	27,682,400	\$ 0.13	3,171,825	\$ 0.07
Granted	21,438,716	\$ 0.15	24,510,575	\$ 0.14
Expired	(14,285,716)	\$ 0.42	-	\$ -
Balance, end of period	34,835,400	\$ 0.14	27,682,400	\$ 0.13

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

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of options
June 6, 2020	\$ 0.067	0.35	2,466,975
June 14, 2020	\$ 0.067	0.37	704,850
October 31, 2020	\$ 0.150	0.75	7,153,000
March 21, 2021	\$ 0.170	1.14	2,000,000
March 21, 2021	\$ 0.130	1.14	2,000,000
March 21, 2021	\$ 0.150	1.14	1,600,000
April 18, 2022	\$ 0.180	2.21	3,000,000
September 22, 2022	\$ 0.130	2.64	15,910,575
	\$ 0.136	1.77	34,835,400

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

	January 31, 2020	April 30, 2019
Volatility Rate	275% - 176%	90%
Risk-free rate	0.0144	1.63%-1.79%
Dividend yield rate	0.00%	0.00%
Weighted average life	0.59 - 1.38 years	2-3 years

The expected price volatilities were based on the average historic volatility of three similar companies adjusted for any expected changes to future volatility, since there is no historical price data for the Company.

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14. RIGHT-OF-USE ASSET

Cobourg Facility

On September 23, 2019, the Company entered a letter of intent with FV Pharma Inc. ("FV Pharma"). Under the direction of FV Pharma, the Company will setup and manage the operations of a large capacity extraction and processing facility in Cobourg, Ontario, owned by FV Pharma to extract various cannabinoids and other valuable elements from cannabis and hemp plants. The Company and FV Pharma will each have a 50% revenue sharing interest in the venture. (See Note 21 – Commitments). Included as part of the agreement was the lease of the FV Pharma Facility. The Company then recognized a right-of-use asset amounting to \$106,509 as at April 30, 2019.

During the latter part of 2019, FSD Pharma Inc., the parent company of FV Pharma was pursuing a listing on NASDAQ and as a result, the Company experienced unanticipated delays with the deployment of this extraction and processing facility. Since FSD Pharma Inc.'s listing on NASDAQ in January 2020, the Company continues to wait for FSD Pharma Inc. to decide on the direction it will be taking with its Cobourg facility. As a result, at January 31, 2020, the Company reversed all previously recognized right-of-use asset and related amortization pertaining to the said facility.

Langley Warehouse

On March 6, 2018, the Company through its subsidiary, Soma Labs Scientific, Inc., entered into a 5-year lease agreement for leased premises in Langley, British Columbia, commencing June 1, 2018 and ending on May 31, 2023. The minimum base rent is \$13,350 per month. In accordance with IFRS 16, the Company recognized right-of-use asset of \$496,084 as at May 1, 2019 equal to the present value of all remaining lease payments. The Company depreciates the right-of-use assets on a straight-line basis, over the remaining lease term.

Equipment Lease

On November 25, 2019, the Company leased equipment for a monthly fee of \$1,873.61, with first month payment of \$4,464.29. The term is for 24 months starting on January 1, 2020 and the Company will have the option to buy the equipment at the end of the lease term for a price of \$4,933.17.

Cost	Cobourg Facility	Langley Warehouse	Equipment Lease	Total
Balance – April 30, 2019	\$ 106,509	\$ -	\$ -	\$ 106,509
Additions	-	496,084	45,847	541,931
Reversal	(106,509)	-	-	(106,509)
Balance, January 31, 2020	\$ -	\$ 496,084	\$ 45,847	\$ 541,931
Accumulated depreciation				
Balance, April 30, 2019	\$ (6,162)	\$ -	\$ -	\$ (6,162)
Additions	(7,922)	(91,117)	(1,993)	(101,032)
Reversal	14,084	-	-	14,084
Balance, January 31, 2020	\$ -	\$ (91,117)	\$ (1,993)	\$ (93,110)
Carrying value				
Balance, April 30, 2019	\$ 100,347	\$ -	\$ -	\$ 100,347
Balance, January 31, 2020	\$ -	\$ 404,967	\$ 43,854	\$ 448,821

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15. LEASE OBLIGATION

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 an 14% discount rate to calculate the present value of its lease payments.

The following table represents lease obligation for the Company:

As at	January 31, 2020	April 30, 2019
Current	\$ 125,461	\$ 6,281
Non-current	339,294	103,165
Total lease obligation	\$ 464,755	\$ 109,446

The following table presents the contractual undiscounted cashflows for lease obligation as at January 31, 2020 and April 30, 2019:

	As at January 31, 2020	As at April 30, 2019
Less than one year	\$ 182,678	\$ 20,000
One to five years	392,524	80,000
More than 5 years	-	90,000
Total undiscounted lease obligation	\$ 575,203	\$ 190,000

Total interest expense on lease liabilities for the period ended January 31, 2020 was \$49,308 (April 30, 2019 - \$4,603).

16. FINANCIAL INSTRUMENTS

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 Company believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its contractual obligations and financial liabilities as they become due.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2020, the Company had a cash balance of \$7,469,714 (April 30, 2019 - \$16,002,152) to settle current liabilities of \$1,352,657 (April 30, 2019 - \$325,281). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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16. FINANCIAL INSTRUMENTS (continued)

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.

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.

The following table reconciles level 3 fair value measurements from December 31, 2018 to April 30, 2019 and January 31, 2020:

Balance, December 31, 2018	\$	-
Convertible loan receivable (Note 5)		2,000,000
Unrealized loss on convertible loan receivable		(45,558)
Unrealized gain on investment (Note 5)		493,139
Balance, January 31, 2020 and April 30, 2019	\$	2,447,581

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17. 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 pursue the development of its extraction technology operations and 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. During the nine months ended January 31, 2020, cash inflows from financing activities amounted to \$1,323,465 from acquisition of Quadron and \$70,000 from share issuances as a result of stock options exercise (2019: cash inflow from financing activities amounted to \$25,185,591 as proceeds from the issuance of shares net of share issuance costs).

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 by the status of the Company's technology progress in relation to these markets, and its ability to compete for investor support of its technical capability.

18. RELATED PARTY TRANSACTIONS

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

As at January 31, 2020, amounts due to related parties amounting to \$139,418 (April 30, 2019 - \$29,235) are unsecured, payable on demand, and without interest.

	January 31, 2020	April 30, 2019
Former COO	\$ -	\$ 12,000
Director	-	13,560
CEO of CBD	-	3,675
President	957	-
Corporate Secretary	128,077	-
Former Director	90	-
CIO	10,294	-
	\$ 139,418	\$ 29,235

¹ Legal fees paid/payable to a Firm at which the Corporate Secretary is a partner.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

18. RELATED PARTY TRANSACTIONS (continued)

During the nine months ended January 31, 2020 and 2019, the Company entered into the following transactions with related parties:

For the nine months ended	January 31, 2020	January 31, 2019
Management fees	\$ 150,500	\$ 182,000
Consulting fees	97,325	-
Accounting fees	18,620	-
Legal fees	239,305	-
Remuneration and benefits	312,500	-
Share-based payments	786,734	549,387
	\$ 1,604,984	\$ 731,387

- Management fees consist of \$100,000 paid to a company affiliated with the President of the Company \$50,500 were paid to a company controlled by the CFO (2019: \$90,000 paid to the former CEO and \$92,000 paid to the former CFO and current director).
- Consulting fees consist of \$35,000 paid to a company affiliated with the President of the Company (2019: \$Nil), \$62,325 to a Company controlled by a Director (2019: \$Nil).
- Accounting fees consist of \$18,620 to a company controlled by the CFO (2019: \$Nil).
- Legal fees consist of \$900 to CEO (2019: \$Nil) and \$238,405 to a legal firm at which the Corporate Secretary is a partner (2019: \$Nil).
- Remuneration and benefits consist of \$91,250 to CEO (2019: \$Nil), \$102,500 to the CIO (2019: \$Nil) and \$118,750 to the President of Soma (2019: \$Nil).
- Share-based payments consist of \$151,289 to directors, \$60,557 to former directors, \$37,848 to the Corporate Secretary, \$507,771 to the President, \$18,533 to the CFO, \$4,195 to the CEO and \$6,541 to the President of Soma (2019: \$382,485 to the former CFO and current director; \$6,954 to a former director; and \$159,948 to the Corporate Secretary).

For the acquisition of Quadron (Note 4), the Company incurred \$240,000 cash payment and issued 3,915,531 common shares as acquisition fees to a company with a director in common. All related party balances are non-interest bearing, unsecured and have no fixed terms of repayment and have been classified as current.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Information	January 31, 2020	January 31, 2019
	\$	\$
Shares issued for acquisition	20,764,300	-
Share issued to finders	-	167,684
Options issued for acquisition of Quadron	1,097,418	-
Warrants issued for acquisition Quadron	1,375,462	-
Fair value of options exercised	73,584	-
Share-based compensation expenses for options	1,730,771	-

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

20. SEGMENTED INFORMATION

The Company's operations until its acquisition of Quadron on June 17, 2019 was in a single reporting operating segment engaged in the acquisition and extraction of oils and extracts from the cannabis flower to be used for vaporizers, edibles, topicals and beverages at the period ended April 30, 2019.

With the acquisition of Quadron, the Company has had principal reporting segments: corporate and development; sale of disposable vaporizer pens and related materials; development and deployment of extraction technology and services; sale of automation solution equipment (now discontinued – see Discontinued Operations). The reportable segments were determined based on the nature of the services provided and goods sold.

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

Discontinued Operations

During the period ended January 31, 2020, the Company considered that the sales of automation on control solution equipment (formerly operated via Cybernetics Control Systems Inc.) to have met the definition of discontinued operations and as such, assets, liabilities and results of operations that can be clearly distinguished operationally and for financial reporting purposes from the rest of the Group have been terminated.

As at January 31, 2020, the liabilities of discontinued operations relate to the customer deposits amounting to \$7,201.

Following are the results of operations of the discontinued operations for the nine months ended January 31, 2020:

Revenue	\$	31,400
Cost of Sales		(24,922)
Gross margin		6,478
Expenses		(226,161)
Other income		(2,256)
Loss from discontinued operations	\$	(221,939)

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

20. SEGMENTED INFORMATION (continued)

	Corporate and development	Development and deployment of extraction equipment, technology and services	Sale of Disposable Vaporizer pens	Sale of automation on control solution equipment	Total
Revenue	\$ -	\$ 3,055	\$ 252,346	\$ -	\$ 255,401
Gross margin	-	2,030	111,947	-	113,977
Research and development expenses net of credits and grants	(1,255,610)	(393,007)	-	-	(1,648,617)
Selling, general and administrative expenses	-	(1,696,797)	(14,371)	-	(1,711,168)
Segment income (loss) from operating activities before corporate expenses	(1,255,610)	(2,087,774)	97,576	-	(3,245,808)
Unallocated costs:					-
Corporate general and administrative expenses	(3,243,683)	-	-	-	(3,243,683)
Acquisition fees	(982,675)	-	-	-	(982,675)
Impairment loss	(29,364,656)	-	-	-	(29,364,656)
Interest income	43,292	-	-	-	43,292
Interest expense	(483)	(48,826)	-	-	(49,309)
Net income from continuing operations	(34,803,815)	(2,136,600)	97,576	-	(36,842,839)
Loss from discontinued operations	-	-	-	(221,939)	(221,939)
Depreciation and amortization	(2,039,070)	(190,860)	-	-	(2,229,930)
Stock-based compensation	(1,730,771)	-	-	-	(1,730,771)
Reportable segment assets	11,153,258	5,586,797	244,553	-	16,984,608
Reportable segmented liabilities	395,310	1,295,256	1,385	-	1,691,951

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

21. COMMITMENTS

(a) Supply, License and Lease Agreements

Hemp Supply Agreement

On February 25, 2019, the Company signed a supply agreement with certain suppliers to purchase approximately 1,000 kg of hemp crop at an agreed price of \$100 per kg per each 1% CBD of Product purchased by the Company. See Note 5 – Loan Receivable.

Joint Venture

On December 3, 2019, the Company entered into an agreement with Nutralife Holdings, LLC and Nutralife Extraction Limited Partnership to establish a Joint Venture (“the JV”) to develop, manage and operate a hemp extraction and processing facility in Imperial County, California (the “Facility”) to extract hemp oil from hemp biomass in compliance with the U.S. Agriculture Improvement Act of 2018 – also known as the Farm Bill.

Pursuant to the terms of the JV, the parties will enter into a definitive JV agreement (the “JV Agreement”) to extract hemp biomass into hemp oil, from which hemp oil products can be manufactured. The parties intend to carry out the JV under a two-stage program. Under Stage One, Nutralife Farming LP (“Farming LP”), an affiliate of Extraction LP, will enter into a 15-year lease agreement with the land owner, renewable for two additional 5 year terms, to lease up to 1,900 acres of farmland that are adjacent to the Facility (the “Property”), and Extraction LP will enter into a similar lease with the same land owner for the Facility (the “Leases”). The JV will extract the hemp oil from hemp and will be paid a processing fee equal to one-third of the fair market value of the extracted product.

Under the terms of the JV Agreement, the two parties will share economic benefits through a profit-sharing structure reflective of the respective interest of each party. Nutralife Holdings, LLC will own 60% of the JV and the Company will own 40% of the JV.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

21. COMMITMENTS (continued)

Continuing Agreements with FV Pharma

On September 23, 2019, the Company entered a letter of intent with FV Pharma Inc. (“FV Pharma”). Under the direction of FV Pharma, the Company will setup and manage the operations of a large capacity extraction and processing facility in Cobourg, Ontario, owned by FV Pharma to extract various cannabinoids and other valuable elements from cannabis and hemp plants. The Company and FV Pharma will each have a 50% revenue sharing interest in the venture.

License agreement – The Company has agreed to build a commercial scale pilot extractions plant within FV Pharma’s production facility; this will allow the Company to be able to provide extraction services directly to FV Pharma. This agreement also includes provisions for the distribution of the Company’s products through FV Pharma’s distribution channels.

Lease agreement – This agreement allows the Company to occupy a space in FV Pharma’s facility for the purpose of creating extracting manufacturing capabilities. As at January 31, 2020, the definitive agreement is still pending.

During the latter part of 2019, FSD Pharma Inc., the parent company of FV Pharma Inc. was pursuing a listing on NASDAQ and as a result, the Company experienced unanticipated delays with the deployment of this extraction and processing facility. Since FSD Pharma Inc.’s listing on NASDAQ in January 2020, the Company continues to wait for FSD Pharma Inc. to decide on the direction it will be taking with its Cobourg facility.

Supply and Loan Agreement with Canntab Therapeutics Limited

On October 8, 2019, the Company entered into a Supply and Loan Agreement with the Canntab Therapeutics Limited (“Canntab”) to set-up, manage and operate a cannabis and hemp extraction and processing facility at Canntab's manufacturing center in Markham, Ontario. (See Note 22 – Subsequent Events)

Office Lease Agreements

On March 6, 2018, the Company, through its subsidiary, Soma Labs Scientific, Inc., entered into a 5-year lease agreement for leased premises in Langley, British Columbia, commencing June 1, 2018 and ending on May 31, 2023. The minimum base rent is \$13,350 per month. (See Note 14- Right-of-use Asset and Note 15 – Lease Obligation).

On October 31, 2018, the Company entered a 2-year agreement to lease office space in Etobicoke, Ontario at a monthly cost of \$2,300. The lease expires on October 31, 2020. The minimum base rent is \$2,300 per month for the period from November 1, 2018 to October 31, 2019 and \$2,350 per month from December 1, 2019 to October 31, 2020. The company is currently negotiating an early termination of this lease.

On October 15, 2019, the Company entered into a lease agreement commencing on November 1, 2019 for the office space in Toronto, Ontario. The monthly fee is \$8,000 for a period of one year. As at January 31, 2020, the Company has outstanding \$8,000 prepayment for this lease – see Note 8 – Prepaid expenses and deposits.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

21. COMMITMENTS (continued)

Equipment Lease Agreement

On November 25, 2019, the Company leased equipment for a monthly fee of \$2,098.44 (inclusive of GST and PST). The term is for 24 months and the Company will have the option to buy the equipment at the end of the lease term for a price of \$4,933.17. (See Note 14- Right-of-use Asset and Note 15 – Lease Obligation).

(b) Revenue Collaboration Agreement

On March 21, 2019, the Company and Parity Partners PBC (“Parity”) entered into a definitive agreement which provides that Parity shall, in exchange for financing and certain compensation, from the Company, provide the following services (the “Services”):

- i) Source appropriate locations in the United States to locate the Company’s proprietary extractions machines;
- ii) Obtain all licenses and approvals necessary for the Company to extract oils containing THC, CBD and other cannabinoids from hemp and cannabis plants (the “**US Extraction Services**”);
- iii) Supply the raw materials necessary for the Company to perform US Extraction Services; and
- iv) Develop a market for the US Extraction Services and the products produced out of the US Extraction Services, including by employing salespeople and developing relationships with distributors.

Compensation for the Services shall be payable by cash and the issuance of warrants, contingent upon Parity achieving agreed upon revenue and net profit milestones. As of the January 31, 2020, the Company is re-negotiating the terms of this agreement.

(c) Market Awareness Contracts

On April 8, 2019, the Company engaged Ascension Millionaires Club Inc. (“Ascension”) to enhance its market awareness. Ascension’s engagement is for a term of twelve (12) months, during which Ascension will provide investor relations and communication services to the Company. In consideration for its services, the Company will pay Ascension a monthly fee of \$10,000 (adjusted to \$8,000 for November 2019 and \$3,200 for December 2019 – March 2020) and has granted to Ascension WCE Share purchase options (the “Ascension Options”) to purchase 300,000 WCE Shares at a price of \$0.17, at any time on or before April 8, 2021.

On October 11, 2019, the Company entered into a consulting services agreement with Global Capital Innovation Corp. (the “GCIC Consultant”) whereby the Company will pay the GCIC Consultant on a success basis for the introductions made leading to the sale of equipment and services by the Company. The fee will be 4% of the gross value contracted. In the event that the Company does not accept or contract with customer referrals from the GCIC Consultant, there will be no financial obligations to the GCIC Consultant from the Company.

WORLD CLASS EXTRACTIONS INC. (FORMERLY CBD MED RESEARCH CORP.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at and for the nine months ended January 31, 2020

(Expressed in Canadian Dollars)

21. COMMITMENTS (continued)

(d) Consulting Services Agreement

On November 26, 2019, the Company entered into a consulting services agreement with Nutralife Farming LP (the "Consultant") whereby Company agrees to pay, based on performance and deployment of an extraction facility, the Consultant a total compensation of \$300,000 through the issuance of the Company's common shares in three phases as follows:

- (1) Phase 1 - Common shares of World Class Extractions with a value of \$200,000 based on the 5-day Volume Weighted Average Price ("VWAP"), calculated on the last 5 business days preceding the execution of the Agreement.
- (2) Phase 2 - Common shares of World Class Extractions with a value of \$50,000 based on the 5-day VWAP, calculated on the last 5 business days preceding the beginning of Phase "Stage" 1, as defined in the Agreement.
- (3) Phase 3 – Common shares of World Class Extractions with a value of \$50,000 based on the 5-day VWAP, calculated on the last 5 business days preceding the beginning of Phase "Stage" 2, as defined in the Agreement.

22. SUBSEQUENT EVENTS

On March 3, 2020, Canntab received its Cannabis Standard Processing and Sales for Medical Purposes License. This allows both the Company and Canntab to move forward with the deployment and operation of the cannabis and hemp extraction and processing centre at the licensed facility in Markham, Ontario.

On March 6, 2020, Quadron Cannatech Corporation, World Class Extractions (Subco) Inc. and World Class Extractions, Inc. amalgamated to form World Class Extractions, Inc. (WCE Inc.), the amalgamated Company. As a result, WCE Inc. directly holds 100% ownership in 1230167 BC Ltd., Soma Labs Scientific Inc., Green Mantle Products Ltd. and 80% of 1141588 BC. Ltd as of report date.

On March 11, 2020 and March 23, 2020, the Company loaned \$115,000 and \$160,000 respectively, under the following terms:

- 1) The principal shall be due and payable, on demand by the Company, provided that such demand will only be made as follows:
 - a. If a term sheet is not entered into by the parties on or before March 24, 2020
 - b. If certain conditions have not been met on or before March 31, 2020
- 2) Interest shall accrue at a rate of 12% per annum, not in advance, compounded monthly, and shall be repayable on the Maturity Date. Interest shall continue to accrue on the principal amount, in the event that it is not repaid in full on maturity date and the interest shall adjust to 18% thereafter.

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. This is causing significant financial market and social dislocation. This has also resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on the Company's future financial results.



WORLD-CLASS Extractions

FRA: WCF OTCQB: WCEXF CSE: PUMP

WORLD CLASS EXTRACTIONS INC.
(formerly CBD Med Research Corp.)

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

For the Nine Months Ended January 31, 2020

(expressed in Canadian Dollars unless otherwise indicated)



1 INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is a review of the financial condition and results of operations by the management ("**Management**") of World Class Extractions Inc. ("**World-Class**" or "**the Company**") for the nine months ended January 31, 2020 (the "Reporting Period"). This MD&A is prepared as at March 24, 2020, unless otherwise indicated, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the nine months ended January 31, 2020 ("**Interim Financial Statements**"), the consolidated audited financial statements for the four months ended April 30, 2019 ("**Consolidated Financial Statements**") and the annual consolidated audited financial statements for the year ended December 31, 2018 ("**Annual Financial Statements**") and the notes related thereto which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A was reviewed by the Audit Committee and, on the Audit Committee's recommendation, approved by the board of Directors of World-Class. All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") - <http://www.sedar.com> and are also available on the Company's website <https://worldclassextractions.com/>.

2 CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION

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

These forward-looking statements include, but are not limited to, statements and information concerning: the intentions, plans and future actions of the Company; statements relating to the business and future activities of the Company after the date of this report; market position, ability to compete and future financial or operating performance of the Company after the date of this report; statements based on the audited and unaudited consolidated financial statements of the Company; anticipated developments in operations; the future demand for the Company's products; the results of development of products and the timing thereof; the timing and amount of estimated capital expenditure in respect of the business of the Company; operating expenditures; success of marketing activities; estimated budgets; currency fluctuations; requirements for additional capital; expectations with respect to future production costs, capacity and yield; expectations regarding growth rates, growth plans and strategies; the Company's expectations regarding its revenue, expenses and research and development operations; government regulation regulations, including with respect to the cannabis and hemp industry in Canada and the United States; the medical benefits, safety, efficacy, dosing and social acceptance of cannabis; the future growth of the cannabis industry; the variability of hemp farming; the Company's ability to expand into international market limitations on insurance



coverage; the timing and possible outcome of regulatory and permitting matters; planned business activities and planned future acquisitions; the adequacy of financial resources; the Company's competitive position and the regulatory environment in which the Company operates; general risk of negative global financial consequences and heightened uncertainty as a result of COVID-19, including but not limited to: the recent and future anticipated impact on production or operations in jurisdictions most impacted by the virus; the impact on demand for products and services, including positive impacts (for example, companies that are part of mitigation efforts or otherwise involved in addressing COVID-19 - see also [Section 15 - Risks and Uncertainties](#)); the triggering of force majeure clauses by third-party suppliers or service providers; the effect on third-party suppliers or service providers; and the effect on proposed acquisitions or planned entry or expansions into impacted areas; and other events or conditions that may occur in the future.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are based on the beliefs of the Company's Management, as well as on assumptions, which such Management believes to be reasonable based on information currently available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation those risks outlined in [Section 15 - Risks and Uncertainties](#).

The forward-looking statements contained herein are based on information available as of March 24, 2020.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the unaudited quarterly Financial Statements, are the responsibility of management. In the preparation of the accompanying quarterly Financial Statements, estimates are sometimes necessary to make a determination of the future values for certain assets or liabilities. Management of the Company ("Management") believes such estimates have been based on careful judgments and have been properly reflected in the accompanying quarterly 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

This report is dated December 19, 2019. On July 5, 2019, the Board of Directors filed a change of year end to change the Company's year end from December 31 to April 30, effective for the period ended April 30, 2019 to align its reporting periods with Quadron. As a result of the change in year end, comparative amounts are not directly comparable with the current period's amounts.



Company Overview - World Class Extractions Inc.

World Class Extractions Inc. (“World-Class” or the Company”) was incorporated under the laws of British Columbia on December 2, 1965 (see Note 4 in Consolidated Financial Statements).

- World Class Extractions Inc. (previously CBD Med Research Corp.) was incorporated under the laws of British Columbia on December 2, 1965, under the name “Luaaron Metals Ltd.” Subsequent to this, there were several name changes and on July 17, 2014 the Company changed its name to CBD Med Research Corp. (“**CBD-Med**”).
- On March 11, 2019, the Company completed its reverse takeover transaction (the “**Transaction**” or “**RTO**”) with World Class Extraction (Ontario) Inc. (formerly World Class Extraction Inc.) (“**WCE**”), pursuant to which CBD-Med acquired all of the issued and outstanding shares of WCE for the issuance of 1 CBD-Med share for each WCE share. Under the terms of the arrangement, CBD-Med acquired all of the issued and outstanding shares of WCE on a 1 to 1 basis, for a total of 230,242,500 CBD-Med Shares. CBD-Med did not have any significant operations at the time of the Transaction. Following the closing of the Transaction, CBD-Med changed its name to World Class Extractions Inc. (see Note 4 in Consolidated Financial Statements).

The Company’s common shares trade under the trading symbol “**PUMP**” on the Canadian Securities Exchange, on the Frankfurt Exchange under symbol “**WCF**” and effective January 22, 2020, the Company’s common shares commenced trading on the **OTCQB Venture Market**, a US trading platform that is operated by the OTC Markets Group in New York, under the symbol: **WCEXF**.

The Company operates through its two wholly owned subsidiaries: Soma Labs Scientific Inc., and Greenmantle Products Inc., both based in the Lower Mainland of British Columbia.

- Soma Labs Scientific Inc., (“**Soma Labs**”) incorporated under the *Business Corporations Act* of the Province of British Columbia on January 22, 2020, is a leading-edge designer, manufacturer, and supplier of innovative extraction and processing equipment and solutions. Combining Soma engineered and industry standard equipment, Soma Labs works with strategic industry partners to design and establish scalable extraction and processing facilities for cannabis and hemp oil production.
- Greenmantle Products Ltd. (“**Greenmantle**”), incorporated under the *Business Corporations Act* of the Province of British Columbia on January 15, 2016, specializes in cannabis product development with expertise in vape hardware design, formulation science, and packaging. Greenmantle has curated a diverse array of ancillary products and service offerings to provide customized strategic solutions for emerging market demands. Combined experience in extract science, product manufacturing, design and distribution allows Greenmantle offer unique insight and guidance to World-Class partners.

Completion of Arrangement with Quadron Cannatech Corporation

Quadron Cannatech Corporation (“**Quadron**”) is a Vancouver-based company incorporated on November 7, 2011 under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”). Quadron became a reporting issuer in British Columbia and Alberta on July 25, 2012, and in Ontario on February 24, 2017. Quadron and its subsidiaries provided turn-key extraction and processing solutions for the cannabis and hemp industries including proprietary industrial grade equipment, custom built processing facilities, ancillary products, and scientific services.



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

On June 17, 2019, the Company and Quadron completed their plan of arrangement (the “**Arrangement**”) under the provisions of the BCBCA, pursuant to which the Company acquired all of the common shares of Quadron following Quadron's amalgamation with the Company's wholly-owned subsidiary, 1212476 B.C. Ltd. to form a new wholly-owned subsidiary of the Company continuing as “Quadron Cannatech Corporation” (“**Amalco**”). Under the terms of the Arrangement, each former Quadron shareholder received two common shares of the Company. In addition, options and warrants to purchase Quadron shares continued to remain outstanding as options and warrants of the Company. The Company paid \$280,500 and issued 5,015,531 common shares of the Company to financial advisors as acquisition fees (see [Note 4 in Consolidated Financial Statements](#)).

Amalgamation of Soma Labs Scientific Inc. and Cybernetic Control Systems Inc. (CCS) and discontinued operations of CCS

On January 22, 2020, Soma Labs Scientific Inc. and Cybernetic Control Systems Inc. amalgamated to form Soma Labs Scientific Inc., the amalgamated Company. The Company discontinued the sale of automation of control solution equipment business segment and transferred most of the assets and liabilities of CCS to the amalgamated Company (see [Other Matters](#)).

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

On March 6, 2020, Quadron Cannatech Corporation, World Class Extractions (Subco) Inc. and World Class Extractions, Inc. amalgamated to form World Class Extractions, Inc. (World-Class.), the amalgamated Company. As a result, World-Class. directly holds 100% ownership in 1230167 BC Ltd., Soma Labs Scientific Inc., Green Mantle Products Ltd and 80% of 1141588 BC. Ltd as of the report date.

Directors, Officers and Management of the Company

Following the business combination with Quadron, the Company's board of directors was reconstituted, and the appointment of Anthony Durkacz as Chair was announced. As at the date of this report, the directors, officers and Management of the Company are as follows:

- Anthony Durkacz, Director and Chair of Board of Directors
- Chand Jagpal, Director
- Donal Carroll, Director
- Rosy Mondin, Chief Executive Officer (CEO) and Director
- Leo Chamberland, President
- Zara Kanji, Chief Financial Officer (CFO)
- Shimmy Posen, Corporate Secretary
- Shane Lander, Chief Innovation Officer (CIO)
- Tamas Jozsa, President, Soma Labs Scientific Inc.



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 1G8. Telephone: 1 (604) 691-6100. Email: info@worldclassextractions.com Website: <https://worldclassextractions.com>.

Exchange Listings

- The Company's common shares trade on the Canadian Securities Exchange ("**CSE**") under the symbol "**PUMP**".
- The Company's shares also trade on the Frankfurt Exchange, symbol "**WCF**" and "**WKN:A2PF9C**".
- During the reporting period, the Company's shares started trading on the OTCQB Venture Market under the ticker symbol "**WCEXF**".

Nature of Operations and Company Focus

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

4 HIGHLIGHTS

Finance/Corporate

- Completed a reverse takeover transaction, changed its name and listed its common shares on the CSE under symbol PUMP.
- Completed the third and final tranche of a \$23,000,000 Subscriptions Receipt financing that leaves the Company well financed for the conduct of business.
- Formed new Board of Directors.
- Completed the plan of arrangement and merger with Quadron (see section 5 - Overall performance).
- Entered into hemp supply agreements (see section 16 - Commitments and Contingencies).
- Announced it had entered into a revenue collaboration agreement with Parity Partners PBC ("**Parity**") (see section 16 - Commitments and Contingencies).
- Entered into a letter of intent with FV Pharma Inc. ("**FV Pharma**") to establish a revenue-share arrangement to develop, manage and operate a large-capacity cannabis and hemp extraction and processing facility at FV Pharma's licensed facility in Cobourg, Ontario (see section 6 - Operations Review and section 16 - Commitments and Contingencies).



- Entered into a letter of intent with Canntab Therapeutics Limited (“**Canntab**”) for the deployment of two BOSS CO2 Extraction and Processing Systems and the peripheral equipment required at Canntab’s licensed facility in Markham, Ontario (see section 6 – Operations Review and section 16 – Commitments and Contingencies).
- Entered into a binding letter agreement to establish a joint venture with Nutralife Holdings LLC and Nutralife Extraction Limited Partnership (“**Nutralife**”) to establish hemp extraction operations in Southern California (see section 16 – Commitments and Contingencies).

Technical

The Company is well-financed, and its technologies should provide higher yields of full spectrum cannabis and hemp oil at faster rates and larger volumes than current extraction techniques while the Company’s extraction and processing systems are automated and have been simplified relative to comparable technologies.

During the nine months ended January 31, 2020, technical developments undertaken by the Company’s wholly owned subsidiary, Soma Labs include:

- *Creation of a Quality Management System (QMS) for Soma Labs.* Focus on production processes for the BOSS CO2 extraction system.
- *Awarding of the Technical Safety British Columbia Class AU Contractor License.* Successful outcome; a key requirement for assembly and installation of pressure piping and pressure vessels in Canada and CRN registration of pressure vessels and piping in Canada (legal requirement).
- *Expansion of the Quality Management System, through ISO 9001:2015 Certification in last quarter of 2019.* ISO 9001:2015 is the latest revision of the internationally recognized standard that provides a practical and workable Quality Management System for improving and monitoring all areas of business; implementing an effective and robust ISO 9001 Quality Management System (QMS) that focuses business processes on the important areas of the business and improves operational efficiency; on-track to be ready for 3rd party certification in early 2020.
- *Project Management.* The Company is integrating Project Management principles to drive high performance, which continues to be the leadership direction at the Company’s subsidiary, Soma Labs. Soma Labs has undertaken the successful implementation of the Zoho Projects platform to complement Soma Labs project workflow and Gantt Chart Generation for high level overview of critical path deliverables, milestones, baseline and slack management.
- *Equipment Registration.* the BOSS CO2 Extraction System. The Company prepared, submitted, and received Canadian Registration of the BOSS design in key Canadian markets: British Columbia, Alberta, Ontario. Such registrations prove that the Company’s extraction equipment meets legal safety requirements and facilitates successful inspection and permitting of the installation sites of the Company’s strategic partners.
- *Good Manufacturing Practice (“GMP”)-Ready Compliance.* Soma Labs has prepared and submitted >300pages of design document packages for GMP-ready compliance, including but not limited to: Service & Operation Manuals; User Requirements Specifications (URS); Installation, Operation, Qualification (IOQ); Equipment Software updates for GMP; Traceability of Operating Settings; Batch serial number recording in data logs; Operator login, setpoints changes tracking.



- *Cost-conscious Execution of Procurement and Contractors.* Generation of Scope-of-Work for all contractors, with detailed review of quotes resulting in significant cost reductions from initial quotes.
- *Inventory Management.* The Company (Soma Labs) is in the process of implementing inventory management software systems to further improve operational efficiencies. Inventory management supports Soma Lab's ISO 9001:2015 implementation by providing repeatable, traceable process flow for inventory management, purchasing, receiving, and costs management.
- *New Extraction Equipment Technology & Processes.* Progress continues on the development, adaptation and integration of new extraction equipment technology and processes.

5 OVERALL PERFORMANCE

Financial Position

As at January 31, 2020, the Company had cash of \$7,469,714 (April 30, 2019 - \$16,002,152) to settle current liabilities of \$1,352,657 (April 30, 2019 - \$325,281).

Loans Receivable

On February 25, 2019, the Company and two other entities ("Purchasers") entered into a supply and loan agreement with a supplier. Pursuant to this agreement, Purchasers agreed to purchase up to 1,000 kilograms of the supplier's 2018 hemp crop. In addition, the Purchasers agreed to make a loan to the supplier in the principal amount of \$500,000 for the supplier to purchase equipment and to fund expenses approved by the Purchasers. The Purchasers guarantee to purchase at least \$1,000,000 in product from the supplier where \$500,000 will be paid by this loan. On May 7, 2019, the Company loaned \$166,607 to the supplier pursuant to the agreement.

On July 30, 2019, a supplier issued a promissory note to the Company for the principal sum of US\$500,000 or lesser with interest at 5% per annum. This secured loan is due and payable on July 31, 2020. As at January 31, 2020, the Company has loaned US\$250,000 (CA\$331,500) and has accrued interest of CA\$8,265.

On March 11, 2020 and March 23, 2020, the Company loaned \$115,000 and 160,000, respectively, under the following terms:

- 1) The principal shall be due and payable, on demand to the Company, provided that such demand will only be made as follows:
 - a) If a term sheet is not entered into by the parties on or before March 24, 2020
 - b) If the certain conditions have not been met on or before March 31, 2020
- 2) Interest shall accrue at a rate of 12% per annum, not in advance, compounded monthly, and shall be repayable on the Maturity Date. Interest shall continue to accrue on the principal amount in the event that it is not repaid in full on maturity date and the interest shall adjust to 18% thereafter.



Convertible Loan Receivable

Alkaline Spring Inc.

On April 8, 2019, the Company announced it had entered into an agreement to invest up to \$3 million (the "Alkaline Financing") by way of a private placement in Alkaline Spring Inc. ("Alkaline Spring"), a privately-held, Alberta-based natural alkaline water company. In connection with the closing of the first tranche of the Alkaline Financing, the Company invested \$2 million in consideration for 2,000 senior secured convertible debentures ("Alkaline Debentures"), 11,111,111 common share purchase warrants ("Alkaline Warrants"), and certain investor rights. The Alkaline Debentures mature in two years, are priced at \$1,000 per debenture, bear interest at 9% per annum, and are convertible into common shares of Alkaline Spring at an initial price of \$0.18 per share, subject to downward adjustment in certain circumstances ("Liquidity Event"). The Alkaline Warrants are each exercisable into one further share at a price of \$0.25 for a period of three years.

Given that the Liquidity Event did not occur by January 31, 2020, the Alkaline Debentures are assumed to have automatically accelerated to maturity such that the fair value at reporting date of April 30, 2019 approximated the face value. The Alkaline Warrants have been fair valued using Black Scholes Model with stock price of \$0.12, volatility of 85.0%, risk free rate of 1.6% dividend yield of 0.00% and weighted average like of 2.91 years. The fair value of the Alkaline Warrant is \$493,139 as of April 30, 2019. As of January 31, 2020, the fair value of the Alkaline Debentures has not been significantly changed. Therefore, a gain or loss on the valuation of Alkaline Debentures is not recorded for the nine months ended January 31, 2020. The Company is currently negotiating the terms of the debenture. No interest was accrued for the period ended January 31, 2020 given the uncertainty over the loan's collectability as of end of period.

Inventory

During the period ended January 31, 2020, the Company wrote down its work -in process inventory at its net realizable value given the uncertainty and market conditions surrounding the realization of the future economic benefit from it. As a result, a total of \$453,127 was charged to research and development.

Prepaid Expenses and Deposits

Prepayments to vendors include advances to suppliers for purchases which were delivered after the end of the reporting period and rental deposits for various leased properties.

Intangible Assets

Upon incorporation, World Class issued 195,000,000 common shares (prior to a 1:1.5 share split 130,000,000 shares) issued to the Company's founders at a fair value of \$0.067 per common share (prior to a 1:1.5 share split \$0.10 per common share) for a total of \$13,000,000 for intangible assets common shares to secure the intellectual property ("IP") rights for a proprietary technology ([See Note 10 - Intangible Assets in the Interim Financial Statements](#)). During the period ended January 31, 2020, due to uncertainty in the realization of future economic benefits from the intellectual property, as well uncertainty in market conditions, in general and the cannabis sector, the Company assessed and recognized \$7,773,287 in impairment loss for this asset which is equivalent to 100% of its carrying amount.



The Company has applied to patent certain extraction processes for cannabis and hemp in the United States of America and internationally. The duration and effect of patent protection will vary according to each jurisdiction. The Company has retained patent litigation attorneys to enforce all its intellectual property rights to the fullest extent possible.

During the reporting period, no additional IP was purchased, and certain patents are still pending. The Company continues to amortize carrying value of the IP on a straight-line basis.

Development assets additions (net of disposals) of \$503,924 relate to the development of the BEAST machine systems being developed by the Company. The useful life of this asset is estimated at 5 years and amortized accordingly.

Acquisitions

Reverse Takeover - CBD Med Research Corp.

On March 11, 2019, the Company completed its RTO. The RTO was completed by way of a "three-cornered amalgamation" under the provisions of the BCBCA whereby CBD Acquisition Corp., a wholly-owned subsidiary of CBD Med Research Corp ("**CBD-Med**") incorporated on January 30, 2019, amalgamated with WCE and continued as one amalgamated corporation ("**Amalco**") as a wholly-owned subsidiary of CBD-Med. Prior to the closing the Transaction, CBD-Med split its common shares on the basis of 1 old share for 3 new shares ("**CBD-Med Shares**"), and WCE split its common shares on the basis of 1 old share for 1.5 new share ("**WCE Shares**"). Under the terms of the arrangement, CBD-Med acquired all of the issued and outstanding shares of WCE on a 1 to 1 basis, for a total of 230,242,500 CBD-Med Shares.

In accordance with IFRS 3 "Business Combinations", the substance of the transaction was a reverse takeover of a non-operating company. The transaction does not constitute a business combination since CBD does not meet the definition of a business under IFRS 3. Thus, the transaction was accounted for using the reverse takeover method of acquisition accounting under IFRS 2 "Share-based payments". Under this basis of accounting, the consolidated financial statements are presented as a continuation of the legal acquiree, WCE, except for the capital structure which is that of CBD-Med. In addition, the net identifiable assets of CBD-Med are deemed to be acquired by WCE.

For the Company's consolidated financial statements as at December 31, 2018, the Company had disclosed the ending number of shares to be 325,969,320, which was the number of shares of WCE prior to the transaction, which includes 172,474,320 share subscriptions. The number of shares has been revised to 29,014,575 to reflect the number of shares of the legal acquirer in the RTO, CBD-Med.

The consideration paid by WCE to acquire CBD-Med was measured on the basis of the fair value of the notional equity instruments deemed to have been issued considering the price per share of the subscription receipt offering closing concurrently with the Transaction. In accordance with IFRS 2, any excess of the fair value of the shares issued by the Company over the value of the net monetary assets of CBD-Med is recognized in the consolidated statements of comprehensive loss, as non-cash loss on completion of the RTO .



The fair value of the consideration of \$3,771,895 has been allocated as follows:

Purchase Price	
29,014,575 shares issued at \$0.13	\$ 3,771,895
Total Purchase Price	\$ 3,771,895
Allocation of Purchase Price	
Cash	\$ 445,495
Short term investments	275,000
Prepaid expenses and deposits	6,250
Sales tax receivable	2,940
Convertible notes receivable	1
Series B convertible preferred stock	1
Equipment (net)	2,153
Accounts payable	(102,416)
Non-cash loss on completion of RTO	3,142,471
	\$ 3,771,895

In addition, finders' fees of 15,000,000 common shares, valued at \$1,950,000, were issued and have been recorded in share capital as non-cash loss on completion of the RTO.

Business Combination - Quadron Cannatech Corporation

On June 17, 2019, the Company purchased 100% of the issued and outstanding shares of Quadron Cannatech Corporation ("**Quadron**"), which was incorporated under the **BCBCA** on November 7, 2011. Quadron provides turn-key extraction and processing solutions for the cannabis and hemp industries including proprietary industrial grade equipment, custom build processing facilities, ancillary products, and scientific services. The combined entities will leverage Quadron's technical expertise established customer base and seasoned management team with the Company's unique patent-pending technology and strong cash position resulting from the private placements. Quadron shares, options and warrants were exchanged at a ratio of 1 to 2.

On closing, 143,300,894 common shares were issued to former shareholders of Quadron at a price of \$0.14 for consideration of \$20,062,125. Former Quadron option holders received 13,205,000 replacement options and former Quadron warrant holders received 21,438,716 replacement warrants. The fair value of the common shares issued as consideration for the transaction was based on June 17, 2019 closing price of the Company on the CSE of \$0.14 per share. The fair value of the options was estimated to be \$1,308,130 using a Black-Scholes model, whereby \$1,097,418 has been included as consideration paid as it related to pre-combination services and the residual \$210,712 fair value will be recognized as stock compensation expense ratably over the post-combination vesting period. The fair value of the warrants was estimated to be \$1,375,462 using a Black-Scholes model, where this value has been included as consideration paid. In connection to this acquisition, the Company incurred a cash payment of \$280,500 and issued 5,015,531 common shares at a price of \$0.14 to financial advisors. These were expensed as acquisition fees.



The following table summarizes the fair value of the consideration transferred and the estimated fair values assigned to each major class of assets acquired and liabilities assumed at June 17, 2019 acquisition date:

Total Consideration	
Common shares to Quadron shareholders	\$ 20,062,125
Fair value of replacement of options issued	1,097,418
Fair value of replacement of warrants issued	1,375,462
Total Consideration	\$ 22,535,006
Net identifiable assets acquired (liabilities assumed)	
Cash and cash equivalents	\$ 1,603,965
Accounts receivable	610,620
Inventory	1,570,955
GST recoverable	181,091
Prepaid expenses and other	87,597
Deposits	36,115
Plant and equipment	260,186
Intangible assets	1,357
Accounts payable	(225,056)
Customer deposits	(422,179)
Related party	(6,177)
Intercompany loan	(2,754,837)
Net assets acquired	\$ 943,637
Purchase price allocation	
Net identifiable assets acquired	\$ 943,637
Goodwill	21,591,369
	\$ 22,535,006

Goodwill arose in the acquisition as the cost of acquisition included a control premium. In addition, the consideration paid for the acquisition reflected the benefit of expected revenue growth and future market development. These benefits were not recognized separately from goodwill, as they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes. During the quarter ended January 31, 2020 and considering uncertainty in general and cannabis sector market conditions, management assessed uncertainty in the recoverability of goodwill, pursuant to the business combination. As such, the Company fully impaired the goodwill and recorded an impairment loss amounting to \$21,591,369.

In the period from June 17, 2019 to July 31, 2019, the operations of Quadron contributed revenues of \$106,314 and a net loss of \$503,471. If the acquisition had occurred on May 1, 2019, Management estimates that the unaudited consolidated revenue would have been \$286,153 and an unaudited consolidated net loss would have been \$8,381,804 for the nine months ended January 31, 2020.

The accounting for the acquisition has been provisionally determined at July 31, 2019 and was adjusted subsequently at October 31, 2019. The fair value of net assets acquired, and total consideration have been determined provisionally and subject to adjustment within one year from the acquisition date. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, goodwill may be adjusted retrospectively to the acquisition date in future reporting periods.



Result of operations

The net loss and comprehensive loss for the nine months ended January 31, 2020 was \$41,025,479 (January 31, 2019 - \$4,238,438). Net loss from continuing operations amounted to \$40,803,540 and net loss from discontinued operations amounted to \$221,939 (See [Other Matters](#)). The increase in net loss and comprehensive loss was driven by the following:

- *Sales Revenue.* \$255,401 (January 31, 2019 - \$Nil). Revenue during the period was generated by the Company's wholly owned operating subsidiaries. The increase in sales revenue is primarily due to an increase in sales by two subsidiaries. The subsidiaries had the following breakdown of revenues:
 - Soma Labs Scientific Inc.: \$3,055
 - Greenmantle Products Limited: \$252,346
- *Cost of Sales.* \$141,424 (January 31, 2019 - \$Nil). These costs are reflective of the cost of parts and labor to build equipment, the cost of inventory involved in offering ancillary products as part of service agreements and labor and materials in providing equipment automation work. The increase in cost of sales is related to the increase in sales revenues. The subsidiaries had the following breakdown of cost of sales:
 - Soma Labs Scientific Inc.: \$1,025
 - Greenmantle Products Limited: \$140,399
- *Acquisition Fees.* \$982,675 (January 31, 2019 - \$Nil) were related to cash payment of \$280,500 and issuance of 5,015,531 common shares at a price of \$0.14 to financial advisors for the acquisition of Quadron;
- *Amortization Expense.* \$2,229,930 (January 31, 2019 - \$2,434,306) was recorded for intellectual property, facility equipment, right-of-use asset, computers, office furniture and vehicle equipment;
- *Bad debts.* \$291,141 (January 31, 2019 - \$Nil) were mostly related to write down of receivables from Soma;
- *Consulting Fees.* \$693,473 (January 31, 2019 - \$383,684). The fees are related to payments to consultants for various services pertaining to merged operations, development of processes and equipment for the Company as well as some fees to related parties. (See [Transactions with related parties](#)) The increase was mainly driven by the additional related party fees as well as more merged operational and development activities this period compared to same period in the prior year.;
- *Development and Research.* \$1,648,617 (January 31, 2019 - \$59,097) is due to increased activity pursuant to the merger with Quadron and increases to material costs and fees to contractors for the Company's works on development, commercialization and enhancement of its product lines. This account also includes charges for the write-down of inventory values to their net realizable value for inventory used in research and development.
- *Freight Costs.* \$49,245 (January 31, 2019 - \$3,155) -the significant costs for this period relate to the delivery fee for equipment acquired from abroad which is currently being held for sale or disposal;



- *General and administrative expenses.* \$283,861 (January 31, 2019 - \$23,256) relate to increased activities of the company pursuant to its merger with Quadron and include rentals (\$68,750; 2019: \$6,950), office expenses (\$62,607; 2019: \$1,490), insurance (\$31,848; 2019: \$Nil), and various office expenses incurred in the normal course of business. The increase in rentals were mostly due to the new office leases while the increase in office expenses resulted from spending on utilities and recruitment;
- *Management Fees.* \$150,500 (January 31, 2019 - \$182,000). These include payments to the company's CEO and CFO amounting to. (See [Transactions with related parties](#));
- *Professional Fees.* \$771,506 (January 31, 2019 - \$137,762) significantly relate to legal and accounting fees related to the Quadron acquisition, applications for legal patents, audit fees and accounting fees and legal fees paid to related parties. (See [Transactions with related parties](#)). The spike in professional fees for the year was mostly caused by accounting, legal and audit fees associated with the mergers, as well as fees for the legal review of various new business transactions;
- *Remuneration and Benefits.* \$1,439,989 (January 31, 2019 - \$Nil). These expenses are for wages paid to employees of Soma Labs, Quadron and the Company, who are responsible for product development, customer service, inventory control, laboratory maintenance and sales management. This also includes the salaries paid to related parties (See [Transactions with related parties and Note 20 - Segmented Information in the Consolidated Financial Statements](#));
- *Shop expenses.* \$65,887 (January 31, 2019 - \$Nil) pertains to costs of materials used in the warehouse which include consumables, hardware and other supplies.
- *Share-based Payments.* \$1,730,771 (January 31, 2019 - \$625,883) were recorded for options issued which vested during the period.
- *Travel.* \$215,016 (January 31, 2019 - \$389,927) was incurred for travel of officers and employees mostly related to exploring business development opportunities, business development for the Company's products and services and facility visits outside the principal office.
- *Impairment Loss.* \$29,364,656 (January 31, 2019 - \$Nil) relate to the impairment of: (i) intellectual property (IP) - \$7,773,287 and (ii) goodwill - \$21,591,369 (See [Intangible Assets and Acquisitions](#)). The Company reviewed the value of its IP and goodwill and deemed them to be impaired. As such the carrying value of the IP and goodwill were written down to \$Nil as at January 31, 2020.
- *Net loss from discontinued operations.* \$221,939 (January 31, 2019 - \$Nil) relate to the expenses incurred for the discontinued business segment - sale of automation of the control Systems, Inc. on January 22, 2020. (See [Discussion and Analysis and Other Matters](#)).



Cash Flows

For the nine months ended January 31, 2020, the Company has the following cash flow activities:

Cash Flow Activities	Nine months ended January 31, 2020	Nine months ended January 31, 2019
Operating	\$ (7,162,844)	\$ (5,099,047)
Investing	(1,259,617)	2,249,351
Financing	(109,977)	25,185,591
Increase (decrease) in cash during the period	\$ (8,532,438)	\$ 22,385,895

Operating Activities

Operating activities generated a net cash outflow of \$7,162,844. The increased use of cash is primarily attributable to research and development, manufacturing of new inventories, general operations and payments for salaries, professional and consulting fees.

Financing Activities

Financing activities generated net cash outflow of \$109,977, primarily due to the offsetting effect of the decrease in loans receivable of \$1,503,442, the \$70,000 proceeds from issuance of common shares for options exercised and \$1,323,465 cash acquired upon the acquisition of Quadron.

Investing Activity

The significant cash outflow from the investing activities was primary due to purchase of equipment and expenditures on development assets.

6 OPERATIONS REVIEW

During the nine months ended January 31, 2020, Management focused on:

- *Optimization of Corporate Needs.* Reduced head-office costs where appropriate by conducting contractual reviews and terminating or amending contractual obligations.
- *Integration.* Integration of both companies (and subsidiaries) including accounting and financial reporting. Subsidiaries include Soma Labs Scientific Inc. (R&D/developer and manufacturer of our innovative equipment, technologies and processes and our scalable facilities for oil production); and Greenmantle Products Inc. (customized cannabis product development and end product solutions, expertise in vape hardware design, formulation science, and packaging).
- *Technology.* Alignment of technologies and advancements to deliver best-in-class extraction and processing facilities.
- *Staffing.* Better aligned key talent and recruitment of new talent to best support company initiatives and corporate business culture.
- *Business Practices.* Implementing internal audit, corporate governance and business conduct/ethics policies to guide corporate and financial practices in a transparent manner.
- *Deal-flow.* Actively working with a number of parties to establish cannabis and hemp extraction and processing facilities - in Canada, the US (hemp only), and Europe.



- *Marketing.* Continuing marketing efforts to build awareness of the Company's unique IP and its potential.
- *Soma Labs Scientific Inc Organizational Evolution.* During 2019 Soma Labs underwent changes in organizational structure aimed at improving operational efficiencies, including:
 - Transition of Tamas Jozsa, P.Eng. from VP Engineering to President of Soma Labs Scientific.
 - Closing of Cybernetic Controls Systems and migrating existing Cybernetics personnel and assets to Soma Labs.
 - Organizational growth through Soma Lab's in-house recruitment of 5 key positions: Mechanical Designer & Project Manager, Senior Technical Specialist, Service Manager, Technical Writer, and Production Quality & Supply Chain Manager.

Key Performance Indicators

Key performance indicators that the Company uses to manage its business and evaluate its financial results and operating performance include new customers, net investment in equipment, revenues, average yields, operating expenses and net income. The Company evaluates its performance on these metrics by comparing its actual results and normalized results to management budgets, forecasts and prior period performance.

General Description of the Business

World Class Extractions Inc. ("**World-Class**") develops, deploys and manages custom-built extraction centers for licensed cannabis and hemp processors. Utilizing its custom technology and processes, World-Class enables its licensed partners to efficiently produce high-margin cannabis and hemp concentrates and oils. Through its relationships with licensed partners, World-Class also has the ability to offer toll processing of cannabis and hemp to licensed third parties that lack the expertise and equipment required to produce high-quality cannabis and hemp concentrates and end-products. With over half of a decade spent in research and development, the Company allows licensed producers to access the technology required to create value-added products in the expanding concentrate market. World-Class operates through two wholly owned subsidiaries: Soma Labs Scientific Ltd. and Greenmantle Products Ltd.

World-Class is focusing on two businesses: (1) developing industrial grade extraction and processing systems and technologies (the "**World-Class Technologies**"); and (2) deploying, managing and operating revenue-generating cannabis and hemp oil extraction and processing centres (including storage facilities) through equipment leasing, strategic alliances and joint ventures. These processing centres will have the capability to producing quality oils and create a range of packaged consumer products.

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

Concentrates are the fastest growing sector of the cannabis and hemp industries; the cannabis and hemp extraction and processing sector represents a huge growth opportunity. As at October 17, 2019, cannabis and hemp concentrates and derivative products (extracts, edibles and topicals) became legal for recreational use in Canada. Health Canada estimates that demand for such products expanded eightfold last year, much faster than sales of dried cannabis flower.



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

Consumer sales are already shifting away from smoking cannabis flower to ingesting the cannabis and hemp plant compounds in other derivative forms, and for a good reason. Cannabis and hemp concentrates are shelf-stable, easier to analytically test, and more convenient to transport. Concentrates offer a larger diversity of product offerings and consumption methods - value-added products such as tinctures, capsules, vapor-pens, edibles, topicals, beverages vaporizers all require oil as the base ingredient. Extraction is the first step in the production of these value-added products and producing oils of consistent quality requires a special set of skills.

The cannabis and hemp industries are evolving, maturing and experiencing rapid growth in the demand for high-quality extracts derived from cannabis and hemp, as well as for cannabinoid isolates such as CBD and THC, amongst others. As the industry matures, there is a need for industrial-scale innovation and efficient extraction and processing equipment and technologies. Current industry methods of extraction lack the scale, consistency and repeatability required to adequately serve the expected demand from global consumer and healthcare cannabis and hemp markets.

The Company is shifting from a pure focus on research and development, to deploying and operating revenue-generating, purpose-built extraction and processing facilities for cannabis and hemp. World-Class is targeting a multi-billion dollar high-growth market characterized by significant barriers to entry and an expanding outsourcing need, representing a long-term opportunity.

From developing leading-edge equipment and technologies, to deploying purpose-built extraction and processing centres, World-Class is uniquely positioned to satisfy the needs of the rapidly evolving cannabis and hemp industry.

World-Class has manufactured and tailored our extraction and processing systems to create efficient processes and quality extracts. Using a variety of extraction methods, including supercritical CO₂ and ethanol extraction, World-Class, through its relationship with licensed partners, will have the ability to provide the following services to licensees:

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



World-Class will expand its services with the view to generate new revenue opportunities and market growth through:

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

World-Class Technologies - Process Equipment Development

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

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

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

- Centrifuge Assessment & Refurbishment: Detailed technical assessment of centrifuge for operational capability/installation completion. The Company fast-tracked the necessary updates through collaboration with centrifuge original equipment manufacturer ("OEM") and equipment is up to operational state; utilizing centrifugal process expertise from the OEM to support ethanol extraction process development.
- Successfully opened market opportunity for the Company to partner as the OEM's integrator in 2020 and to leverage the OEM's centrifuge designs for the cannabis industry in the Company's extraction systems.
- Design of the complete ethanol extraction system, consisting of four (4) key modules: automated slurry ratio control and mixing; automated centrifugation; automated filtration (removing undesirable bio-components); and automated oil separation / ethanol recovery.



- Rapid, creative development and prototyping performed in parallel with the release of complete engineering design package.
- Agile, strategic equipment procurement to manage long-lead component constraints; sourcing, purchasing, receiving and installation of equipment in less than 4 months.
- Engineered safety systems designed in compliance with Fire Code requirements; hazardous area design, engineered for use with ethanol (flammable solvent); on the forefront of fire safe, food-safe equipment design for the cannabis industry; approved by local city/regulator.
- Langley development facility received ethanol handling approval; Company assessed municipal regulatory requirements for ethanol storage & handling and highlighted requirement for Fire Safety report to Township of Langley requesting permission for ethanol storage and handling.
- Third party Fire Safety Engineering review by GHJ consultants; confirmed ethanol storage limits, and Engineered Safety Systems requirements to meet Canadian Fire Code requirements; valuable information for design & execution of future site installations.
- Confirmation of successful city approval for temporary ethanol storage & testing at Langley development facility; temporary updates to facility for safe execution of BEAST testing; updated Fire Plan for development facility.
- Cost-conscious execution of procurement and contractors; under-budget for all BEAST expenditures; generation of Scope-of-Work for all contractors, with detailed review of quotes resulting in significant cost; reductions from initial quotes.

Strategic Alliances and Joint-Ventures

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

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

Canntab Therapeutics Limited, Markham, Ontario.

World-Class entered into a binding letter of intent with Canntab to set-up, manage and operate a cannabis and hemp extraction and processing facility, at Canntab's licensed facility in Markham, Ontario. Deployment includes two BOSS CO2 Extraction Systems and the peripheral equipment required. Each BOSS CO2 Extraction System can process up to 200 pounds of biomass per day, which can produce high-potency cannabis and hemp concentrates (yield will vary depending on concentration levels of the input biomass). Canntab is in receipt of the following licenses: Standard Processing, Sales (Medical), Research, and Industrial Hemp.



FV Pharma Inc., Cobourg, Ontario.

In September World-Class announced an arrangement whereby World-Class, under the FV Pharma umbrella, would set-up and assist with the operations of a large capacity cannabis and hemp extraction and processing facility at FV Pharma's licensed facility in Cobourg, Ontario. World Class expected to be able to install the necessary equipment to commence operations at the Cobourg facility prior to January 2020. During the latter part of 2019, FSD Pharma Inc., the parent company of FV Pharma Inc. was pursuing a listing on NASDAQ and as a result, World Class experienced unanticipated delays with the deployment of this extraction and processing facility. Since FSD Pharma Inc.'s listing on NASDAQ in January 2020, World Class continues to wait for FSD Pharma Inc. to decide on the direction it will be taking with its Cobourg facility. World Class is hopeful that it will be able to complete the deployment of this extraction and processing facility in the future and will update shareholders on developments accordingly.

Nutralife Holdings LLC. - Imperial County, California

World-Class entered into a binding letter agreement with Nutralife Holdings, LLC and Nutralife Extraction Limited Partnership to establish a joint venture to develop, manage and operate a hemp extraction and processing facility in Imperial County, California. Together, the companies expect to extract hemp oil in compliance with the U.S. Agriculture Improvement Act of 2018 (also known as the Farm Bill). Deployment of World-Class equipment to the Nutralife facility is expected to begin in Summer 2020. Under the terms of the Nutralife agreement, the parties will share the economic benefits through a profit share structure reflective of the respective interest of each party (Nutralife Holdings, 60% and World-Class, 40%).

Research and Development

The Company has spent years developing, adapting and integrating extraction and processing equipment and technologies, incorporating consistent quality standards, and innovative processes. The Company strategically invests in and undertakes continuous research, development and innovation to provide unparalleled insight and solutions to overcome the extraction and processing challenges facing this rapidly evolving and dynamic industry.

World-Class' longstanding focus on R&D, applied sciences and product application provides successful solutions for the deployment and operations of revenue-generating, purpose-built facilities for cannabis and hemp extraction and processing. World-Class is at the frontier of extraction engineering and applied sciences, providing a roadmap for all engineering and development activities. The Company continuously engages in ongoing R&D to identify and develop innovative solutions for equipment and processing technologies, refinement and product development.

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



Specialized Skill and Knowledge

Patent Application

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

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

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

Competitive Conditions

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

The Company is currently focused on the commercialization of its products in Canada and will continuously re-evaluate commercialization opportunities in the United States and globally when and if such commercialization becomes viable and/or legislative changes occur.

The Stage of Development of New Principal Products

As of the date of this report, not all of the Company's principal products and services are fully developed or made available yet to the market. The Company intends to continuously engage in ongoing R&D to identify and develop innovative solutions for equipment and processing technologies, refinement and product development manufacturing and developing unique consumer products using the World-Class Technologies which the Company believes will give it a competitive advantage in the sale of products manufactured with cannabinoid oil extracted from hemp and cannabis.

The Company will, subject to the successful development of the World-Class Technologies and the successful deployment and operation of licensed extraction and processing centres, provide the following services:

- *Oil Production.* Innovating CO₂ and ethanol extraction. Ongoing R&D includes pre-processing (biomass preparation), ultrasound, water-based extraction, and remediation technologies.



- *Crude Processing & Oil Refinement.* Refinement is an advanced expertise. The Company's refinement techniques produce premium concentrates and isolates, including THC, CBD, and full-spectrum oils.
- *Vape Hardware & Formulations.* Mastering the art and science of pairing specific concentrates and formulations with the right hardware.
- *End-User Products.* Developing, producing and distributing products to end users in partnership with license holders, subject to Health Canada approval. End user products which the Company may develop, produce and distribute could include cannabis and hemp extracts and concentrates for: vaporizing or dabbing, tinctures, topicals, capsules and pills, beverages, and other ingestible and edible products.

The Company is looking to work with recognized brands in order to enhance its ability to manufacture and sell high quality extract and concentrates through licensed distributors.

Cycles

The Company's business is not expected to be cyclical or seasonal. Market demand for wholesale of cannabis and hemp oils are not projected to vary significantly from month-to-month.

Foreign Operations

The Company has identified certain risks related to U.S. operations, which are further described under "United States Cannabis Disclosure".

7 SUMMARY OF QUARTERLY RESULTS

Quarters Ended	Revenue (\$)	Net Loss (\$)	Loss per Share (\$)
January 31, 2020	75,562	33,144,217	0.01
October 31, 2019	12,037	3,642,939	0.01
July 31, 2019	167,802	4,238,322	0.01
April 30, 2019	-	8,236,020	0.02
March 31, 2019	-	6,891,415	0.02

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

Significant expenses during the quarter ended July 31, 2019 include acquisition fees of \$982,675 for the acquisition of Quadron, amortization of intangible and tangible assets of \$702,611, a share-based payment pursuant to the grant of options of \$993,135, consulting fees of \$262,773, development and research expenses of \$254,258 and marketing and research expenses of \$300,124.



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

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

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

8 LIQUIDITY AND CAPITAL RESOURCES

The Company considers the capital that it manages to include share capital, reserves, and deficit, which at January 31, 2020 is \$15,292,657 (April 30, 2019 - \$31,280,185). The Company manages and makes adjustments to its capital structure based on the funds needed in order to support the development of extraction technology. Management does this in light of changes in economic conditions and the risk characteristics of the underlying assets.

Funding Outlook

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

9 FINANCIAL MANAGEMENT RISK

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

Credit Risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company has no significant concentration of credit risk arising from its operations. Cash is held at select Canadian financial institutions, from which Management believes the risk of loss to be low.



Liquidity Risk

Liquidity risk arises through an excess of financial obligations over financial assets at any point in time. The Company's approach to managing liquidity risk is to maintain sufficient readily available cash to continue operations and meet its financial obligations as they become due.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2020, the Company had a cash and cash equivalents balance of \$7,469,714 (April 30, 2019 - \$16,002,152) to settle current liabilities of \$1,352,657 (April 30, 2019 - \$325,281). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The liquidity risk at Reporting Period end, is immaterial.

Market risk

Market risk is the risk related to changes in the market prices, such as fluctuations in foreign exchange rates and interest rates that will affect the Company's net earnings or the value of its financial instruments.

Interest rate risk

Cash balances are deposited in highly accessible and low-interest bank accounts that are used for short-term working capital requirements. The Company regularly monitors compliance to its cash management policy. 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 exposed to interest rate risk on loans receivable with Quadron, however post year end, the Company has merged with Quadron. The Company is not exposed to interest rate risk in respect of any loans payable which are subject to a fixed rate of interest.

Foreign currency risk

Certain of the Company's expenses are incurred in USD and are therefore subject to gains or losses due to fluctuations in this currency relative to the Canadian Dollar, in which currency funds are raised through equity placements. Management believes that the foreign exchange risk derived from currency conversions is best served by not hedging its foreign exchange risk. At January 31, 2020 and April 30, 2019, the Company's exposure to foreign currency risk with respect to amounts denominated in USD was minimal.

Sensitivity analysis

As of January 31, 2020, and April 30, 2019, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to their short-term nature.

Business Risks

Laws and Regulations are Subject to Change

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect the Company's operations. U.S. local, state and federal cannabis laws and regulations, along with Canadian securities laws, are broad in scope and subject to changing interpretations. These changes may require the Company to incur substantial costs associated with legal and compliance fees and ultimately require the Company to alter its business plans. Furthermore, violations of these laws, or alleged violations, could disrupt its business and result in a material adverse effect on operations.



The Company cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted that will be directly applicable to its business.

United States Regulatory Matters

The Company has entered into a definitive agreement with Nutralife for the production of hemp oil from hemp in the United States, and as such the Company expects to derive revenues from the hemp industry in certain states of the United States. The Company also expects to produce and sell cannabidiol ("**CBD**") products derived from hemp and other hemp products.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 801 et. seq.) (the "**Federal CSA**"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision.

On February 8, 2018 the Canadian Securities Administrators published a staff notice (Staff Notice 51-352) setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. marijuana-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. marijuana-related activities, including those with direct and indirect involvement in the cultivation and distribution of marijuana, as well as issuers that provide goods and services to third parties involved in the U.S. marijuana industry. At this point, the Company has no intention of extracting oil from marijuana in the United States, and has instead limited its involvement in the United States cannabis industry to the extraction of oil from legally produced hemp pursuant to the 2018 Farm Bill (as defined below).

The Agriculture Improvement Act of 2018 (the "**2018 Farm Bill**") was signed into law on December 20, 2018. The 2018 Farm Bill, among other things, removes legally produced hemp (including any part of the plant *Cannabis sativa* L. containing 0.3% THC or less), its extracts, derivatives, and cannabinoids from the Federal CSA, and allows for federally-sanctioned hemp production under the purview of the United States Department of Agriculture (the "USDA"), in coordination with state departments of agriculture that elect to have primary regulatory authority. All cannabinoids produced from "marijuana" (or "cannabis" as used herein) remain a Schedule I substance under the Federal CSA and are thus illegal under U.S. Federal law.

On October 29, 2019, the USDA released the text of its interim final rule for regulations establishing a domestic hemp production program. Since this is an interim final rule, it will be in effect immediately upon being published in the Federal Register. In order to produce hemp, a farmer must first be licensed or authorized under a state program or through the USDA hemp program. If a state desires to have primary regulatory authority over hemp production in their borders, they may submit a plan for monitoring and regulating hemp production to USDA. States that have already submitted a plan will be given the chance to reaffirm the plan they want USDA to evaluate, or to submit a new plan if desired. The rule also establishes a USDA plan to regulate hemp production in states or areas where hemp production has been legalized, but no approved state plan is in place. Farmers may not grow hemp in states that have not legalized its production within their borders.

Despite the passage of the 2018 Farm Bill and the release of the USDA's interim final rule, several risks remain, including those arising from the complex regulatory environment in the United States and the uncertain reaction of industry stakeholders and the general public to the recent changes.



Although the U.S. Food and Drug Administration (the “**FDA**”) is considering ways to best address this issue, the agency has not deemed CBD or other individual cannabinoids permissible for use in dietary supplements, as dietary ingredients or as safe for use in food. The FDA has taken the position that CBD cannot be marketed in a dietary supplement or added to food because it has been the subject of investigation as a new drug. In addition, the FDA is currently challenging whether similar products of other companies can be sold in the U.S. without FDA approvals which have not yet been obtained.

Additional legal barriers applicable to producing and selling hemp and hemp-derived CBD products result from a number of factors, including the fact that both hemp and cannabis (marijuana) are derived from the same plant species, the rapidly-changing patchwork of state laws governing hemp and hemp-derived CBD, and the FDA’s position that CBD cannot be added food or marketed as a dietary supplement.

In addition, prior to the 2018 Farm Bill becoming law, the U.S. Drug Enforcement Administration (the “**DEA**”) made public statements suggesting that CBD is a controlled substance, and that the retail sale as such would be prohibited. To the knowledge of the Company, the DEA has not expressed its position with respect to the 2018 Farm Bill, which amended the Federal CSA to exempt hemp, and THC naturally occurring in hemp, from the definition of “marihuana” (or “cannabis” as used herein) in the Federal CSA.

Even after the passage of the 2018 Farm Bill, there is risk that the FDA and/or the DEA could take law enforcement actions against the Company as a result of its operations in the United States, and there is risk that changes in federal or state regulations could impact the legality of the operations of the Company.

There is also risk that state or local authorities could take enforcement action against the Company. Any investment in the Company is speculative due to a variety of factors, including the nature of the Company’s business. An investment in the Company should only be made by persons who can afford a total loss of their investment. Legislative and regulatory uncertainties, along with difficulties concerning potential enforcement activities by U.S. federal, state and local governments (or discretion exercised thereby), represent significant risks concerning the Company’s business activities. If the Company’s operations are found to be in violation of any of such laws or any other governmental regulations, the Company may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company’s operations or asset seizures, any of which could adversely affect the Company’s business and financial results.

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 16 to the Interim Consolidated Financial Statements](#). Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

10 ACCOUNTING POLICIES

The following amendment was adopted by the Company for the four months ended April 30, 2019, others are not applicable:

IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Company adopted IFRS 16 by applying a modified retrospective approach, under which the transition impact is recognized as an adjustment to the opening balance of retained earnings on the adoption date with no restatement of comparative information. When applying the modified retrospective approach, the Company used the following practical expedients on a lease-by-lease basis:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases and,
- Use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

As a result of IFRS 16 adoption, \$106,509 of right-of-use asset and lease liability were recognized as at January 1, 2019. There was no impact to opening retained earnings.

IFRIC 23, Uncertainty Over Income Tax Treatments

This is a new standard clarifying the accounting for uncertainties over income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The application of the new standard had no impact on the consolidated financial statements as at April 30, 2019.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretation. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements.

Changes in accounting policies resulting from the adoption of IFRS 15 do not have a material impact on the Company's consolidated financial statements.



11 EQUITY

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

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

During the four months ended April 30, 2019:

- a) The Company completed a non-brokered private placement at a price of \$0.13 per share. The Company issued a total of 176,923,072 common shares for gross proceeds of \$23,000,000. The Company agreed to pay compensation to certain agents. As a result, commissions totaling \$2,070,000 were paid in cash and a total of 15,910,575 broker warrants were issued in connection with the WCE Financing. These costs are recorded on the consolidated statement of financial position as share issue costs.
- b) The Company issued a total of 15,000,000 common shares as finders' fees related to certain persons assisting with the Transaction; the cost assigned to these shares was \$0.13 per share and was recorded as non-cash loss on completion of RTO on the consolidated statements of loss and comprehensive loss pursuant to IFRS 2;

During the nine months ended January 31, 2020:

- a) The Company issued 143,300,894 common shares at a price of \$0.14 for consideration of \$20,062,125 for the acquisition of Quadron.
- b) The Company issued a total of 5,015,531 common shares at a price of \$0.14 for consideration of \$702,175 to financial advisors as success fees for the acquisition of Quadron.
- c) The Company issued 700,000 common shares for gross proceeds of \$70,000 for options exercised.

Shares held in escrow

Pursuant to an escrow agreement dated March 11, 2019, (the "Escrow Agreement"), a total of 9,450,000 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
9,450,000	2.10%	10% released on March 13, 2019 15% released 6 months from Listing 15% released 12 months from Listing 15% released 18 months from Listing 15% released 24 months from Listing 15% released 30 months from Listing 15% released 36 months from Listing



In addition to the securities subject to escrow, the Company has entered into lock-up agreements with five major shareholders of the Company. The locked-up securities shall be released as follows: 25% were released on March 21, 2019 ("Date of Listing") on the CSE, and a further 25% shall be released on the 90, 180 and 270-day anniversaries of the Date of Listing. As at January 31, 2020, of the 9,450,000 shares held in escrow, 9,165,000 escrowed shares have been released to the escrowed shareholders.

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 January 31, 2020, there is a total of 20,329,657 (April 30, 2019 - 18,968,015) stock options available for granting under the Plan.

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

Stock Options:

During the four months ended April 30, 2019:

- a) On March 18, 2019, the Company granted 10,600,000 stock options to directors, officers and consultants. A total of 5,300,000 (50%) of the stock options vested on the grant date and the remaining 50% vested on September 18, 2019. Each option is exercisable to acquire one common share at a price of \$0.17. These options expire on March 19, 2022.
- b) On April 8, 2019, the Company granted 350,000 stock options to consultants. Each option is exercisable to acquire one common share at a price of \$0.17. A total of 175,000 (50%) of the stock options vested on the grant date and the remaining 50% vested on July 8, 2019. The options expire on April 8, 2024.
- c) On April 8, 2019, the Company granted 300,000 stock options to consultants. Each option is exercisable to acquire one common share at a price of \$0.17. These options vested on the grant date and have an expiry date of April 8, 2021.
- d) On April 8, 2019, the Company granted 1,400,000 stock options to consultants. Each option is exercisable to acquire one common share at a price of \$0.13. A total of 500,000 of the stock options vested on the grant date and the remaining will vest in increments of 100,000 on the eight date of each month. These options have an expiry date of April 8, 2024. On August 21, 2019, the contract was terminated. As such, all unexercised options were cancelled on November 21, 2019.



During the nine months ended January 31, 2020:

- e) On May 1, 2019, the Company granted 10,000,000 stock options, exercisable at a price of \$0.21 per option, to Quadron's officers. 2,500,000 options vested on the date on which the acquisition of Quadron completed (June 17, 2019) and the balance of stock options vest in increments of 1,250,000 options every 6 months. These options have an expiry date of April 30, 2022
- f) On June 10, 2019, the Company granted 300,000 stock options to a consultant. Each option is exercisable to acquire one common share at a price of \$0.17. A total of 150,000 options vested on the grant date and the remaining vested December 10, 2019. These options have an expiry date of June 10, 2022.
- g) On June 17, 2019, the Company granted 13,205,000 replacement options to the former Quadron option holders. The fair value of the options were estimated to be \$1,308,130 using a Black-Scholes model, whereby \$1,097,418 has been included as consideration paid as it related to pre-combination services and the residual \$210,712 fair value will be recognized as stock compensation expense ratably over the post-combination vesting period.

During the nine months ended January 31, 2020, 9,265,000 stock options were cancelled, and 700,000 stock options were exercised at a price of \$0.10. The following summarizes the stock options activity during the nine months ended January 31, 2020 and the four months ended April 30, 2019:

	January 31, 2020		April 30, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	26,150,000	\$ 0.05	13,500,000	\$ 0.10
Grant and issuance	23,505,000	\$ 0.17	12,650,000	\$ 0.17
Exercised	(700,000)	\$ 0.10	-	\$ -
Cancelled	(9,265,000)	\$ 0.17	-	\$ -
Total Outstanding	39,690,000	\$ 0.17	26,150,000	\$ 0.05
Total Outstanding and Exercisable	32,962,500	\$ 0.14	19,775,000	\$ 0.10

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

Expiry Date	Exercise Price	Contractual Life (Years)	Number of Options
April 8, 2021	\$0.170	1.69	300,000
July 7, 2021	\$0.067	1.94	13,200,000
February 21, 2022	\$0.100	2.57	2,500,000
March 19, 2022	\$0.170	2.64	6,100,000
April 30, 2022	\$0.210	2.75	10,000,000
June 10, 2022	\$0.170	2.87	300,000
March 9, 2023	\$0.200	3.61	3,020,000
October 15, 2023	\$0.125	4.21	1,630,000
February 12, 2024	\$0.100	4.54	2,640,000
	\$0.137	2.69	39,690,000

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:

	January 31, 2020	April 30, 2019
Volatility Rate	95% - 127%	90%
Risk-free rate	1.34% - 1.56%	1.60% - 1.63%
Dividend yield rate	0%	0%
Weighted average life	2.63 - 4.66 years	2-5 years

Warrants:

- a) World-Class issued 3,171,825 (2,114,550 pre 1:1.5 split) compensation warrants in connection with certain 2018 private placements. The warrants have an exercise price of \$.067 and expire on June 9, 2020.
- a) On March 11, 2019, the Company issued 15,910,575 warrants to in connection with the WCE Financing. The warrants have an exercise price of \$0.13 and expire on September 22, 2022.
- b) On March 18, 2019, the Company issued an aggregate of 5,600,000 warrants to certain consultants, for services rendered. The two-year warrants have exercise prices of \$0.13 - \$0.17 per common share and expire on March 21, 2021.
- c) On April 18, 2019, the Company issued 3,000,000 warrants to financial advisor to the Company. The warrants have an exercise price of \$0.18 and expire on April 18, 2022.
- d) On June 17, 2019, the Company granted 21,438,716 replacement warrants to the former Quadron warrant holders. The fair value of the warrants was estimated to be \$1,375,462 using a Black-Scholes model, where the value has been included as consideration paid.
- e) During the nine months ended January 31, 2020, 228,572 warrants were transferred, and 14,285,716 warrants expired unexercised.

The following is a summary of warrant transactions for the nine months ended January 31, 2020 and the four months ended April 30, 2019:

	January 31, 2020		April 30, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	27,682,400	\$ 0.13	3,171,825	\$ 0.07
Granted	21,438,716	\$ 0.15	24,510,575	\$ 0.14
Expired	(14,285,716)	\$ 0.42	-	\$ -
Balance, end of period	34,835,400	\$ 0.14	27,682,400	\$ 0.13



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

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of options
June 6, 2020	\$0.067	0.35	2,466,975
June 14, 2020	\$0.067	0.37	704,850
October 31, 2020	\$0.150	0.75	7,153,000
March 21, 2021	\$0.170	1.14	2,000,000
March 21, 2021	\$0.130	1.14	2,000,000
March 21, 2021	\$0.150	1.14	1,600,000
April 18, 2022	\$0.180	2.21	3,000,000
September 22, 2022	\$0.130	2.64	15,910,575
	\$0.136	1.77	34,835,400

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

	January 31, 2020	April 30, 2019
Volatility Rate	275% - 176%	90%
Risk-free rate	0.0144	1.63% - 1.79%
Dividend yield rate	0.00%	0.00%
Weighted average life	0.59 - 1.38 years	2-3 years

The expected price volatilities were based on the average historic volatility of three similar companies adjusted for any expected changes to future volatility, since there is no historical price data for the Company.

12 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

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

As at January 31, 2020, the amounts due to related parties amounting to \$139,418 (April 30, 2019 - \$29,235) are unsecured, payable on demand, and without interest.

	January 31, 2020	April 30, 2019
Former Chief Operating Officer	\$ -	\$ 12,000
Director	-	13,560
Former CEO of CBD	-	3,675
President	957	-
Corporate Secretary	128,077	-
Former Director	90	-
CIO	10,294	-
	\$ 139,418	\$ 29,235



During the nine months ended January 31, 2020 and 2019, the Company entered into the following transactions with related parties:

For the nine months ended	January 31, 2020	January 31, 2019
Management fees	\$ 150,500	\$ 182,000
Consulting fees	97,325	-
Accounting fees	18,620	-
Legal fees	239,305	-
Remuneration and benefits	312,500	-
Share-based payments	786,734	549,387
	\$ 1,604,984	\$ 731,387

- Management fees consist of \$100,000 paid to a company affiliated with the President of the Company \$50,500 were paid to a company controlled by the CFO (2019: \$90,000 paid to the former CEO and \$92,000 paid to the former CFO and current director).
- Consulting fees consist of \$35,000 paid to a company affiliated with the President of the Company (2019: \$Nil), \$62,325 to a Company controlled by a Director (2019: \$Nil).
- Accounting fees consist of \$18,620 paid to a company controlled by the CFO (2019: \$Nil).
- Legal fees consist of \$900 to CEO (2019: \$Nil) and \$238,405 to a legal firm at which the Corporate Secretary is a partner (2019: \$Nil).
- Remuneration and benefits consist of \$91,250 to CEO (2019: \$Nil), \$102,500 to the CIO (2019: \$Nil) and \$118,750 to the President of Soma (2019: \$Nil).
- Share-based payments consist of:
 - \$151,289 to Donal Carroll, Chand Jagpal and Anthony Durkacz (Directors) (2019: \$382,485 to Donal Carroll - Former CFO and current director)
 - \$60,557 to Jon Bridgman, Gary F. Zak, Dr. Sethu Raman and Binyomin Posen (former directors) (2019: \$6,954 to Jon Bridgman - former director)
 - \$37,848 to the Corporate Secretary (2019: \$159,948)
 - \$507,771 to the President
 - \$18,533 to the CFO
 - \$4,195 to the CEO and
 - \$6,541 to the President of Soma Labs

For the acquisition of Quadron, the Company incurred \$240,000 cash payment and issued 3,915,531 common shares as acquisition fees to a company affiliated with Anthony Durkacz, Director.

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



13 PROPOSED TRANSACTIONS

The Company has no proposed transaction as at January 31, 2020 or as of the date of this report. From time to time, and like other developing technology enterprises, the Company may acquire or dispose of operations or enterprises with a synergy to meet the Company's skill set.

14 CRITICAL ACCOUNTING ESTIMATES

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

For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 2 and 3 of the Notes to the Interim Financial Statements for the nine months ended January 31, 2020 and Consolidated Financial Statements for the four months ended April 30, 2019 that are available on SEDAR at www.sedar.com and www.thecse.com.

15 RISKS AND UNCERTAINTIES

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

Public Health Crisis. The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. In December 2019, the 2019 novel coronavirus ("COVID-19") surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak then characterized it as a pandemic on March 11, 2020. The outbreak has spread throughout Europe and the Middle East and there are currently 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. Similarly, we cannot estimate whether or to what extent this outbreak and potential financial impact may extend to countries outside of those currently impacted. Such public health crises can result in volatility and disruptions in global supply chains, business operation and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect, interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak, labour shortages, travel and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business and financial condition. If we are unable to mitigate the impacts of the COVID-19 outbreak on our operations, we may be unable to fulfill our product delivery obligations to customers, our costs may increase, and our revenue and margins could decrease.



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

No Standard Processing License. As of the date of this report, the Company does not possess its own Standard Processing License to produce extracts from cannabis and hemp using the World-Class Technologies. The Company's ability to produce extracts and concentrates from cannabis and hemp on its own using the World-Class Technologies is dependent on the Company obtaining, in the future, a Standard Processing License from Health Canada. Any Standard Processing License granted to the Company will be subject to ongoing compliance and reporting requirements, and a failure to comply with the requirements of such license, or any failure to maintain such licenses, would have a material adverse impact on the business, financial condition and operating results of the Company.

There can be no assurance that Health Canada will grant the Company a Standard Processing License, and further, there can be no assurance that if granted, Health Canada will extend or renew such license or, if extended or renewed, that such license will be extended or renewed on the same or similar terms. Should Health Canada not grant, extend or renew the Standard Processing License, or should Health Canada extend or renew such licenses on different terms, the business, financial condition and operating results of the Company would be materially adversely affected.

Government licenses are currently, and in the future may be, required in connection with the Company's operations, in addition to other unknown permits and approvals which may be required. The Company cannot predict the time required to secure all appropriate regulatory approvals for its operations, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or a failure to obtain, the necessary regulatory approvals will significantly delay or prevent the development of the Company's business and operations and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.



Dependence on Third Party Suppliers. The Company's business is dependent on its ability to source cannabis and hemp from license holders. A failure to source the cannabis required for the Company's business and operations would have a material adverse impact on the business, financial condition and operating results of the Company. Real or perceived quality control problems with raw materials sourced from the Company's strategic and joint venture partners or other third-party license holders could negatively impact consumer confidence in the Company's products or expose it to liability. In addition, disruption in the operations of any such supplier or material increases in the price of raw materials, for any reason, such as changes in economic and political conditions, tariffs, trade disputes, regulatory requirements, import restrictions, loss of certifications, power interruptions, fires, hurricanes, drought or other climate-related events, war or other events, could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

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

Cannabis Sector Risks. As discussed further below, subject to further clarity on the position of the U.S. Federal Government on the enforcement of U.S. federal laws relating to the cannabis industry, the Company may, in the future, be involved in select states within the United States, and may directly derive a portion of its revenues from, the cannabis industry in certain U.S. states, which industry is currently illegal under U.S. federal law. The Company may therefore be directly involved in the cannabis industry in the United States where local state law permits such activities, as well as the cannabis industry in Canada. See "Description of the Business - Risk Factors - United States Cannabis Industry Risk" in the Company's Annual Information Form ("AIF") filed on www.sedar.com on May 8, 2019.

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



New Product Development. The medical and recreational cannabis industries are in their early stages of development and it is likely that the Company, and its competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Company. As well, the Company may be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authority, which may take significant amounts of time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

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

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

- failure, or delays in, obtaining or satisfying conditions imposed by regulatory approvals;
- facility design errors;
- environmental pollution;



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

The Company may experience unforeseen additional expenditures.

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

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



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

At present, the Company has one (1) provisional patent applications pending in the United States. The patent position of a company is generally uncertain and involves complex legal, factual and scientific issues, several of which remain unresolved, and as such, there can be no assurance that the Company will be able to secure the patents applied for or develop other patentable proprietary technology and/or products. Furthermore, the Company cannot be completely certain that its future patents, if any, will provide a definitive and competitive advantage or afford protection against competitors with similar technology. There can be no assurance that any of the Company's patents will be sufficiently broad to protect the Company's technology or that they will not be challenged or circumvented by others or found to be invalid. In addition, competitors or potential competitors may independently develop, or have independently developed products as effective as ours or invent or have invented other products based on our patented products.

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

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

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

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



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

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



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

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

Reliance on Key Inputs. The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies, specifically cannabis. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.



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

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

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.



16 COMMITMENTS AND CONTINGENCIES

Hemp Supply Agreement

On February 25, 2019, the Company signed a supply agreement with certain suppliers to purchase approximately 1,000 kg of hemp at an agreed price of \$100 per kg per each 1% CBD of Product purchased by the Company. In connection with the agreement, the Company also advanced \$166,607 to the supplier. See Note 5 - Consolidated Financial Statements.

Joint Venture

On December 3, 2019, the Company entered into a binding letter agreement with Nutralife Holdings, LLC and Nutralife Extraction Limited Partnership to establish a joint venture to develop, manage and operate a hemp extraction and processing facility in Imperial County, California. Together, the companies expect to extract hemp oil in compliance with the U.S. Agriculture Improvement Act of 2018 (also known as the Farm Bill). Deployment of World-Class equipment to the Nutralife facility is expected to begin in Summer 2020. Under the terms of the Nutralife agreement, the parties will share the economic benefits through a profit share structure reflective of the respective interest of each party (Nutralife Holdings, 60% and World-Class, 40%).

Nutralife Holdings LLC is an affiliate of Nutralife Wellness LLC, a leading manufacturer and vendor of hemp-derived products, including face and body skin care, general wellness and products for pets. Nutralife Wellness LLC has a team with over 30 years of combined experience in hemp-derived products, manufacturing, branding and sales. Nutralife Wellness LLC currently sells its products in the United States and is targeting sales in foreign countries as laws permit.

Letter of Intent with FV Pharma

On September 23, 2019, the Company entered a letter of intent with FV Pharma Inc. ("**FV Pharma**") whereby World-Class, under the FV Pharma umbrella, would set-up and assist with the operations of a large capacity cannabis and hemp extraction and processing facility at FV Pharma's licensed facility in Cobourg, Ontario. World Class expected to be able to install the necessary equipment to commence operations at the Cobourg facility prior to January 2020. During the latter part of 2019, FSD Pharma Inc., the parent company of FV Pharma Inc. was pursuing a listing on NASDAQ and as a result, World Class experienced unanticipated delays with the deployment of this extraction and processing facility. Since FSD Pharma Inc.'s listing on NASDAQ in January 2020, World Class continues to wait for FSD Pharma Inc. to decide on the direction it will be taking with its Cobourg facility. World Class is hopeful that it will be able to complete the deployment of this extraction and processing facility in the future and will update shareholders on developments accordingly.

Letter of Intent with Canntab Therapeutics Limited

On October 8, 2019, the Company entered into binding letter of intent with the Canntab Therapeutics Limited ("**Canntab**") to set-up, manage and operate a cannabis and hemp extraction and processing facility, at Canntab's licensed facility in Markham, Ontario. Deployment includes two BOSS CO2 Extraction Systems and the peripheral equipment required. Each BOSS CO2 Extraction System can process up to 200 pounds of biomass per day, which can produce high-potency cannabis and hemp concentrates (yield will vary depending on concentration levels of the input biomass). Canntab is a late-stage Standard Processing applicant under the Cannabis Act and deployment is subject to Canntab's receipt of a Standard Processing License from Health Canada.



Lease Agreements

On March 6, 2018, the Company entered into a 5-year lease agreement for leased premises in Langley, British Columbia, commencing June 1, 2018 and ending on May 31, 2023. The minimum base rent is \$13,350 per month. - See Note 14 - Right-of-Use Asset and Note 15 - Lease Obligation.

On October 15, 2019, the Company entered into a lease agreement commencing on November 1, 2019 for the office space in Toronto, Ontario. The monthly fee is \$8,000 for a period of one year. As at January 31, 2020, the Company has outstanding \$8,000 prepayment towards this lease - See Note 8 - Prepaid expenses and deposits.

On October 31, 2018, the Company entered a 2-year agreement to lease office space in Etobicoke, Ontario at a monthly cost of \$2,300. The lease expires on October 31, 2020. The minimum base rent is \$2,300 per month for the period from November 1, 2018 to October 31, 2019 and \$2,350 per month from December 1, 2019 to October 31, 2020. The company is currently negotiating an early termination of this lease.

On November 25, 2019, the Company leased an equipment for a monthly fee of \$5,000 (inclusive of GST and PST). The term is for 24 months and the Company will have the option to buy the equipment at the end of the lease term for a price of \$4,933.17. - See Note 14 - Right-of-Use Asset and Note 15 - Lease Obligation.

Revenue Collaboration Agreement - Parity Partners PBC

On March 21, 2019, the Company and Parity Partners PBC ("Parity") entered into a definitive agreement which provides that Parity shall, in exchange for financing and certain compensation, from the Company, provide certain services.

Under the terms of the Collaboration Agreement, Parity would:

- a) source appropriate locations in the United States to locate the Company's proprietary extraction machines;
- b) obtain all licenses and approvals necessary for the Company. to extract oils containing THC, CBD, and other cannabinoids from hemp and cannabis plants (the "Extraction Services");
- c) supply the raw materials necessary to perform the Extraction Services; and
- d) develop a market for the Extraction Services and the products produced out of the Extraction Services; and
- e) The Company would reimburse Parity for the employment of Parity's staff, other than its sales staff and pay for the delivery and installation of the Company's Machines.

In return for providing the services described above, the parties will split the net income arising out of the venture, with 75% being allocated to the Company and 25% to Parity. As of the January 31, 2020, the Company is re-negotiating the terms of this agreement.



Market Awareness Contract

On April 8, 2019, the Company engaged Ascension Millionaires Club Inc. ("**Ascension**") to enhance its market awareness. Ascension's engagement is for a term of twelve (12) months, during which Ascension will provide investor relations and communication services to the Company. In consideration for its services, the Company will pay Ascension a monthly fee of \$10,000 (adjusted to \$8,000 for November 2019 and \$3,200 for December 2019 - March 2020) and has granted to Ascension WCE Share purchase options (the "**Ascension Options**") to purchase 300,000 WCE Shares at a price of \$0.17, at any time on or before April 8, 2021.

On October 11, 2019, the Company entered into a consulting services agreement with Global Capital Innovation Corp. (the "**GCIC Consultant**") whereby the Company will pay the GCIC Consultant on a success basis for the introductions made leading to the sale of equipment and services by the Company. The fee will be 4% of the gross value contracted. In the event that the Company does not accept or contract with customer referrals from the GCIC Consultant, there will be no financial obligations to the GCIC Consultant from the Company.

Consulting Services Agreement

On November 26, 2019, the Company entered into a consulting services agreement with Nutralife Farming LP (the "**Nutralife Consultant**") whereby the Company acknowledges the consulting services and general assistance provided by the Nutralife Consultant and whereby the Company agrees to pay, for performance on deployment of an extraction facility, the Nutralife Consultant total compensation of \$300,000 through the issuance of the Company's common shares in three phases as follows:

- Phase 1 - Common shares of World Class Extractions with a value of \$200,000 based on the 5-day Volume Weighted Average Price ("**VWAP**"), calculated on the last 5 business days preceding the execution of the Agreement.
- Phase 2 - Common shares of World Class Extractions with a value of \$50,000 based on the 5-day VWAP, calculated on the last 5 business days preceding the beginning of Phase "Stage" 1, as defined in the Agreement.
- Phase 3 - Common shares of World Class Extractions with a value of \$50,000 based on the 5-day VWAP, calculated on the last 5 business days preceding the beginning of Phase "Stage" 2, as defined in the Agreement.

The Company is currently renegotiating certain aspects of the agreement and the fee will only be payable when performance is complete.



17 OUTSTANDING SHARES

As of the date of this report, there were 600,196,572 common shares, 39,690,000 stock options and 34,835,400 warrants outstanding.

18 OFF-BALANCE SHEET ARRANGEMENT

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

19 OTHER MATTERS

Legal proceedings

The Company is not aware of any legal proceedings.

Contingent liabilities

At the date of report, management was unaware of any outstanding contingent liability relating to the Company's activities.

Discontinued Operations

During the period ended January 31, 2020, the Company considered that the sale of automation on control solution equipment, via its discontinued subsidiary Cybernetic Control Systems Inc., met the definition of discontinued operations and as such, assets, liabilities and results of operations that can be clearly distinguished operationally, and for financial reporting purposes from the rest of the Group, have been terminated.

As at January 31, 2020, the liabilities of discontinued operations relate to the customer deposits amounting to \$7,201.

Following are the results of operations of the discontinued operations for the nine months ended January 31, 2020:

Revenue	\$	31,400
Cost of Sales		(24,922)
Gross margin		6,478
Expenses		(226,161)
Other income		(2,256)
Loss from discontinued operations	\$	(221,939)

20 OTHER REQUIREMENTS

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