

The Hash Corporation

Condensed interim financial statements

For the three and nine months ended September 30, 2020 and 2019
[unaudited] [expressed in Canadian dollars]

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements of The Hash Corporation [the “Company”] have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

The Hash Corporation

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

[unaudited] [expressed in Canadian dollars]

[see going concern uncertainty – note 2]

As at,		September 30, 2020	December 31, 2019
	Notes	\$	\$
ASSETS			
Current assets			
Cash		2,350,748	2,672,404
Sales tax receivable		56,440	22,802
Prepaid and other assets		14,946	1
		<u>2,422,134</u>	2,695,207
Non-current assets			
Equipment, net	3	84,021	—
		<u>2,506,155</u>	2,695,207
LIABILITIES			
Current liabilities			
Trade and other payables		174,820	252,391
		<u>174,820</u>	252,391
SHAREHOLDERS' EQUITY			
Share capital	4	8,020,096	6,629,052
Warrants	4	1,999,596	1,776,600
Accumulated deficit		(7,688,357)	(5,962,836)
		<u>2,331,335</u>	2,442,816
		<u>2,506,155</u>	2,695,207
Subsequent events	9		

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

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CONDENSED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

[unaudited] [expressed in Canadian dollars, except number of shares]

		Three months ended September 30,		Nine months ended September 30,	
	Notes	2020	2019	2020	2019
		\$	\$	\$	\$
Expenses					
Share-based payments		1,168,289	1,519,600	1,168,289	1,519,600
Salaries and wages		130,964	177,650	402,576	177,650
Rent, general office and travel		38,987	15,048	93,478	22,999
Professional fees		27,602	36,764	50,675	90,359
Depreciation		7,877	—	10,503	—
Total operating expenses		1,373,719	1,749,062	1,725,521	1,810,608
Net loss and comprehensive loss		(1,373,719)	(1,749,062)	(1,725,521)	(1,810,608)
Net loss per share					
Basic and diluted		(0.01)	(0.03)	(0.01)	(0.05)
Weighted average number of shares outstanding – basic and diluted	6	218,555,073	62,123,055	179,043,283	37,526,356

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CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30, 2020 and 2019
 [unaudited] [expressed in Canadian dollars, except number of shares]

	Share Capital		Warrants		Accumulated deficit	Total
	#	\$	#	\$	\$	\$
Balance, December 31, 2018	25,024,167	3,845,851	22,250,000	82,538	(3,921,740)	6,649
Shares issued	113,325,732	1,807,264	11,332,573	205,100	—	2,012,364
Share-based payments	—	—	100,000,000	1,519,600	—	1,519,600
Comprehensive loss for the period	—	—	—	—	(1,810,608)	(1,810,608)
Balance, September 30, 2019	138,349,899	5,653,115	133,582,573	1,807,238	(5,732,348)	1,728,005
Balance, December 31, 2019	159,070,290	6,629,052	135,654,573	1,776,600	(5,962,836)	2,442,816
Shares issued	65,150,000	1,391,044	(61,850,000)	(945,294)	—	445,750
Warrants extended	—	—	—	1,168,290	—	1,168,290
Comprehensive loss for the period	—	—	—	—	(1,725,521)	(1,725,521)
Balance, September 30, 2020	224,220,290	8,020,096	73,804,573	1,999,596	(7,688,357)	2,331,335

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

The Hash Corporation

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

[unaudited] [expressed in Canadian dollars]

For the nine months ended September 30,	2020	2019
	\$	\$
Operating activities		
Net loss for the period	(1,725,521)	(1,810,608)
Add items not affecting cash		
Depreciation	10,503	—
Share-based payments	1,168,290	1,519,600
Changes in non-cash working capital balances		
Sales tax receivable	(33,638)	(15,077)
Prepaid and other assets	(14,945)	—
Trade and other payables	97,479	267,254
Cash used in operating activities	(497,832)	(38,831)
Investing activities		
Purchase of equipment	(94,524)	—
Cash used in investing activities	(94,524)	—
Financing activities		
Proceeds from issuance of shares	135,000	2,525,864
Proceeds from exercise of warrants	135,700	—
Cash provided by financing activities	270,700	2,525,864
Net change in cash during the period	(321,656)	2,487,033
Cash, beginning of period	2,672,404	105,724
Cash, end of period	2,350,748	2,592,757

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

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Notes to the condensed interim financial statements

[unaudited] [expressed in Canadian dollars]

September 30, 2020 and 2019

1. Nature of business

The Hash Corporation (formerly, Senternet Phi Gamma Inc.) (the “Company”, “HCO”, “HashCo”) was incorporated under the Business Corporations Act (Ontario) on March 28, 1967 as Northville Explorations Ltd. On January 22, 2014, the Company changed its name to Senternet Phi Gamma Inc. and on July 8, 2019 the Company changed its name to its present name.

The Company is positioning itself to focus on the production and sale of cannabis-based hashish and other cannabis products. HashCo intends to apply its separation and curing techniques to produce a suite of high-quality cannabis resin products, which are all-natural and free of additive and carcinogenic solvents. At present, the Company does not possess the licences required to carry on its business in producing and selling cannabis-based hashish and other cannabis concentrates. In particular, the Company does not have a Standard Processing Licence and a Cannabis Licence under the Cannabis Act. The Company does not intend to apply for both these licences and instead relies on the Collaboration Agreement with Medz Cannabis Incorporated, an Ontario-based, privately-owned company, licensed for the cultivation, processing and sale of medical cannabis under the Cannabis Act (see note 7).

The head office of the Company’s is located at 1 Adelaide Street East, Suite 801, Toronto, Ontario, M5C 2V9.

Impact of COVID-19

During the nine months ended September 30, 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19,” has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company’s business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. Basis of presentation

[a] Statement of compliance

These unaudited condensed interim financial statements (“financial statements”) were prepared using the same accounting policies and methods as those used in the Company’s audited financial statements for the year ended December 31, 2019. These financial statements have been prepared in compliance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed. These financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2019.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on October 21, 2020.

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Notes to the condensed interim financial statements

[unaudited] [expressed in Canadian dollars]

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[b] Going concern uncertainty

The financial statements of the Company for the three and nine months ended September 30, 2020 and 2019 have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at September 30, 2020, the Company has an accumulated deficit of \$7.7 million, a net loss of \$1.7 million and a working capital surplus of \$2.2 million. Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing as needed.

[c] Functional currency and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

[d] Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, consistent with those disclosed in the audited financial statements for the year ended December 31, 2019 and described in these financial statements. Actual results could differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Equipment

Equipment as at September 30, 2020 is as follows:

	Production equipment
	\$
Cost	
Balance, December 31, 2019	—
Additions	94,524
Balance, September 30, 2020	94,524
Accumulated depreciation	
Balance, December 31, 2019	—
Depreciation	10,503
Balance, September 30, 2020	10,503
Balance, December 31, 2019	—
Balance, September 30, 2020	84,021

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4. Share capital

[a] Authorized

The authorized share capital of the Company consists of an unlimited number of common shares.

[b] Issued and outstanding

The Company's share capital is as follows:

	Common Shares		Warrants	
	#	\$	#	\$
December 31, 2018	25,024,167	3,845,851	22,250,000	82,538
Shares issued [a]	113,325,732	1,807,264	11,332,573	205,100
Share-based payments [b]	—	—	100,000,000	1,519,600
September 30, 2019	138,349,899	5,653,115	133,582,573	1,807,238
December 31, 2019	159,070,290	6,629,052	135,654,573	1,776,600
Shares issued [c] [d]	65,150,000	1,391,044	(61,850,000)	(945,294)
Warrants [e]	—	—	—	1,168,290
September 30, 2020	224,220,290	8,020,096	73,804,573	1,999,596

- a) On August 30, 2019, the Company completed tranche 1 of the private placement through the issuance of 108,325,732 shares at a price of \$0.02 per share for total gross proceeds of \$2,166,514. The Company issued 10,832,573 compensation warrants. The Company estimated the fair value of the 10,832,573 warrants at \$196,000 using the Black-Scholes option pricing model with the following assumptions: Risk free interest rate 1.35%, Expected life – 2 years, Expected annual volatility – 87%, Expected dividends – Nil, Share price \$0.02, Exercise price - \$0.02.

On September 19, 2019, the Company completed tranche 2 of the private placement through the issuance of 5,000,000 common shares at a price of \$0.02 per share for total gross proceeds of \$100,000. The Company issued 500,000 compensation warrants. The Company estimated the fair value of the 500,000 warrants at \$9,100 using the Black-Scholes option pricing model with the following assumptions: Risk free interest rate 1.60%, Expected life – 2 years, Expected annual volatility – 88%, Expected dividends – Nil, Share price \$0.02, Exercise price - \$0.02. Total transactions costs related to tranche 1 and 2 were \$254,140.

- b) On July 8, 2019, the Company granted 100,000,000 special warrants to an arm's length consultant, each special warrant entitling the holder thereof to acquire one common share at a price of \$0.005. The fair value of the warrants was determined to be \$1,519,600. For purposes of calculating the fair value of the warrants, the following assumptions were used for the Black-Scholes model: Risk free interest rate 1.68%, Expected life – 1 years, Expected annual volatility – 93%, Expected dividends – Nil, Share price \$0.02, Exercise price - \$0.005. The warrants were recorded as share-based payments in the statement of loss and comprehensive loss.
- c) On July 8, 2020, the Company issued 62,150,000 common shares as a result of 62,150,000 warrants being exercised to acquire one common share each at a price of \$0.005 per share for gross proceeds of \$310,750. The value of the warrants exercised was \$952,449.
- d) On July 8, 2020, the Company completed a private placement through the issuance of 3,000,000 common shares at a price of \$0.05 per share for total gross proceeds of \$150,000. Total transactions costs related to the private placement were \$15,000. The Company also issued 300,000 compensation warrants. The fair value of the warrants was determined to be \$7,155. For purposes of calculating the fair value of the warrants, the following assumptions were used for the Black-Scholes model: Risk free interest rate 0.29%, Expected life

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– 2 years, Expected annual volatility – 90%, Expected dividends – Nil, Share price \$0.05, Exercise price - \$0.05.

- e) On July 8, 2020, the Company extended 37,850,000 warrants that were to expire on July 8, 2020 to three months following the date the common shares are listed on a recognized exchange. The fair value of the warrants was determined to be \$1,168,290. For purposes of calculating the fair value of the warrants, the following assumptions were used for the Black-Scholes model: Risk free interest rate 0.29%, Expected life – 0.73 years, Expected annual volatility – 90%, Expected dividends – Nil, Share price \$0.05, Exercise price - \$0.02.

The number of warrants outstanding during the nine months ended September 30, 2020 and 2019 were as follows:

	Number of warrants #	Weighted average \$
Outstanding as at December 31, 2018	22,250,000	0.04
Granted	111,332,573	0.01
Outstanding as at September 30, 2019	133,582,573	0.01
Outstanding as at December 31, 2019	135,654,573	0.02
Granted	300,000	0.24
Exercised	(62,150,000)	0.05
Outstanding as at September 30, 2020	73,804,573	0.02

5. Share-based compensation

The Company has established a share option plan (the “Plan”) for directors, officers, employees and consultants of the Company. The Company’s Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan, the term and vesting periods, and the exercise price of options granted to individuals under the Option Plan.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company’s option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the aggregate number of common shares that are outstanding unless the Board has increased such limit by a Board resolution. If any options terminate, expire, or are cancelled as contemplated by the Option Plan, the number of options so terminated, expired or cancelled shall again be available under the option Plan.

Share-based payment arrangements

	Number of options #	Weighted average exercise price \$
Outstanding as at December 31, 2018	75,000	1.00
Granted (i)	20,000,000	0.05
Expired	(75,000)	(1.00)
Outstanding as at December 31, 2019 and September 30, 2019	20,000,000	0.05
Outstanding as at September 30, 2020	20,000,000	0.05
Exercisable as at September 30, 2020	—	0.05

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- (i) Options were granted to key management personnel of the Company on August 28, 2019. The options vest upon achievement of certain non-market performance conditions related to the Company's operations and activities. As at September 30, 2020, the Company does not expect that these non-market performance conditions will be met prior to the expiry of the options and therefore no share-based compensation has been recognized for these options.

Options outstanding			Options exercisable	
Exercise price	Number outstanding	Weighted average remaining contractual life [years]	Exercise price	Number exercisable
\$	#	#	\$	#
0.05	20,000,000	1.91	0.05	—

6. Loss per share

Net loss per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the period.

For all the periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of warrants and share options. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but would have decreased the loss per share (anti-dilutive) for the three and nine months ended September 30, 2020 and 2019 presented are as follows:

	September 30, 2020	September 30, 2019
	#	#
Warrants	73,804,573	22,250,000
Share Options	20,000,000	20,000,000
	93,804,573	42,250,000

7. Commitments and contingencies

Commitments

Medz Cannabis Collaboration Agreement

On April 20, 2020, the Company entered into a five-year collaboration agreement with Medz Cannabis Inc. ("Medz") to produce and sell cannabis-based hashish and other cannabis concentrates. Per the agreement Medz will provide the Company with licensed processing space at the Medz licensed facility for the purposes of manufacturing, packing and selling products. The Company is responsible for all costs incurred related to the production and will grant Medz certain profit sharing rights in connection with the sale of products produced within the Medz facility. The Company will pay Medz a 3.5% royalty on all revenues generated from sale of the products produced in the Medz facility, and a 5% royalty on any tolling or service revenue earned by the Company on certain service contracts.

As part of the agreement, the Company has entered into a short-term lease for approximately 500 square feet of licensed production space in the Medz facility with a term of six months starting May 1, 2020 and a long term lease for approximately 1,500 square feet of production space and 203 square feet of office space as well as access of common space and material storage for the term of one year to begin once the short-term lease ends. The Company has the option to renew the lease for additional terms.

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[unaudited] [expressed in Canadian dollars]

September 30, 2020 and 2019

Contingencies

Legal matters

From time to time, the Company maybe named as a party to claims or involved in proceedings, including legal, regulatory and tax related, in the ordinary course of its business. While the outcome of these matters may not be estimable at the reporting date, the Company makes provisions, where possible, for the estimated outcome of such claims or proceedings. Should a loss result from the resolution of any claims or proceedings that differs from these estimates, the difference will be accounted for as a charge to profit or loss in that period.

8. Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly.

Key management personnel compensation during the three and nine months ended September 30, 2020 and 2019 comprised of:

	Three months ending September 30,		Nine months ending September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries, benefits, bonuses and management fees	107,500	135,833	322,500	135,833