

**ASIA CANNABIS CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Three and Nine Months Ended September 30, 2018**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

The following management's discussion and analysis ("MD&A") should be read in conjunction with Asia Cannabis Corp's ("Asia Cannabis" or the "Corporation") unaudited condensed interim financial statements as at and for the three and nine months ended September 30, 2018, and the audited financial statements for the period from December 19, 2017 (date of incorporation) to July 31, 2018 and the notes thereto. The accompanying unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". All dollar amounts are referenced in Canadian dollars, except when noted otherwise.

The MD&A is dated November 29, 2018. The reader should be aware that historical results are not necessarily indicative of future performance.

Additional information about the Corporation, filed with the Canadian securities commissions, including periodic yearly and quarterly reports, is available online at [www.sedar.com](http://www.sedar.com).

Asia Cannabis was incorporated by Certificate of Incorporation pursuant to the provisions of Alberta, Canada on December 19, 2017. The Corporation intends to list on the Canadian Securities Exchange ("CSE") as a publicly-traded corporation and has submitted a listing application for that purpose.

## **FORWARD-LOOKING STATEMENTS**

This MD&A may contain forward-looking or outlook information which reflects management's expectations regarding the Corporation's growth, results of operations, performance and business prospects and opportunities. The use of words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "outlook", "forecast" and similar expressions are intended to identify forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results of events to differ materially from those anticipated in these forward-looking statements. Although management believes the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that actual results will be consistent with these forward-looking statements. Readers should not put undue reliance on forward-looking information. These statements are made as of the date hereof and management assumes no obligation to update or revise these statements to reflect new events or circumstances, except as required by securities legislation.

## **OUTLOOK AND NATURE OF ORGANIZATION AND CONTINUANCE OF OPERATIONS**

Asia Cannabis Corp. is an early-entry international agri-technology Corporation focused on the business of providing technological innovation to the hemp industries with the secondary aim of leveraging the value in that technological innovation to develop a portfolio of strategic agricultural investments. Pursuant to the terms of a License Agreement, the Corporation has secured the exclusive rights to use certain technology for use in the hemp industry in the entirety of Asia, including India, Thailand, Cambodia, Vietnam, Korea, Malaysia, Indonesia, Japan, Singapore, China, Miramar, Laos, and the Philippines.

The address of the registered office of the Corporation is Suite 730, 1015 – 4th Street S.W., Calgary, Alberta, T2R 1J4.

The Corporation's continuing operations, as intended, will require additional funding. There is no assurance that the Corporation will be able to obtain the required future funding.

## CONTINGENCY – INTELLECTUAL PROPERTY

On February 2, 2018, the Corporation entered into an assignment and assumption agreement (the “Agreement”) with Implanta Biotechnology Inc. (“Implanta”) and SHM Grow Corp. (“SHM”) with respect to the assignment to the Corporation of all rights, title and interest in a letter of intent. Pursuant to the Agreement the Corporation issued 2,000,000 common shares to the shareholders of Implanta on February 23, 2018 at a fair value price of \$0.02 per common share, for aggregate consideration of \$40,000.

On March 7, 2018, the Corporation entered into a license agreement (the “License Agreement”) with Implanta wherein Implanta granted the Corporation the exclusive license to use a proprietary organic hybridization technology for planting, growth and harvesting of new and valuable hemp strains and related crops in commercial quantities. The Corporation intends to apply the technology to the hemp industry in the entirety of Asia, including India, Thailand, Cambodia, Vietnam, Korea, Malaysia, Indonesia, Japan, Singapore, China, Miramar, Laos, and the Philippines.

In return for the grant of license to the Corporation, the Corporation will pay royalties on the sale of seed and related by-products on a sliding scale basis. In addition, the Corporation has agreed to complete a test program in the subject territory to demonstrate the application of the licensed technology with a budget of not less than \$1.0 million and to pay a retainer of \$5,000 per month to the licensor for completion of related laboratory work and analysis.

## QUARTERLY DATA (\$)

Quarter ended	Revenue	Expenses	Net Loss	Basic and Fully Diluted	Total Assets
September 30, 2018	-	(8,718)	(8,718)	(0.00)	641,255

## SUMMARY OF RESULTS (\$)

	Three Months Ended Sep. 30 2018	Nine Months Ended Sep. 30 2018
Revenue	-	-
<b>Net revenue</b>	-	-
<b>Expenses</b>		
Audit	(3,381)	(16,268)
Legal	(3,356)	(4,896)
Filing and registration fees	(1,981)	(2,846)
Share-based compensation	-	(710,186)
Net loss and comprehensive loss	(8,718)	(734,196)
Loss per share – basic and diluted	(\$0.00)	\$0.03
Net funds used in operating activities	(10,386)	(9,246)
Total assets	641,255	641,255
Working capital <sup>(1)</sup>	571,491	571,491

<sup>(1)</sup> Working capital is calculated as current assets less current liabilities. This is a non-IFRS measure.

## GENERAL AND ADMINISTRATIVE (“G&A”) EXPENSES (\$)

	<b>Three Months Ended Sep. 30 2018</b>	<b>Nine Months Ended Sep. 30 2018</b>
G&A expenses	8,718	24,010

G&A expenses for the nine-month period ended September 30, 2018 totalled \$24,010 (three-month period ended September 30, 2018 - \$8,718).

The following table breaks down G&A expenses by category (\$):

	<b>Three Months Ended Sep. 30 2018</b>	<b>Nine Months Ended Sep. 30 2018</b>
Audit	3,381	16,268
Legal	3,356	4,896
Filing and registration fees	1,981	2,846
	<b>8,718</b>	<b>24,010</b>

## DEFERRED FINANCING COSTS

The Corporation incurred expenses totalling \$65,897 during the nine months ended September 30, 2018 (three months ended September 30, 2018 - \$3,900) relating to legal fees, filing and registration fees, and corporate finance fees related to the proposed financing.

The costs are deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or expensed if the shares are not issued.

## SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares, without par value.

Unlimited number of preferred shares issuable in series, as determined by the directors.

b) Issued

<b>Common shares</b>	<b>Number of Shares</b>	<b>Stated Value</b>
<b>Balance at December 19, 2017</b>	-	-
Incorporation (i)	100	1
Issuance of shares for cash(ii)	28,800,000	576,000
Issuance of shares for property (Note 7)	2,000,000	40,000
Issuance of shares for cash (iii)	400,000	24,000
Share issue costs (iv)	-	(4,500)
<b>Balance at September 30, 2018</b>	<b>31,200,100</b>	<b>635,501</b>

(i) On December 19, 2017, the Corporation issued 100 common shares of the Corporation at an issue price of \$0.01 per common share, for aggregate gross proceeds of \$1.00.

(ii) On February 22, 2018, the Corporation issued 28,800,000 common shares of the Corporation at an issue price of \$0.02 per common share, for aggregate gross proceeds of \$576,000.

(iii) On February 24, 2018, the Corporation issued 400,000 common shares of the Corporation at an issue price of \$0.06 per common share, for aggregate gross proceeds of \$24,000.

(iv) In connection with the closing of the private placements above, the Corporation incurred \$4,500 in share issue costs.

c) Options

On March 1, 2018, the Corporation granted 3,120,010 stock options to directors and officers pursuant to its stock option plan to purchase common shares at an exercise price of \$0.25 per common share, exercisable for a period of five years from the date of grant.

The Corporation calculated the fair value of options granted in 2018 using the Black-Scholes option pricing model using the following weighted average assumptions:

	<b>September 30, 2018</b>
Stock-price	\$0.25
Risk-free interest rate	1.75%
Expected volatility	150%
Dividend yield	0%
Expected life of each option granted	5 years
Estimated forfeiture rate	0%
Weighted average fair value per option	\$0.23

The fair value of the 3,120,010 options granted on March 1, 2018 was \$710,186, with a corresponding credit to contributed surplus.

d) Escrow shares

Pursuant to the terms of an escrow agreement dated April 25, 2018, a total of 13,353,933 common shares issued to the directors and officers of the Corporation will be held in escrow. Under the escrow agreement, 10% of the escrowed common shares will be released upon the listing date and an additional 15% will be released therefrom every 6-month interval thereafter, over a period of 36 months. These escrow shares, which are considered contingently issuable, will be excluded from loss per share calculations.

**NET LOSS AND COMPREHENSIVE LOSS, AND CASH FLOWS FROM OPERATING ACTIVITIES (\$)**

	<b>Three Months Ended Sep. 30 2018</b>	<b>Nine Months Ended Sep. 30 2018</b>
Net loss and comprehensive loss	(8,718)	(734,196)
Per share – basic and diluted	(0.00)	(0.03)
Net cash used in operating activities	(10,386)	(9,246)

During the nine-month period ended September 30, 2018, the Corporation recorded a net loss and comprehensive loss of \$734,196 (three months ended September 30, 2018 - \$8,718). On a per share basis, this loss equates to \$0.03 per share (three months ended September 30, 2018 - \$0.00 per share).

**SUPPLEMENT TO THE FINANCIAL STATEMENTS**

The outstanding common shares and share options are summarized below (also see note 9 the unaudited condensed interim financial statements for three and nine-month periods ended September 30, 2018):

	<b>November 29, 2018</b>	<b>September 30, 2018</b>
Common shares	31,200,100	31,200,100
Stock options	3,120,010	3,120,010

**LIQUIDITY AND CAPITAL RESOURCES**

As at September 30, 2018, the Corporation had a working capital surplus of \$571,491, which included cash of \$535,358.

**MATERIAL TRANSACTIONS**

Pursuant to an agency agreement dated October 17, 2018, (the “Agency Agreement”) with Emerging Equities Inc. (the “Agent”), the Corporation has agreed to file a prospectus for an initial public offering (“IPO” or the “Offering”) in British Columbia, Alberta, and Ontario of 5,000,000 common shares at \$0.25 per common share for gross proceeds of \$1,250,000. The Agent for the Offering has agreed to use its commercially reasonable efforts to secure subscriptions for these shares. Under the Agency Agreement, the Agent will be given an 8% cash commission, a corporate finance fee of \$35,000, and granted an option to acquire an additional number of common shares equal to 8%, which may be reduced to 5% with respect to certain subscriptions listed on a president’s list, of the number of common shares sold in the IPO at a price of \$0.25 per share, exercisable for a period of two years from the date the common shares are first listed for trading on the exchange. As a result of providing certain strategic advisory services to the Corporation, the Agent will also receive as compensation, on the closing date, 1,120,000 common shares. The Corporation has also granted the Agent an over-allotment option to purchase up to an additional 750,000 common shares at \$0.25 within seven days of the closing date of the offering.

On October 29, 2018, a receipt in respect to the Corporation's prospectus was issued by regulatory authorities.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements.

#### **CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS**

There are no contractual obligations or capital commitments.

#### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Corporation, as part of its operations, carries financial instruments consisting of cash held in trust and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments, except as otherwise disclosed.

##### **Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of the Corporation's financial instruments, consisting of cash and cash equivalents and accounts payable and accrued liabilities, approximate their fair value due to the short-term maturities of these items.

##### **Credit risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Due to the nature of cash being held in trust, the Corporation believes it has no significant credit risk.

##### **Liquidity risk**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Corporation had a cash balance of \$535,358 to settle obligations of \$29,764. All of the Corporation's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

##### **Market risk**

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

###### **(i) Interest rate risk**

The Corporation has cash balances that bear no interest.

###### **(ii) Foreign currency risk**

The Corporation does not have assets or liabilities denominated in a foreign currency.

## SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the Corporation's audited financial statements for the period from December 19, 2017 (date of incorporation) to July 31, 2018, except as noted below:

IFRS 9 — Financial Instruments replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted.

As of January 1, 2018, the Corporation adopted all of the requirements of IFRS 9. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. On January 1, 2018, the Corporation determined the appropriate classification category and measurement of its financial statements and liabilities under IFRS 9 and compared each of their original classification and measurement under IAS 39 as shown below:

<b>Financial instrument</b>	<b>Measurement category (IAS 39)</b>	<b>Measurement category (IFRS 9)</b>
Cash and cash equivalents	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Corporation does not have any asset contracts and debt investments measured at FVOCI.

IFRS 9 has introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have any impact on the financial statements of the Corporation.

IFRS 9 also contains a new hedge accounting model, however the Corporation does not apply hedge accounting to any of its risk management contracts. The adoption of IFRS 9 has been applied retrospectively and did not result in a change in the carrying value of any of the Corporation's financial instruments on the transition date.

IFRS 15 — Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation adopted the standard on January 1, 2018 using the modified retrospective approach. There were no changes to reported net loss or retained earnings as a result of adopting IFRS 15. IFRS 15 requires additional disclosures to disclose disaggregated revenue by product type.



Future accounting pronouncement:

IFRS 16 — Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (“lessee”) and the supplier (“lessor”) and replaces the previous leases standard, IAS 17 Leases. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Corporation is in the early stages of evaluating the impact of IFRS 16 on its financial statements and the extent of the impact has not yet been determined

**CRITICAL ACCOUNTING ESTIMATES**

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following discussion sets forth management’s most critical estimates, judgments and assumptions in preparation of the financial statements:

*Share options and warrants*

The amounts recorded relating to the fair value of share options and warrants issued are based on estimates of the future volatility of the Corporation’s share price, market price of the Corporation’s shares at the grant date, expected lives of the options and warrants, risk-free interest rate, forfeiture rate, expected dividends and other relevant assumptions.