

# **ASIA CANNABIS CORP.**

## **Condensed Interim Financial Statements For the Three-Month Periods Ended March 31, 2019 and 2018**

*(unaudited)*

### **NOTICE OF DISCLOSURE OF NO AUDITOR REVIEW**

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

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

The Corporation's independent auditor has not performed a review of these unaudited 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.

**Asia Cannabis Corp.**  
**Condensed Interim Statements of Financial Position**  
*(amounts in Canadian dollars)*

	Notes	As at March 31, 2019	As at December 31, 2018
		<i>(unaudited)</i>	
<b>Assets</b>			
Current assets			
Cash		\$ 1,494,292	\$ 484,153
Subscription receivable		-	10,000
Accounts receivable		814	-
Deferred financing costs	6	-	19,962
Total current assets		\$ 1,495,106	\$ 514,115
Intellectual property	7	40,000	40,000
Total assets		\$ 1,535,106	\$ 554,115
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 127,411	\$ 130,007
Total liabilities		\$ 127,411	\$ 130,007
<b>Shareholders' equity</b>			
Share capital	8	1,738,186	635,501
Warrants	8	75,800	-
Contributed surplus	8	840,654	710,186
Deficit		(1,246,945)	(921,579)
Total shareholders' equity		\$ 1,407,695	\$ 424,108
Total liabilities and shareholders' equity		\$ 1,535,106	\$ 554,115
Commitments	7		

See accompanying notes to the unaudited condensed interim financial statements.

"David Pinkman"  
 Director

"Vincent Ghazar"  
 Director

**Asia Cannabis Corp.**  
**Condensed Interim Statements of Loss and Comprehensive Loss**  
**For the Three-Month Periods ended March 31, 2019 and 2018**

*(amounts in Canadian dollars)*

*(unaudited)*

	Notes	March 31, 2019	March 31, 2018
Revenue		\$ -	\$ -
Expenses			
Advertising and promotion		15,750	-
Consulting fees		113,299	-
Filing fees		20,974	-
Audit and legal fees		10,023	-
Office		13,511	-
Share-based compensation	8	130,468	710,186
Transaction costs	6	3,177	24,661
Travel		18,164	-
Total expenses		\$ 325,366	\$ 734,847
Loss and comprehensive loss for the period		\$ (325,366)	\$ (734,847)
<b>Loss per share</b>			
Basic and diluted	11	\$ (0.01)	\$ (0.07)

See accompanying notes to the unaudited condensed interim financial statements.

**Asia Cannabis Corp.**  
**Condensed Interim Statements of Changes in Shareholders' Equity**  
*(amounts in Canadian dollars)*  
*(unaudited)*

	Number of shares	Number of warrants	Share capital	Warrants	Contributed surplus	Deficit	Total shareholders' equity
<b>January 1, 2018</b>	<b>100</b>	-	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>
Shares issued for cash	29,200,000	-	600,000	-	-	-	600,000
Share issue costs	-	-	(4,500)	-	-	-	(4,500)
Issuance of shares to acquire intellectual property (note 7)	2,000,000	-	40,000	-	-	-	40,000
Share-based compensation	-	-	-	-	710,186	-	710,186
Net loss for the period	-	-	-	-	-	(734,847)	(734,847)
<b>Balance at March 31, 2018</b>	<b>31,200,100</b>	-	<b>\$ 635,501</b>	<b>\$ -</b>	<b>\$ 710,186</b>	<b>\$ (734,847)</b>	<b>\$ 610,840</b>
<b>Balance at January 1, 2019</b>	<b>31,200,100</b>	-	<b>\$ 635,501</b>	<b>\$ -</b>	<b>\$ 710,186</b>	<b>\$ (921,579)</b>	<b>\$ 424,108</b>
Shares issued for cash	5,047,000	-	1,261,750	-	-	-	1,261,750
Broker warrants	-	403,760	-	75,800	-	-	75,800
Share issue costs	-	-	(159,065)	-	-	-	(159,065)
Share-based compensation	-	-	-	-	130,468	-	130,468
Net loss for the period	-	-	-	-	-	(325,366)	(325,366)
<b>Balance at March 31, 2019</b>	<b>36,247,100</b>	<b>403,760</b>	<b>\$ 1,738,186</b>	<b>\$ 75,800</b>	<b>\$ 840,654</b>	<b>\$ (1,246,945)</b>	<b>\$ 1,407,695</b>

See accompanying notes to the unaudited condensed interim financial statements.

**Asia Cannabis Corp.**  
**Condensed Interim Statements of Cash Flows**  
**For the Three-Month Periods ended March 31, 2019 and 2018**  
*(amounts in Canadian dollars)*  
*(unaudited)*

	Notes	March 31, 2019	March 31, 2018
Operating activities			
Loss for the period		(325,366) \$	(734,847)
Adjustments for:			
Share-based compensation	8	130,468	710,186
Changes in non-cash working capital	5	(3,410)	33,404
<b>Net cash used in operating activities</b>		<b>(198,308) \$</b>	<b>8,743</b>
Financing activities			
Shares issued for cash	8	1,261,750	600,001
Share issue costs	8	(83,265)	(4,500)
Changes in non-cash working capital	5	29,962	(13,102)
<b>Net cash from financing activities</b>		<b>1,208,447 \$</b>	<b>582,399</b>
Change in cash		1,010,139 \$	591,142
Cash, beginning of the period		484,153	-
<b>Cash, end of the period</b>		<b>1,494,292 \$</b>	<b>591,142</b>

See accompanying notes to the unaudited condensed interim financial statements.

# **Asia Cannabis Corp.**

## **Notes to the Condensed Interim Financial Statements**

### **For the Three-Month Periods ended March 31, 2019 and 2018**

*(amounts in Canadian dollars)*

*(unaudited)*

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#### **1. Incorporation**

Asia Cannabis Corp. ("ACC" or the "Corporation") was incorporated by Certificate of Incorporation pursuant to the provisions of Alberta, Canada on December 19, 2017. During the period ended December 31, 2018, the Corporation initiated a process to become a publicly-listed entity on the Canadian Securities Exchange ("CSE"); on January 24, 2019, the Corporation successfully listed on the CSE under the symbol "ASIA".

#### **2. Nature of organization and continuance of operations**

The Corporation is an early-entry international agra-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 (Note 7).

The address of the registered office of the Corporation is 1404 Memorial Drive N.W., Calgary, Alberta, T2N 3E5.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on May 29, 2019.

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.

#### **3. Basis of preparation**

##### **(a) Statement of compliance**

These unaudited condensed interim financial statements ("interim financial statements") have been prepared following the same accounting policies and methods of computation as the audited financial statements for the period from December 19, 2017 (date of incorporation) to December 31, 2018 ("audited annual financial statements"), except as outlined below. They have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain financial information and disclosure normally included in audited annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. The disclosure provided herein is incremental to the disclosure included in the audited annual financial statements. The interim financial statements should be read in conjunction with the Corporation's audited annual financial statements for the period from December 19, 2017 (date of incorporation) to December 31, 2018.

These interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

#### **4. Basis of preparation**

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

**Asia Cannabis Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three-Month Periods ended March 31, 2019 and 2018**  
*(amounts in Canadian dollars)*  
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IFRS 16, Leases (“IFRS 16”). The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases on low-value assets are exempt from the requirement, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019 and is to be applied retrospectively. The Corporation has adopted IFRS 16, “Leases”, on January 1, 2019 using modified retrospective. The Corporation does not have any leases and therefore, the transition to IFRS 16 had no material effect on the Corporation’s financial statements.

**5. Supplementary cash flow information**

Changes in non-cash working capital is comprised of:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2019</b>		<b>2018</b>
Sources (uses) of cash:			
Accounts receivable	(814)		-
Subscription receivable	\$ 10,000	\$	(10,000)
Deferred financing costs	19,962		(3,102)
Accounts payable and accrued liabilities	(2,596)		33,404
	\$ 26,552	\$	20,302
Related to operating activities	\$ (3,410)	\$	33,404
Related to financing activities	29,962		(13,102)
	\$ 26,552	\$	20,302

**Asia Cannabis Corp.**  
**Notes to the Condensed Interim Financial Statements**  
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**6. Deferred financing costs and transactions costs**

During the period ended December 31, 2018, the Corporation initiated a process to become a publicly-listed entity on the CSE. The costs associated with the issuance of new equity were recorded as deferred financing costs, which at December 31, 2018 totalled \$19,962, whereas costs associated with the listing were expensed as transaction costs.

On January 24, 2019, the Corporation successfully listed on the CSE and the Corporation issued 5,047,000 common shares at the price of \$0.25 per common share, for aggregate gross proceeds of \$1,261,750. The cost associated with the issuance of new common shares totalled \$159,065 and therefore the net amount recorded as share capital was \$1,102,685. The total share issue cost of \$159,065 comprises share issue cost incurred up to December 31, 2018, classified as deferred financing costs on the statement of financial position as at December 31, 2018 totalling \$19,962, which was reclassified against share capital upon issuance of the new shares in January 2019 and further share issue costs incurred in January 2019 totalling \$139,103 (note 8). Further transaction costs incurred in January 2019 totalled \$3,177 has been expensed in the profit or loss.

**7. Intellectual property**

On February 2, 2018, the Corporation entered into an assignment and assumption agreement (the "Agreement") with InPlanta Biotechnology Inc. ("InPlanta") 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 InPlanta 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 InPlanta wherein InPlanta 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 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 commencing January 2019 to the licensor for completion of related laboratory work and analysis.

In line with the requirements of IFRS, the Corporation carried out an impairment test of the intellectual property as it was not available for use as at the reporting date. Management determined that the recoverable amount exceeded the carrying value of the intellectual property. Accordingly, no impairment was recorded.



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**8. 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>Amount</b>
Incorporation (i)	100	\$	1
Issuance of shares for cash (ii)	29,200,000		600,000
Issuance of shares to acquire intellectual property (Note 7)	2,000,000		40,000
Share issue costs (iii)	-		(4,500)
<b>Balance at December 31, 2018</b>	<b>31,200,100</b>	<b>\$</b>	<b>635,501</b>
Issuance of shares for cash (iv)	5,047,000		1,261,750
Share issue costs (iv)	-		(83,265)
<b>Balance at March 31, 2019</b>	<b>36,247,100</b>	<b>\$</b>	<b>1,813,986</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. 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.
- (iii) In connection with the closing of the private placements above, the Corporation incurred \$4,500 in share issue costs.
- (iv) On January 11, 2019, the Corporation completed its initial public offering (the "IPO") of 5,047,000 common shares at the price of \$0.25 per common share pursuant to a Prospectus dated October 29, 2018 for gross proceeds of \$1,261,750. The Corporation has been listed as a hemp research and development company on the CSE. The common shares of the Corporation commenced trading on the CSE under the trading symbol "ASIA" on January 24, 2019.

The cost associated with the issuance of new common shares totalled \$159,065 and therefore the net amount recorded as share capital was \$1,102,685 (see note 6). The total share issue cost of \$159,065 comprises share issue cost incurred up to December 31, 2018, classified as deferred financing costs on the statement of financial position as at December 31, 2018 totalling \$19,962, which was reclassified against share capital upon issuance of the new shares in January 2019 and further share issue costs incurred in January 2019 totalling \$139,103 (comprising cash share issue cost of \$63,301 and issuance of broker warrants with fair value of \$75,802 (note 8(v) below)).

**Asia Cannabis Corp.**  
**Notes to the Condensed Interim Financial Statements**  
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*(amounts in Canadian dollars)*

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- (v) In connection with the completion of IPO, the Corporation issued 403,760 common shares which are reserved for issuance upon the exercise of the common share purchase warrants granted to the Agent upon completion of the IPO (the "Agent's Warrants"); these Agent's Warrants are exercisable at a price of \$0.25 per common share until January 10, 2021.

The Corporation calculated the fair value of the 403,760 common share purchase warrants granted in 2019 using the Black-Scholes pricing model using the following weighted average assumptions:

	<b>2019</b>
Share-price	\$0.26
Risk-free interest rate	1.86%
Expected volatility	150%
Dividend yield	0%
Expected life of each warrant granted	2 years
Estimated forfeiture rate	0%
Weighted average fair value per warrant	\$0.19

The fair value of the 403,760 warrants granted on January 10, 2019 was \$75,802. In addition, the Agent received an aggregate total cash commission of \$61,940 in connection with the IPO, representing an 8% commission on the total "non-President's List" proceeds from the IPO in the amount of \$611,750 and a 2% commission on the proceeds from the IPO arising from a "President's List" of subscribers in the amount of \$650,000. Additionally, the Agent was paid an administration fee and granted the Agent's Warrants.

c) Options

On March 1, 2018, the Corporation granted 3,120,010 share 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>2018</b>
Share-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 fully vested options granted on March 1, 2018 was \$710,186, with a corresponding credit to contributed surplus.

**Asia Cannabis Corp.**  
**Notes to the Condensed Interim Financial Statements**  
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On February 27, 2019, the Corporation granted an aggregate of 550,000 stock options to a former director of the Corporation in accordance with the Corporation's stock option plan, which vested immediately. Each stock option is exercisable into one common share in the capital of the Corporation at a price of \$0.25 per share for a period of five years from the date of grant.

The Corporation calculated the fair value of options granted in 2019 using the Black-Scholes option pricing model using the following weighted average assumptions:

	<b>2019</b>
Share-price	\$0.26
Risk-free interest rate	1.80%
Expected volatility	150%
Dividend yield	0%
Expected life of each option granted	5 years
Estimated forfeiture rate	0%
Weighted average fair value per option	\$0.24

The fair value of the 550,000 fully vested options granted on February 27, 2019 was \$130,468, 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 14,953,933 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, are excluded from loss per share calculations. As at March 31, 2019, 13,458,540 common shares are held in escrow.

**9. Capital management**

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a purchase of assets or a business with a view to completing a qualifying transaction.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

- (i) to maintain a flexible capital structure, which optimizes the cost of capital and acceptable risk; and
- (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is not subject to any externally or internally imposed capital requirements at period end.

**Asia Cannabis Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three-Month Periods ended March 31, 2019 and 2018**  
*(amounts in Canadian dollars)*  
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**10. Financial instruments**

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 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. All of the Corporation's cash was held with one financial institution as at March 31, 2019, which is a Canadian Bank. Management believes that the risk of loss is minimal but the Corporation is subject to concentration of credit risk.

**Liquidity risk**

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to settle its liabilities as and when they fall due. As at March 31, 2019, the Corporation had a cash balance of \$1,494,292 to settle obligations of \$127,411. 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.

**Asia Cannabis Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three-Month Periods ended March 31, 2019 and 2018**  
*(amounts in Canadian dollars)*  
*(unaudited)*

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**11. Loss per share**

The following table summarizes the common shares used in calculating loss per share:

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
<b>Weighted average common shares outstanding</b>		
Basic and diluted	21,829,011	11,290,296