

**ASIA CANNABIS CORP.**

**Financial Statements**

**For the period from incorporation on  
December 19, 2017 to December 31, 2018 and year ended December 31, 2019**

## Independent Auditor's Report

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To the Shareholders of Asia Cannabis Corp.:

### Opinion

We have audited the financial statements of Asia Cannabis Corp. (the "Corporation"), which comprise the statement of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for year ended December 31, 2019 and for the period from December 19, 2017 (date of incorporation) to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and for the period from December 19, 2017 to December 31, 2018 in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Scott Laluk.

Calgary, Alberta

March 9, 2020

*MNP LLP*

Chartered Professional Accountants

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

	Notes	December 31, 2019	December 31, 2018
<b>Assets</b>			
Current assets			
Cash		\$ 1,021,930	\$ 484,153
Subscription receivable		-	10,000
Taxes receivable		12,900	-
Prepays	7	20,000	-
Deferred financing costs	6	-	19,962
Total current assets		1,054,830	514,115
Intellectual property	7	-	40,000
Total assets		1,054,830	554,115
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		88,949	130,007
Total liabilities		88,949	130,007
<b>Shareholders' equity</b>			
Share capital	8	1,813,986	635,501
Contributed surplus	8	840,654	710,186
Deficit		(1,688,759)	(921,579)
Total shareholders' equity		965,881	424,108
Total liabilities and shareholders' equity		\$ 1,054,830	\$ 554,115
Commitments	7		
Subsequent event	14		

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

Approved by the Board of Directors.

"David Pinkman"  
 Director

"Vincent Ghazar"  
 Director

**Asia Cannabis Corp.**  
**Statements of Loss and Comprehensive Loss**  
**For the period from incorporation on December 19, 2017 to December 31, 2018 and year**  
**ended December 31, 2019**  
*(amounts in Canadian dollars)*

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	Notes	2019	2018
Revenue		\$ -	\$ -
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Expenses			
Advertising and promotion		16,750	5,250
Audit and legal fees		42,640	2,437
Consulting fees		325,851	20,228
Filing and registration fees		49,210	4,647
Impairment	7	40,000	-
Office		40,420	4,976
Research and development		22,755	-
Share-based compensation	8	130,468	710,186
Transaction costs	6	3,177	133,123
Travel and meals		95,909	40,732
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Total expenses		767,180	921,579
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Loss and comprehensive loss for the period		\$ (767,180)	\$ (921,579)
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<b>Loss per share</b>			
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Basic and diluted	11	\$ (0.03)	\$ (0.06)
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The accompanying notes are an integral part of these financial statements.

**Asia Cannabis Corp.**  
**Statements of Changes in Shareholders' Equity**  
**For the period from incorporation on December 19, 2017 to December 31, 2018 and year**  
**ended December 31, 2019**  
*(amounts in Canadian dollars)*

	Number of shares	Number of warrants	Share capital	Contributed surplus	Deficit	Total shareholders' equity
<b>Shares issued upon incorporation</b>	<b>100</b>	-	<b>\$ 1</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 (note 8)	-	-	-	710,186	-	710,186
Net loss for the period	-	-	-	-	(921,579)	(921,579)
<b>Balance at December 31, 2018</b>	<b>31,200,100</b>	<b>-</b>	<b>\$ 635,501</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 (note 8)	-	403,760	75,800	-	-	75,800
Share issue costs (note 8)	-	-	(159,065)	-	-	(159,065)
Share-based compensation (note 8)	-	-	-	130,468	-	130,468
Net loss for the year	-	-	-	-	(767,180)	(767,180)
<b>Balance at December 31, 2019</b>	<b>36,247,100</b>	<b>403,760</b>	<b>\$ 1,813,986</b>	<b>\$ 840,654</b>	<b>\$ (1,688,759)</b>	<b>\$ 965,881</b>

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

**Asia Cannabis Corp.**  
**Statements of Cash Flows**  
**For the period from incorporation on December 19, 2017 to December 31, 2018 and year**  
**ended December 31, 2019**  
*(amounts in Canadian dollars)*

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	Notes	2019	2018
Operating activities			
Loss for the year/period		\$ (767,180)	\$ (921,579)
Adjustments for:			
Share-based compensation	8	130,468	710,186
Impairment	7	40,000	-
Changes in non-cash working capital	5	(73,958)	130,007
<b>Net cash used in operating activities</b>		<b>(670,670)</b>	<b>(81,386)</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	(29,962)
<b>Net cash provided by financing activities</b>		<b>1,208,447</b>	<b>565,539</b>
Increase in cash		537,777	484,153
Cash, beginning of the year/period		484,153	-
<b>Cash, end of the year/period</b>		<b>\$ 1,021,930</b>	<b>\$ 484,153</b>

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

# Asia Cannabis Corp.

## Notes to the Financial Statements

### For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

*(amounts in Canadian dollars)*

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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 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 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 financial statements were approved and authorized for issuance by the Board of Directors on March 9, 2020.

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. Successful execution of the Corporation's strategy is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all the requisite licenses, permits and other regulatory approvals (the "Regulatory Approvals"). The Corporation is currently applying under the Drug Law of Cambodia for Regulatory Approval to conduct hemp research and development related activities on a scientific and industrial basis. Failure to receive the necessary Regulatory Approvals, comply with requirements of the Regulatory Approvals or maintain the Regulatory Approvals in good standing, will have a material adverse impact on the business, financial condition and operating results of the Corporation. Although the Corporation believes it will be able to qualify for the Regulatory Approvals and meet requirements thereof, there can be no guarantee that the relevant regulators will accept the Corporation's applications for the Regulatory Approvals or, if they do, whether such regulators will continue to be satisfied with the Corporation's maintenance of the Regulatory Approvals.

The commercial hemp industry is an evolving industry and the Corporation cannot predict the impact of the compliance regimes in Cambodia or elsewhere in Asia. Similarly, the Corporation cannot predict the time required to secure all appropriate Regulatory Approvals for its products, or the extent of testing and documentation that may be required by the relevant governmental and regulatory authorities. The impact of the applicable compliance regimes, and any delays in obtaining, or failure to obtain, Regulatory Approvals, may significantly delay or impact the development of markets, products and sales initiatives, and could have a material adverse effect on the business, financial condition and operating results of the Corporation. The Corporation cannot predict the time required to secure all appropriate Regulatory Approvals for its products, or the extent of testing and documentation that may be required by governmental and regulatory authorities. Any delays in obtaining, or failure to obtain, necessary Regulatory Approvals will significantly delay the development of markets and products, and could have a material adverse effect on the business, results of operations and financial condition of the Corporation.



# Asia Cannabis Corp.

## Notes to the Financial Statements

For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

(amounts in Canadian dollars)

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### 3. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies.

(c) Functional and presentation currency

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

(d) 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:

#### *Taxes*

The Corporation files corporate income tax, goods and service tax and other tax returns with various provincial and federal taxation authorities in Canada. There can be differing interpretations of applicable tax laws and regulations. The resolution of any differing tax positions through negotiations or litigation with tax authorities can take several years to complete. The Corporation does not anticipate that there will be any material impact upon the results of its operations, financial position or liquidity.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Deferred tax assets 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.

**Asia Cannabis Corp.**  
**Notes to the Financial Statements**  
**For the period from incorporation on December 19, 2017 to December 31, 2018 and year**  
**ended December 31, 2019**  
*(amounts in Canadian dollars)*

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**3. Basis of preparation** *(continued from previous page)*

- (d) Use of estimates and judgments *(continued from previous page)*

*Taxes (continued from previous page)*

Estimates of future taxable income are based on forecasted funds from operations. During the period ended December 31, 2018 and 2019, the Corporation has not recorded any deferred tax assets due to the uncertainty of future taxable profits.

*Share options and warrants*

The amounts recorded relating to the fair value of share options and warrants issued are based on estimates of the volatility using historical volatilities of peer companies that are publicly traded, 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.

*Impairment of intellectual property*

Impairment of assets not yet in use are assessed for impairment on an annual basis. This assessment takes into account factors such as economic and market conditions as well as any changes in the expected use of the asset.

**4. Significant accounting policies**

***Intangible asset***

The Corporation's intangible asset consists of the intellectual property that was acquired separately thus it is measured initially at cost. Following its initial recognition, the intellectual property is recorded at cost less accumulated amortization and impairment losses, if any. The intellectual property is currently not in use.

***Current income tax***

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

***Deferred tax***

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the balance sheet and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax basis. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

# Asia Cannabis Corp.

## Notes to the Financial Statements

For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

*(amounts in Canadian dollars)*

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#### 4. Significant accounting policies *(continued from previous page)*

##### **Cash**

Cash includes cash on deposit at banking institutions. Please refer to Note 14 for disclosure of subsequent event on cash.

##### **Financial instruments**

###### **Financial assets**

###### **Recognition and initial measurement**

The Corporation recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

###### **Classification and subsequent measurement**

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash and subscription receivable.

###### **Reclassifications**

The Corporation reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

###### **Impairment**

The Corporation recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

Financial assets are written off when the Corporation has no reasonable expectations of recovering all or any portion thereof.

Refer to note 10 for additional information about the Corporation's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

###### **Derecognition of financial assets**

The Corporation derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

# Asia Cannabis Corp.

## Notes to the Financial Statements

For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

*(amounts in Canadian dollars)*

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#### 4. Significant accounting policies *(continued from previous page)*

##### Financial liabilities

##### Recognition and initial measurement

The Corporation recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Corporation measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Transaction costs of equity transactions are treated as a deduction from equity.

##### Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability or a component classified as a financial liability are recognized in profit or loss.

##### Derecognition of financial liabilities

The Corporation derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

##### Impairment – non-financial assets

The Corporation assesses during each reporting period whether there have been any events or changes in circumstances that indicate that its intangible assets (intellectual property) may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. Such indicators include but are not limited to changes in the Corporation's business plans, economic performance of the assets, an increase in the discount rate and evidence of physical damage. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). Impairments are recognized immediately in the profit or loss.

In subsequent years, assessments are made at each reporting period date as to whether any indication exists that previously recognized impairment losses no longer exist or have decreased. If indication exists, the Corporation calculates the new recoverable amount. Reversal of impairment losses are limited so that the carrying amount of the non-financial asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the non-financial asset in prior periods. Reversal of impairment losses are recognized, when incurred, in the profit or loss.

# Asia Cannabis Corp.

## Notes to the Financial Statements

For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

*(amounts in Canadian dollars)*

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#### 4. Significant accounting policies *(continued from previous page)*

##### ***Share-based payments***

Share-based payments are comprised of share option awards granted to employees, directors and others which are equity-settled share-based payments. These equity-settled share-based payments are measured at the fair value of the equity instruments and are recognized as an employee expense with the offsetting credit as an increase to contributed surplus.

Upon exercise of share options, the Corporation issues new shares. The associated fair value amount is reclassified from the contributed surplus to share capital. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Where equity instruments are granted to non-employees they are recorded at the fair value of the goods or services received. Where the fair value of goods or services received cannot be reliably measured it is measured based on the fair value of the equity instrument granted.

The Corporation adopted a share option plan, which allows the Corporation to issue options to the directors and officers of the Corporation to purchase ordinary shares of the Corporation at a stipulated price. The option grants will not exceed 10% of the issued and outstanding ordinary shares of the Corporation. The Corporation measures these amounts at fair value at the grant date using the Black-Scholes option pricing model and compensation expense is recognized over the vesting period.

##### ***Loss per share***

Basic loss per share is calculated by dividing the loss attributable to the shareholders of the Corporation by the weighted average number of shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to shareholders and the weighted average number of shares outstanding for the effect of all potential shares, which is comprised of any outstanding warrants or options. Escrow shares, which are considered contingently issuable, are excluded from loss per share calculations. The calculation of diluted loss per share excludes the effect of various conversions and exercise of options and warrants that would be anti-dilutive.

##### ***Share capital***

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

The Corporation may incur various costs when issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Costs related to a planned equity offering not completed at the financial statement date are recorded as deferred financing costs until the offering is either completed or abandoned. The costs of an equity transaction that is abandoned are recognized as an expense.

# Asia Cannabis Corp.

## Notes to the Financial Statements

For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

*(amounts in Canadian dollars)*

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#### 4. Significant accounting policies *(continued from previous page)*

##### ***Foreign currency***

Transactions denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at transaction dates. Carrying values of monetary assets and liabilities are subsequently adjusted to reflect the exchange rates in effect at the reporting date. Non-monetary items denominated in a foreign currency are translated into Canadian dollars at historical exchange rates. Foreign exchange gains and losses are included in the determination of net loss for the period.

##### ***Share purchase warrants***

Share purchase warrants may be granted to third parties as partial compensation for services or issued to shareholders as part of unit financings. Share purchase warrants are measured at the fair value of the equity instruments and are recognized as share issue costs with an offsetting credit as an increase to warrant capital.

Upon exercise of share purchase warrants, the Corporation issues new shares. The associated fair value amount is reclassified from the warrant capital to share capital. The proceeds received net of any directly attributable transaction costs are credited to share capital when the share purchase warrants are exercised.

##### ***New Standards adopted during the year:***

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 adopted IFRS 16, "Leases" on January 1, 2019 using the modified retrospective approach. The Corporation does not have any leases and therefore, the transition to IFRS 16 had no material effect on the Corporation's financial statements.

##### ***New Standards and Interpretations not yet Adopted***

A number of new standards and amendments to existing standards are not yet effective for the year ended December 31, 2019 and have not been applied in preparing these financial statements. The Corporation does not intend to early adopt any of the following amendment to existing standards and does not expect the amendment to have a material impact on the financial statements, unless otherwise noted.

##### ***Business Combination – IFRS 3***

In October 2018, the IASB issued amendment to IFRS 3, "Business Combinations". The amendment clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and outputs, and introduce an optional fair value concentration test. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020 and apply prospectively, with earlier application permitted. The extent of the impact of adoption of IFRS 3 has not been determined.

# Asia Cannabis Corp.

## Notes to the Financial Statements

For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

(amounts in Canadian dollars)

### 5. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	December 31, 2019	December 31, 2018
Sources (uses) of cash:		
Taxes receivable	\$ (12,900)	\$ -
Subscription receivable	10,000	(10,000)
Prepays	(20,000)	-
Deferred financing costs	19,962	(19,962)
Accounts payable and accrued liabilities	(41,058)	130,007
	\$ (43,996)	\$ 100,045
Related to operating activities	\$ (73,958)	\$ 130,007
Related to financing activities	29,962	(29,962)
	\$ (43,996)	\$ 100,045

### 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).

### 7. Intellectual property

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 Asia, including India, Thailand, Cambodia, Vietnam, Korea, Malaysia, Indonesia, Japan, Singapore, China, Miramar, Laos, and the Philippines. Pursuant to the Agreement the Corporation issued 2,000,000 common shares to the shareholders of InPlanta on February 23, 2018 for aggregate consideration of \$40,000, which was determined using the share price of \$0.02 per common share representing the fair value of shares issued in proximity to this transaction.

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

# Asia Cannabis Corp.

## Notes to the Financial Statements

For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

(amounts in Canadian dollars)

### 7. Intellectual property (continued from previous page)

\$1.0 million and to pay monthly consulting fees of \$5,000 per month commencing January 2019 to the licensor for completion of related laboratory work and analysis. During the year ended December 31, 2019, the Corporation paid \$79,225.81 (2018 – nil) in relation to this agreement, of which, \$20,000 remains in prepaids as at December 31, 2019.

In May 2019, the Corporation prepaid InPlanta its monthly consulting fees up to and including April 30, 2020. As at December 31, 2019, \$20,000 remains in prepaids.

In line with the requirements of IFRS, as at December 31, 2019, 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 indications existed that the carrying amount may not be recoverable. The Corporation has concluded that the specific Hemp strains that were purchased are not readily able to be sold and therefore, fair market value is not easily determined. In addition, the Corporation's future cash flows are not easily determined at this time, and therefore, the value of the intellectual property is deemed to be Nil. Accordingly, impairment of \$40,000 was recorded, and is included in the statement of loss and comprehensive loss.

### 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

Common shares	Number of shares		Amount
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
Broker warrants (iv)			75,800
Share issue costs (iv)	-		(159,065)
<b>Balance at December 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.



# Asia Cannabis Corp.

## Notes to the Financial Statements

### For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

(amounts in Canadian dollars)

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#### 8. Share capital (continued from previous page)

- (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 2019 totalling \$139,103 (comprising cash share issue cost of \$63,301 and issuance of broker warrants with fair value of \$75,800 (note 8(v) below)).

- (v) In connection with the completion of IPO, the Corporation reserved 403,760 common shares 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 assumptions:

	<b>2019</b>
Share-price	\$0.25
Risk-free interest rate	1.86%
Expected volatility	150%
Dividend yield	0%
Expected life of each warrant granted	2 years
Estimated forfeiture rate	0%
Fair value per warrant	\$0.19

The fair value of the 403,760 warrants granted on January 10, 2019 was \$75,800. 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.

# Asia Cannabis Corp.

## Notes to the Financial Statements

For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

(amounts in Canadian dollars)

### 8. Share capital (continued from previous page)

#### (c) Options

Under the Corporation's share option plan, the Corporation may grant options to its directors, officers, employees and consultants up to a maximum of 10% of the issued common shares. The exercise price of each option is determined by the Board of Directors of the Corporation when such option is granted. The options fully vest and are expensed at grant date.

The option's maximum term is five years.

The following is a summary of changes to the Corporation's share option plan during the periods:

	Year ended December 31, 2019		Period from incorporation on December 19, 2017 to December 31, 2018	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year/period	3,120,010	\$0.25	-	-
Granted (i), (ii)	550,000	\$0.25	3,120,010	\$0.25
Forfeited (iii)	(490,003)	(\$0.25)	-	-
Outstanding, at end of year/period	3,180,007	\$0.25	3,120,010	\$0.25
Exercisable at end of period	3,180,007	\$0.25	3,120,010	\$0.25

- (i) 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 assumptions:

	2018
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%
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 Financial Statements

For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

(amounts in Canadian dollars)

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### 8. Share capital (continued from previous page)

- (ii) 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.

- (iii) On May 21, 2019, 490,003 stock options to a former consultant were forfeited.

(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 December 31, 2019, 11,215,450 common shares are held in escrow.

### 9. Capital management

The Corporation's capital consists of share capital. 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 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 is not subject to any externally or internally imposed capital requirements at period end.

# Asia Cannabis Corp.

## Notes to the Financial Statements

### For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

*(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.

##### **Credit risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. As at December 31, 2019, \$910,516 of the Corporation's cash was held with one financial institution as at December 31, 2019, which is a Canadian Bank and the balance, representing \$111,414 (\$83,560 USD), was held in United States Dollars ("USD") with a Canadian-based Trust company. 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 December 31, 2019, the Corporation had cash of \$1,021,930 to settle obligations of \$88,949. 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 has assets denominated in a foreign currency (see "Liquidity risk" above). As at December 31, 2019, the Corporation had USD of \$83,560 (2018 – \$ nil). A 1% change in the exchange rate at December 31, 2019 of the USD is estimated to have approximately a \$1,111 effect on the net loss and comprehensive loss for the year.

##### **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).

**Asia Cannabis Corp.**  
**Notes to the Financial Statements**  
**For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019**  
*(amounts in Canadian dollars)*

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**10. Financial instruments** *(continued from previous page)*

**Fair value** *(continued from previous page)*

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.

**11. Loss per share**

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

	<b>December 30, 2019</b>	<b>December 31, 2018</b>
<b>Weighted average common shares outstanding</b>		
Basic and diluted	23,535,231	15,896,961

**12. Income tax expense**

The tax recovery differs from the amount that would be computed by applying the expected tax rates to the loss before taxes. The reasons for the difference are as follows:

	<b>2019</b>	<b>2018</b>
Statutory tax rate	<b>26.5%</b>	27.0%
Loss before taxes	<b>\$ (767,180)</b>	\$ (921,579)
Expected tax recovery	<b>(203,303)</b>	(248,826)
Non-deductible items	<b>35,624</b>	192,228
Share issuance costs	<b>(14,560)</b>	(6,824)
Change in enacted rates	<b>31,542</b>	-
Deferred tax asset not recognised	<b>150,696</b>	63,422
Tax recovery	<b>\$ -</b>	\$ -

Details of the deferred tax assets (liabilities) are as follows:

	<b>2019</b>	<b>2018</b>
Intellectual property	<b>\$ -</b>	\$ (1,350)
Share issuance cost	<b>-</b>	1,350
	<b>\$ -</b>	\$ -

The components of the unrecognized deductible temporary differences are as follows:

	<b>2019</b>	<b>2018</b>
Non-capital losses	<b>\$ 839,384</b>	\$ 220,329
Intellectual property	<b>26,250</b>	-
Share issuance cost	<b>65,320</b>	14,570
	<b>\$ 930,954</b>	\$ 234,899

# Asia Cannabis Corp.

## Notes to the Financial Statements

For the period from incorporation on December 19, 2017 to December 31, 2018 and year ended December 31, 2019

(amounts in Canadian dollars)

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### 12. Income tax expenses (continued from previous page)

The Corporation has non-capital losses of approximately \$839,384 (2018 - \$220,329) that are available to offset future taxable income. The non-capital losses will expire as follows:

2038	220,329
2039	619,055

### 13. Related party transactions

The related party transactions are in the normal course of operations and have been initially measured at fair value, which is the amount of consideration established and agreed to by the related party and is similar to amounts negotiated independently with third parties.

Key management personnel include executive officers and directors. Executive officers receive consulting fees by virtue of their consulting agreements with the Corporation, and also participate in the Corporation's share option program.

Key management personnel compensation included in total remuneration is as follows:

	Year Ended December 31, 2019	Period from incorporation on December 19, 2017 to December 31, 2018
Consulting fees	\$ 196,750	\$ -
Share-based compensation (note 8(c))	130,468	375,578
	\$ 327,218	\$ 375,578

### 14. Subsequent Event

Subsequent to year end, the bank account in which the Corporation's cash was being held was closed and the full balance of the cash was transferred to the bank account under a numbered company owned 50-50 by the CEO and Director together with the CFO and Director. A trust deed has been declared that the numbered company is holding the funds in trust and will transact on behalf of Corporation.