

ASIA GREEN BIOTECHNOLOGY CORP.

Financial Statements

For the Years Ended December 31, 2021 and 2020



Paul J. Rozek Professional Corporation Chartered Professional Accountant

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Independent Auditor's Report

To the shareholders of Asia Green Biotechnology Corp.,

We have audited the accompanying Financial Statements of Asia Green Biotechnology Corp., which consist of the Statement of Financial Position as at December 31, 2021, the Statement of Losses, Statement of Changes in Deficit, and the Statement of Cash Flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards (IFRS), 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance 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. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

We have audited the financial statements of Asia Green Biotechnology Corp., which comprise the statements of financial position as at December 31, 2021, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2021, 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, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

We have added prior year's audited values as a comparison.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 'a' in the financial statements, which indicates that the Corporation incurred a net loss during the year ended December 31, 2021 and, as of that date, the Corporation had an accumulated deficit. These events or conditions, along with other matters as set forth in Note 1 'a', indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of 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 audit 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 audit 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.



Paul J. Rozek Professional Corporation
Per: Paul Rozek CPA CA MPAcc

Calgary, Alberta
May 2, 2022

Asia Green Biotechnology Corp.

Statements of Financial Position

(amounts in Canadian dollars)

	Notes	December 31, 2021	December 31, 2020
Assets			
Current assets			
Cash		\$ 67,271	\$ 381,151
Taxes receivable		49,030	27,451
Due from shareholder	4	-	32,775
Total assets		116,301	441,377
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		43,087	28,329
Total current liabilities		43,087	28,329
Promissory note	7	150,000	-
Total liabilities		193,087	28,329
Shareholders' equity			
Share capital	8	1,738,186	1,738,186
Warrants	8	-	75,800
Contributed surplus	8	951,137	840,654
Deficit		(2,766,109)	(2,241,592)
Total shareholders' equity		(76,786)	413,048
Total liabilities and shareholders' equity		\$ 116,301	\$ 441,377
Nature of operations and continuance of operations	1		

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

Approved by the Board of Directors.

"David Pinkman"

Director

"Vincent Ghazar"

Director

Asia Green Biotechnology Corp.
Statements of Loss and Comprehensive Loss
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

	Notes	2021	2020
Revenue		\$ -	\$ -
Expenses			
Advertising and promotion		31,800	35,300
Audit and legal fees		16,154	37,509
Consulting fees		216,780	229,410
Filing and registration fees		28,978	22,496
Office		35,940	32,504
Research and development		158,668	116,147
Interest	7	1,282	-
Share-based compensation	9	34,683	-
Travel and meals		232	79,467
Total expenses		524,517	552,833
Loss and comprehensive loss for the year		\$ (524,517)	\$ (552,833)
Loss per share			
Basic and diluted	12	\$ (0.02)	\$ (0.02)

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

Asia Green Biotechnology Corp.
Statements of Changes in Shareholders' Equity

(amounts in Canadian dollars)

	Number of shares	Number of warrants	Share capital	Warrants	Contributed surplus	Deficit	Total shareholders' equity
Balance at December 31, 2019	36,247,100	403,760	\$ 1,738,186	\$ 75,800	\$ 840,654	\$ (1,688,759)	\$ 965,881
Net loss for the year	-	-	-	-	-	(552,833)	(552,833)
Balance at December 31, 2020	36,247,100	403,760	\$ 1,738,186	\$ 75,800	\$ 840,654	\$ (2,241,592)	\$ 413,048
Broker warrants (note 8)	-	(403,760)	-	(75,800)	75,800	-	-
Share-based compensation (note 8)	-	-	-	-	34,683	-	34,683
Net loss for the year	-	-	-	-	-	(524,517)	(524,517)
Balance at December 31, 2021	36,247,100	-	\$ 1,738,186	\$ -	\$ 951,137	\$ (2,766,109)	\$ (76,786)

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

Asia Green Biotechnology Corp.
Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

Notes

		2021	2020
Operating activities			
Loss for the year		\$ (524,517)	\$ (552,833)
Adjustments for:			
Share-based compensation	8	34,683	-
Changes in non-cash working capital	5	25,954	(87,946)
Net cash used in operating activities		(463,880)	(640,779)
Financing activities			
Promissory note	7	150,000	-
Net cash provided by financing activities		150,000	-
Increase (decrease) in cash		(313,880)	(640,779)
Cash, beginning of the year		381,151	1,021,930
Cash, end of the year		\$ 67,271	\$ 381,151

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

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

1. Nature of organization and continuance of operations

Asia Cannabis Corp. was incorporated by Certificate of Incorporation pursuant to the provisions of Alberta, Canada on December 19, 2017. During the year 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”. The address of the registered office of the Corporation is Suite 1150, 707 – 7th Avenue S.W., Calgary, Alberta, T2P 3H6.

On April 16, 2020, the Corporation changed its name to Asia Green Biotechnology Corp. (“AGBC” or the “Corporation”) by Certificate of Amendment pursuant to the provisions of Alberta, Canada.

Asia Green Biotechnology Corp. is focused on hemp research and development. The Corporation is in the process of establishing and implementing research and development programs in Cambodia and Thailand and continues to evaluate the potential to expand its business operations to other countries in the region.

As an early-stage international agro-technology company, the Corporation is creating a business focused on the development, evaluation, testing, application and, ultimately, supply to the market of proprietary organic hybridization technology and certain products derived from that technology (the “Technology”). The core approach of the business is centered on the planting, growth and harvesting of new and valuable strains of hemp and related crops in commercial quantities under the terms of the licence agreement with InPlanta Biotechnology Inc. (“InPlanta”) and the evaluation and development of medicinal and related cannabinoid extracts under the terms of licence agreements with Swysh Inc. (“Swysh”), and Pathway Rx Corp (“Pathway Rx”).

In March 2020, the Corporation entered into an agreement with Swysh an Alberta company controlled by a director of the Corporation, focused on the conduct of specific cannabinoid-based research and development activities and that owns proprietary technology and related intellectual property aimed at providing the basis for creation of topical treatments for a variety of external and internal conditions and ailments, including a number of anti-viral and preventative health-care applications. This agreement grants a license to AGBC to deploy the technology for the purpose of completing further research, development, testing and additional validation and establishment of practical applications with a view to commercialization of the technology in the greater region of Asia. The Swysh agreement allows AGBC to participate in research and development activities based on Swysh’s intellectual property and associated rights.

In August 2020, the Corporation entered into an agreement with Pathway Rx an Alberta company controlled by a director of the Corporation, pursuant to which the Corporation is granted an exclusive license to clinically develop and commercialize the Cannabis sativa varieties to which Pathway Rx owns the rights for prevention and for treatment of COVID-19 and other infectious diseases. This agreement grants a license to the Corporation to deploy the technology for the purpose of completing further research, development, testing and additional validation and establishment of practical applications with a view to commercialization of the technology in the greater region of Asia.

In September 2020, the Corporation entered into an agreement with Pathway Rx and PNW Biosciences Inc. (“PNW”) in which the three companies have determined to act collaboratively to affect the clinical development and commercialization of the Cannabis sativa varieties for prevention and for treatment of COVID-19 and other infectious diseases. PNW has also entered licensing agreements with Pathway Rx (covering all global territories) to fund and cooperate with Pathway Rx to deploy the technology for the purpose of completing further research, development, testing and additional validation and establishment of practical applications with a view to commercialization of the technology in those territories. The new agreement among all three parties establishes a plan to allow the joint development of that technology with a mutual level of participation in the potential rewards that these activities may create.

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

(a) Going concern

During the year ended December 31, 2021, the Corporation incurred net losses of \$524,517 (2020 – \$552,833), had accumulated a deficit of \$2,766,109 (2020 - \$2,241,592) and no current sources of cash inflows. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Corporation's ability to continue as a going concern. 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"). 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Corporation's. It is not possible for the Corporation to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Corporation's business or results of operations at this time.

The failure of the Corporation to achieve one or all of the above items may have a material adverse impact on the Corporation's financial position, results of financial performance and cash flows. These factors indicate the existence of material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern.

The ability of the Corporation to continue as a going concern is dependent upon successful execution of its plans noted above. The outcome of these initiatives cannot be predicted at this time. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Corporation be unable to continue as a going concern for a reasonable period of time.

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

2. 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”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) in effect at January 1, 2021.

These financial statements were approved and authorized for issuance by the Board of Directors on May 2, 2022.

(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. Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

(c) Functional and presentation currency

These interim 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:

Going concern

The assessment of the Corporation’s ability to execute its strategy by funding future working capital involves judgement. Estimates and assumptions 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 circumstance. There is a material uncertainty regarding the Corporation’s ability to continue as a going concern. The Corporation’s principal source of cash is from private placements. The Corporation is dependent on raising funds in order to have sufficient capital to be able to identify, evaluate and then acquire an interest in assets or a business.

Taxes

The Corporation files corporate income tax, goods and service tax and other tax returns with various

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

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.

Estimates of future taxable income are based on forecasted funds from operations. During the year ended December 30, 2021 and 2020, 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.

3. 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 and was impaired during the year-ended December 31, 2019.

Current tax

Current tax expense is based on the results for the year 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 on the statement of financial position and their corresponding tax bases used in the

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

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.

Cash

Cash includes cash held at a financial institution on behalf of the Corporation under a Trust agreement (Note 10).

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 due from shareholder.

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.

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

Derecognition of financial assets

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

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 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 profit or loss.

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

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 year. 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.

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.

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

Share purchase warrants

Share purchase warrants may be granted to third parties as partial compensation for services or issued to shareholders are 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 warrants.

Upon exercise of share purchase warrants, the Corporation issues new shares. The associated fair value amount is reclassified from warrants 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:

There are currently no new standards or amendments that impact the Corporation's financial statements.

4. Due from shareholder

The amounts due from shareholder were unsecured, non-interest bearing and due on demand.

5. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	December 31, 2021	December 31, 2020
Sources (uses) of cash:		
Taxes receivable	\$ (21,579)	\$ (14,551)
Prepays	-	20,000
Due from shareholder	32,775	(32,775)
Accounts payable and accrued liabilities	14,758	(60,620)
	\$ 25,954	\$ (87,946)
Related to operating activities	\$ 25,954	\$ (87,946)
Related to financing activities	-	-
	\$ 25,954	\$ (87,946)

6. Intellectual property

On March 7, 2018, the Corporation entered into a license agreement (the "License Agreement") with InPlanta Biotechnology Inc. ("InPlanta"), an Alberta company controlled by 2 directors of the Corporation, 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. 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 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 \$79,226 in relation to this

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

agreement, of which, \$20,000 remained 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. The entire prepaid balance was expensed during the year ended December 31, 2020.

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 there is uncertainty around the future cash flows generated from the intellectual property, 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 during the year ended December 31, 2019.

7. Promissory note

On December 6, 2021, the Corporation obtained a loan of \$150,000 that is secured by the grant of a convertible debenture in the name of the lender (the "Debenture"), who is a director and related party. The Debenture carries an interest rate of 12% and is convertible at any time after the date of issue at the option of the lender into common shares in the capital of the Corporation ("Common Shares") at a price of \$0.05 per Common Share (the "Conversion Price"). The Debenture is fully transferable, and, after 24 months following the date of issue, if the Common Shares trade at or above \$0.25, based on the trailing 30-day volume-weighted average price of the Common Shares traded on the CSE, the Corporation will have the right, exercisable within 10 business days of the end of the trading period, to require the automatic conversion of the Debenture at the Conversion Price by giving the holder 10 business days' prior written notice. The Debenture is repayable on demand on 10 business days' notice to the Corporation in the event of a change of control of the Corporation.

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
Balance at December 31, 2020	36,247,100	\$ 1,738,186
Balance at December 31, 2021	36,247,100	\$ 1,738,186

In connection with the completion of IPO on January 11, 2019, 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 fair value of the 403,760 warrants granted on January 10, 2019 was \$75,800. On January 10, 2021, 403,760 warrants expired unexercised.

(c) Options

Under the Corporation's share option plan, the Corporation may grant options to its directors, officers,

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

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:

	Year ended December 30, 2021			Year ended December 31, 2020		
	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding, beginning of year	2,690,003	\$0.25	1.79	3,180,007	\$0.25	2.85
Granted (i)	250,000	\$0.10	4.06	-	-	-
Forfeited (i)	(550,000)	(\$0.25)	-	(490,004)	(\$0.25)	(3.12)
Outstanding, end of year	2,390,003	\$0.23	1.26	2,690,003	\$0.25	1.79
Exercisable end of year	2,390,003	\$0.23	1.26	2,690,003	\$0.25	1.79

- (i) On January 22, 2021, the Corporation granted an aggregate of 250,000 stock options to a 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 \$0.10 per share for a period of five years from the date of grant.

The Corporation calculated the fair value of options granted in 2021 using the Black-Scholes option pricing model using the following weighted average assumptions:

	2021
Share-price	\$0.15
Risk-free interest rate	0.44%
Expected volatility	150%
Dividend yield	0%
Expected life of each option granted	5 years
Estimated forfeiture rate	0%
Weighted average fair value per option	\$0.14

The fair value of the 250,000 fully vested options granted on January 22, 2021 was \$34,683, with a corresponding credit to contributed surplus.

On January 19, 2020, 490,004 stock options to a former consultant were forfeited.

On May 1, 2021, 550,000 stock options to a former Director and 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

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

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, 2021, 2,243,090 common shares are held in escrow (2020 – 6,729,270 common shares).

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 year-end.

10. Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash held in trust, due from shareholder 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.

During the year ended December 31, 2020, 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.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. As at December 31, 2021, the Corporation's cash was held with one financial institution, 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 December 31, 2021, the Corporation had cash of \$67,271 to settle obligations of \$43,087. 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. The Corporation is not exposed to interest rate risk.

- (i) Foreign currency risk

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

The Corporation had assets denominated in a foreign currency (see “Liquidity risk” above). As at December 31, 2021, the Corporation had USD of \$Nil (2020 – \$25,030). A 1% change in the exchange rate at December 31, 2021 of the USD is estimated to have approximately a \$Nil (2020 - \$328) 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).

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, due from shareholder 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:

	December 31, 2021	December 31, 2020
Weighted average common shares outstanding		
Basic and diluted	32,608,992	28,116,667

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:

	2021	2020
Statutory tax rate	23.00%	23.99%
Loss before taxes	\$ (524,517)	\$ (552,883)
Expected tax recovery	(120,639)	(132,637)
Non-deductible items	116	376
Share issuance costs	-	-
Change in enacted rates	14,006	5,458
Deferred tax asset not recognised	106,517	126,803
Tax recovery	\$ -	\$ -

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

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

	2021		2020
Non-capital losses	\$ 1,939,166	\$	1,414,765
Intellectual property	14,766		19,688
Share issuance cost	30,214		47,767
	\$ 1,984,146	\$	1,482,220

The Corporation has non-capital losses of approximately \$1,939,166 (2020 - \$1,414,765) that are available to offset future taxable income. The non-capital losses will expire as follows:

2038	220,329
2039	619,055
2040	575,381
2041	524,401

13. Related party transactions

During the year ended December 31, 2021, legal fees of \$10,804 (2020 - \$24,669), were incurred to Heighington Law, a firm controlled by David Heighington, an Officer of the Corporation, and are included in audit and legal fees. At December 31, 2021, \$nil (2020 – \$nil) is included in accounts payable.

During the three months ended December 31, 2021, legal fees of \$10,459 (2020 - \$nil), were incurred to Heighington Law, a firm controlled by David Heighington, an Officer of the Corporation, and are included in audit and legal fees. At December 31, 2021, \$nil (2020 – \$nil) is included in accounts payable.

During the year ended December 31, 2021, research and development fees of \$60,000 (2020 - \$60,000) were incurred to InPlanta Biotechnology Inc., a company controlled by 2 Directors (Igor Kovalchuk and Darryl Hudson), and are included in consulting fees. At December 31, 2021, \$nil (2020 – \$nil) is included in accounts payable.

During the three months ended December 31, 2021, research and development fees of \$15,000 (2020 - \$15,000) were incurred to InPlanta Biotechnology Inc., a company controlled by 2 Directors (Igor Kovalchuk and Darryl Hudson), and are included in consulting fees. At December 31, 2021, \$nil (2020 – \$nil) is included in accounts payable.

During the year ended December 31, 2021, research and development fees of \$60,000 (2020 - \$45,000), were incurred to Swysh Inc., a company controlled by a Director (Igor Kovalchuk), and are included in consulting fees. At December 31, 2021, \$15,750 (2020 – \$nil) is included in accounts payable.

During the three months ended December 31, 2021, research and development fees of \$15,000 (2020 - \$15,000), were incurred to Swysh Inc., a company controlled by a Director (Igor Kovalchuk), and are included in consulting fees. At December 31, 2021, \$15,750 (2020 – \$nil) is included in accounts payable.

During the year ended December 31, 2021, research and development fees of \$38,668 (2020 - \$nil), were incurred to Pathway Rx Inc., a company controlled by a Director (Igor Kovalchuk), and are included in consulting fees. At December 31, 2021, \$nil (2020 – \$nil) is included in accounts payable.

During the three months ended December 31, 2021, research and development fees of \$38,668 (2020 - \$nil), were incurred to Pathway Rx Inc., a company controlled by a Director (Igor Kovalchuk), and are included in consulting fees. At December 31, 2021, \$nil (2020 – \$nil) is included in accounts payable.

Asia Green Biotechnology Corp.
Notes to the Financial Statements
For the years ended December 31, 2021 and 2020
(amounts in Canadian dollars)

During the year ended December 31, 2021, accounting and management fees of \$nil (2020 - \$55,000), were incurred to Speed Systems Inc., a company controlled by a Director and Officer (Vincent Ghazar), and are included in consulting fees. At December 31, 2021, \$nil (2020 – \$nil) is included in accounts payable.

During the three months ended December 31, 2021, accounting and management fees of \$nil (2020 - \$nil), were incurred to Speed Systems Inc., a company controlled by a Director and Officer (Vincent Ghazar), and are included in consulting fees. At December 31, 2021, \$nil (2020 – \$nil) is included in accounts payable.

During the year ended December 31, 2021, accounting and management fees of \$60,000 (2020 - \$15,000), were incurred to Ghazar Consulting Corporation, a company controlled by a Director and Officer (Vincent Ghazar), and are included in consulting fees. At December 31, 2021, \$5,250 (2020 – \$nil) is included in accounts payable.

During the three months ended December 31, 2021, accounting and management fees of \$15,000 (2020 - \$15,000), were incurred to Ghazar Consulting Corporation, a company controlled by a Director and Officer (Vincent Ghazar), and are included in consulting fees. At December 31, 2021, \$5,250 (2020 – \$nil) is included in accounts payable.

During the year ended December 31, 2021, management fees of \$60,000 (2020 - \$80,000), were incurred to David Pinkman, a Director and Officer, and are included in consulting fees. At December 31, 2021, \$5,250 (2020 – \$nil) is included in accounts payable.

During the three months ended December 31, 2021, management fees of \$15,000 (2020 - \$15,000), were incurred to David Pinkman, a Director and Officer, and are included in consulting fees. At December 31, 2021, \$5,250 (2020 – \$nil) is included in accounts payable.

During the year ended December 31, 2021, consulting and management fees of \$26,840 (2020 - \$20,000), were incurred to Poor AI Consulting Inc., a company controlled by a Director (Alisdair Leeson), and are included in consulting fees. At December 31, 2021, \$1,990 (2020 – \$2,100) is included in accounts payable.

During the three months ended December 31, 2021, consulting and management fees of \$3,940 (2020 - \$6,000), were incurred to Poor AI Consulting Inc., a company controlled by a Director (Alisdair Leeson), and are included in consulting fees. At December 31, 2021, \$1,990 (2020 – \$2,100) is included in accounts payable.

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, 2021	Year ended December 31, 2020
Total remuneration	\$ 316,312	\$ 299,669
Share-based compensation (note 8(c))	34,683	-
	\$ 350,995	\$ 299,669