

**Commonwealth Cannabis Corp.**  
(formerly Blue Aqua Holdings Ltd.)

Unaudited Condensed Interim Financial Statements

For the Three Months Ended December 31, 2018  
*(Expressed in Canadian dollars)*

**Commonwealth Cannabis Corp.***(Blue Aqua Holdings Ltd.)*

## Condensed Interim Statements of Financial Position

(Unaudited)

	As At December 31, 2018	As At September 30, 2018
<b>Assets</b>		
Current assets:		
Cash	\$ 252,808	\$ 423,173
Sales Tax Receivables	1,912	885
Loan Receivable (Note 5)	144,010	-
<b>Total Assets</b>	<b>398,730</b>	<b>424,058</b>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	5,983	3,300
<b>Total Current and Total Liabilities</b>	<b>5,983</b>	<b>3,300</b>
<b>Shareholders' Equity</b>		
Share Capital (Note 4)	11,000	11,000
Special Warrants (Note 4)	466,400	442,800
Deficit	(84,653)	(33,042)
<b>Total Shareholders' Equity</b>	<b>392,747</b>	<b>420,758</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 398,730</b>	<b>\$ 424,058</b>

*Nature and Continuance of Operations (Note 1)**Subsequent Events (Note 10)*

Approved on behalf of the Board on March 1, 2019:

*"Carl Chow"*\_\_\_\_\_  
Carl Chow, CEO and Director*"Lucas Birdsall"*\_\_\_\_\_  
Lucas Birdsall, CFO and Director*The accompanying notes are integral to these unaudited condensed interim financial statements.*

**Commonwealth Cannabis Corp.***(Blue Aqua Holdings Ltd.)*

Condensed Interim Statement of Comprehensive Loss

(Unaudited)

	<b>Three Months Ended December 31, 2018</b>	Three Months Ended December 31, 2017
<b>Expenses</b>		
Administration	<b>\$ 29,810</b>	\$ —
Management fees (Note 9)	<b>4,000</b>	—
Professional fees	<b>17,801</b>	—
Net loss and comprehensive loss for the period	<b>\$ (51,611)</b>	\$ —
Basic and diluted loss per common share (Notes 4)	<b>\$ (0.34)</b>	\$ —
Weighted average number of common shares outstanding	<b>151,054</b>	100

*The accompanying notes are integral to these unaudited condensed interim financial statements.*

**Commonwealth Cannabis Corp.***(formerly Blue Aqua Holdings Ltd.)*Condensed Interim Statements of Changes in Shareholders' Equity  
(Unaudited)

Share Capital					
	Number	Amount \$	Special Warrants \$	Deficit \$	Total \$
(Date of Incorporation) – Issuance to Incorporator (Note 4)	10	1		-	1
Net loss for the period	-	-		-	-
<b>Balance, December 31, 2017</b>	<b>10</b>	<b>1</b>		<b>-</b>	<b>1</b>
<b>Balance, September 30, 2018</b>	<b>151,054</b>	<b>11,000</b>	<b>442,800</b>	<b>(33,042)</b>	<b>420,758</b>
Warrants Issued for private placement (Note 4)	-	-	23,600	-	23,600
Net loss for the period	-	-	-	(51,611)	(51,611)
<b>Balance, December 31, 2018</b>	<b>151,054</b>	<b>11,000</b>	<b>466,400</b>	<b>(84,653)</b>	<b>392,747</b>

On December 14, 2018, the Company consolidated its shares on the basis of one new, post-consolidated share for every 10 old, pre-consolidated shares. Unless otherwise noted, all shares and special warrants information have been retroactively adjusted to reflect this consolidation.

*The accompanying notes are integral to these unaudited condensed interim financial statements.*

**Commonwealth Cannabis Corp.**  
*(formerly Blue Aqua Holdings Ltd.)*  
 Condensed Interim Statements of Cash Flows  
 (Unaudited)

	<b>Three Months Ended December 31, 2018</b>	Three Months Ended December 31, 2017
Net loss and comprehensive loss for the period	<b>\$ (51,611)</b>	\$ -
Operating Activities:		
Changes in non-cash working capital items:		
Sales tax receivables	<b>(1,027)</b>	-
Increase in accounts payable and accrued liabilities	<b>2,683</b>	-
Cash flows used in operating activities	<b>(49,955)</b>	-
Financing Activities:		
Proceeds from incorporator shares	-	-
Proceeds from private placement	<b>23,600</b>	-
Loans receivable	<b>(144,010)</b>	-
Cash flows provided by financing activities	<b>(120,410)</b>	-
Decrease in cash	<b>170,365</b>	-
Cash, beginning	<b>423,173</b>	-
Cash, ending	<b>\$ 252,808</b>	\$ -

*The accompanying notes are integral to these unaudited condensed interim financial statements.*

## **Commonwealth Cannabis Corp.**

*(formerly Blue Aqua Holdings Ltd.)*

Notes to the Financial Statements

December 31, 2018

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### **1. Nature and Continuance of Operations:**

Commonwealth Cannabis Corp. was incorporated as 1093684 B.C. Ltd. (the "Company" or "Blue Aqua" or "Commonwealth") on October 19, 2016 under the laws of British Columbia, Canada. On March 28, 2018, the Company changed its name to Blue Aqua Holdings Ltd and to Commonwealth Cannabis Corp on December 14, 2018. The Company's head office and registered office is located at 372-1917 West 4<sup>th</sup> Ave. Vancouver, BC V6J 1M7.

The Company is a publicly reporting issuer in the Provinces of British Columbia and Alberta. On June 12, 2018, the Company was spun out (divested) via a plan of arrangement from its former parent, Monterey Minerals Inc. (Note 6).

Commonwealth operates in the mining and exploration sector during the year and subsequent to the year end, changed its business to the cannabis sector.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully develop its business.

The development of its business may take many years to be successful and the amount of resulting income, if any, is difficult to determine with any certainty. For the three months ended December 31, 2018 and prior period, the Company had not commenced any operations, had no profits, and had a deficit of \$84,653 (2017: deficit of \$Nil) and expects to incur losses in the development of its business, all of which casts material uncertainty about the Company's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described above, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**Commonwealth Cannabis Corp.**

*(formerly Blue Aqua Holdings Ltd.)*

Notes to the Financial Statements

December 31, 2018

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**2. Basis of Presentation:**

*Statement of Compliance -*

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2018, which have been prepared in accordance with IFRS as issued by IASB. The Company uses the same accounting policies and methods of computation as in the annual financial statements for the year ended September 30, 2018.

The financial statements were authorized for issue by the Board of Directors on March 1, 2019.

**3. New Standards and Interpretation Not Yet Applied:**

The Company will adopt IFRS 15 that becomes effective for annual periods beginning on or after January 1, 2018. This new standard is not expected to have a significant impact on the Company’s financial statements.

**4. Share Capital:**

**Common Shares**

Authorized:

- Unlimited common shares without par value

Issued:

During the period from inception on October 19, 2016 to September 30, 2017, the Company issued 10 common shares for proceeds of \$1 to the incorporator that were transferred to Monterey Minerals Inc. On June 12, 2018, in accordance with the plan of arrangement, the Company issued 101,054 common shares with a fair value of \$1,000 to shareholders of Monterey Minerals Inc. (Note 6).

## **Commonwealth Cannabis Corp.**

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Notes to the Financial Statements

December 31, 2018

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### **4. Share Capital (continued):**

#### **Common Shares (continued)**

On June 12, 2018, the Company issued 50,000 common shares at \$0.20 per share to a director, in settlement of \$10,000 in management fees payable.

#### **Special Warrants**

On October 1, 2018, the Company issued 118,000 Special Warrants at \$0.20 per Special Warrant for total proceeds of \$23,600 and completed a non-brokered private placement of 2,332,000 special warrants in the capital stock of the Company at a price of \$0.20 per Special Warrant for total proceeds of \$466,400. 2,214,000 Special Warrants for a total proceeds of \$442,800 were issued prior to October 1, 2018.

Each Special Warrant is exercisable by the holder to receive one common share of the Company (a "Share") for no additional consideration, and all unexercised Special Warrants will be deemed to be exercised without any further action on the earlier of: (a) February 2, 2019, and (b) the third business day after a receipt is issued for a (final) prospectus by the securities regulatory authorities in each province where the Special Warrants were sold qualifying the Shares to be issued upon the exercise of the Special Warrants.

### **5. Loan Receivable:**

On October 31, 2018, the Company entered into an agreement with The Orley Group Pty Ltd. ("Orley"), an Australian company, and the shareholders of Orley, for the acquisition of a 51% interest in Orley, for a total purchase price of AUS\$996,600, paid with the issuance of a promissory note to Orley. In connection with the acquisition, the Company also entered into loan assignment agreement with an existing creditor of Orley, pursuant to which it took the assignment of a loan agreement between Orley and the creditor in the amount of AUS\$100,000, together with all related security interests and agreements. The consideration for the assignment of the loan agreement and underlying debt was \$95,000 which has been paid by the Company to the creditor. The loan is due on demand, bears interest at 4% per annum, and it secured pursuant to a general security deed provide by Orley. As at December 31, 2018, the acquisition was not yet completed and total loan receivable including interest is \$95,000.

On November 15, 2018, the Company loaned Orley AUS\$50,000. The loan is unsecured and bears an interest of 8% per annum. The loan is due six months after November 15, 2018. The Company has the option to convert all or any portion of the principal amount of the loan, accrued interest and fees outstanding into common shares at any time before the maturity date. As at December 31, 2018 total loan receivable including interest is \$49,010.

## **Commonwealth Cannabis Corp.**

*(formerly Blue Aqua Holdings Ltd.)*

Notes to the Financial Statements

December 31, 2018

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### **6. Plan of Arrangement**

On September 30, 2016, prior to incorporation of the Company, Monterey Minerals Inc. signed a letter of intent (“LOI”) with Railhead Resources Ltd. (the “Purchaser”) to form a newly incorporated wholly-owned subsidiary (Subco) to facilitate a transaction in which Subco would purchase all of the issued and outstanding capital stock from the Purchaser’s shareholders and be spun-out from Monterey Minerals Inc. as a separate reporting issuer pursuant to a court approved plan of arrangement. Blue Aqua was incorporated as a Subco of Monterey Minerals Inc. to conduct this transaction.

On November 29, 2016, Monterey Minerals Inc. received court approval for its 2016 Plan of Arrangement (“2016 PoA”) pursuant to which the LOI and \$1,000 cash (the “Assets”) are to be transferred to Blue Aqua and subsequently divested (spun out) pursuant to the 2016 PoA. The Company set the share distribution record date of the 2016 PoA at close of business on April 18, 2018. The LOI has no determinable fair market value.

On June 12, 2018, the spin out of the Company from Monterey Minerals Inc. was completed through the issuance of 101,054 common shares to Monterey Minerals Inc. shareholders and the 10 incorporator shares were returned to treasury and cancelled pursuant to divesting the Company from Monterey Minerals Inc. under the Arrangement.

### **7. Capital Disclosures**

The Company defines its working capital as capital. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned business and pay for administrative costs, the Company will need to raise additional funds. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

### **8. Financial and Capital Risk Management**

The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

The Company enters into financial instruments to finance its operations in the normal course of business. The fair values of accounts payable approximate their carrying values due to the short-term maturity of these instruments.

The fair value of the Company’s financial instruments has been classified within the fair value hierarchy as at December 31, 2018 as follows:

**Commonwealth Cannabis Corp.***(formerly Blue Aqua Holdings Ltd.)*

Notes to the Financial Statements

December 31, 2018

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**8. Financial and Capital Risk Management (continued):**

	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Cash	\$252,808	-	-	\$252,808
Loan Receivable	-	\$144,010	-	\$144,010

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash. The Company's cash is largely held in large Canadian financial institutions. The Company maintains cash deposits with Schedule A financial institution, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates, but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

**Commonwealth Cannabis Corp.**

*(formerly Blue Aqua Holdings Ltd.)*

Notes to the Financial Statements

December 31, 2018

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**9. Related Party Transactions**

During the period ended December 31, 2018, the Company:

- a. incurred management fee expense \$3,000 to the director & CFO, and \$1,000 to a former director.

**10. Subsequent Events**

- a) On January 31, 2019, the Company completed a non-brokered private placement of 8,552,000 common shares at a price of \$0.10 per share for total proceeds of \$855,200.
- b) On February 4, 2019 a total of 2,332,000 special warrants were exercised to at no additional consideration. Each holder of special warrants received one common share of the Company per warrant.
- c.) On February 15, 2019, the Company signed a loan agreement with the Orley, where the Company lent Orley \$100,000 AUD starting February 15, 2019 (effective date) and due and payable six months after the effective date. The loan is unsecured and is interest bearing at a rate of 8% per annum.