EURO CANN

ANNUAL REPORT

For the 12 months ended 31 December 2018

European Cannabis Corporation Limited (formerly 1-Page Limited)

ACN 112 291 960

DIRECTORS
Harry Karelis (Executive Chairman)
Michael Sprenger (Managing Director)
Tod McGrouther (Non-Executive Director)
Andrew Chapman (Non-Executive Director)

COMPANY SECRETARY
Arron Canicais

REGISTERED AND PRINCIPAL OFFICE
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AUDITORS
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SHARE REGISTRY
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The directors present their report together with the financial report of European Cannabis Corporation Limited (formerly 1-Page Limited) ("the Company" or "Eurocann") for the financial year ended 31 December 2018.

1. BOARD OF DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Directors	Position	Appointment / Resignation
Harry Karelis	Executive Chairman	Appointed 20 November 2018
Michael Sprenger	Managing Director	Appointed 17 May 2019
Tod McGrouther	Non-Executive Director	Appointed 31 May 2016
Andrew Chapman	Non-Executive Director	Appointed 23 January 2017
Chris Mews	Non-Executive Director	Appointed 1 November 2017 / Resigned 20 November 2018

2. INFORMATION ON DIRECTORS

Harry Karelis
Executive Chairman (Appointed 20 November 2018)
B. Sc (Hons), MBA, Grad. Dip. Applied Finance and Investment, CFA
Fellow of the Financial Services Institute of Australia, Fellow of the Australian Institute of Company Directors

Mr Harry Karelis is the co-founder of Jindalee Partners, a privately held investment group involved in a range of projects and has in excess of 25 years diversified experience in the financial services sector including fundamental analysis, funds management and private equity investing and has been involved in numerous cross border activities in a range of countries. He has been involved as a founding shareholder/director of a number of medicinal cannabis companies including AusCann Group Holdings, Zelda Therapeutics, CannPal Animal Therapeutics and HealthHouse.

Tod McGrouther
Non–Executive Director (Appointed 31 May 2016)
B. Law, B. Commerce

Mr McGrouther brings over 30 years of financial services and corporate advisory service to Eurocann's Board. He is a co-founder and current director at KTM Capital, a Sydney-based boutique investment bank specialising in corporate advisory and underwriting services for high-growth companies. Since KTM's inception in 1988, the Company has assisted over 60 clients in more than 150 transactions, raising over $600 million of equity capital.

Prior to founding KTM Capital, Mr McGrouther was a Director of the Corporate Finance Department of Prudential Bache Securities Limited, and prior to that, he was an Associate Director at Bankers Trust Australia. Mr McGrouther specialises in the provision of strategic advice in the areas of valuation, capital raising and investor relations services for ASX listed companies.

Andrew Chapman
Non–Executive Director (Appointed 23 January 2017)
B. Commerce, Dip Fin & Investment, Grad Dip Fin & Investment

Mr Chapman established Merchant Company in December 2011. Joining the industry in 1999, Mr Chapman has been exposed to numerous market cycles and has adapted his personal views on active portfolio management combined with an awareness of risk to offer a specialised investment management service to a select Company of high net worth clients and the Merchant Opportunities Fund.

As the Fund Manager of the Merchant Opportunities Fund, Mr Chapman's track record of creating value for shareholders speaks for itself with top quartile returns over the last 3 years. Mr Chapman was responsible for establishing OzHarvest in Western Australia – www.ozharvest.org.au where he still maintains a Board position.

Michael Sprenger
Managing Director (Appointed 17 May 2019)
Bachelor of Science in International Business

Mr Sprenger is a co-founder of HAPA Medical Group. Mr Sprenger started his career managing hedge funds up to 1.5 billion EUR in assets for institutional investors in absolute return and derivative strategies. Building smaller companies on the side he moved into the start-up industry in Berlin. He worked for the most successful venture builders in Germany (Rocket Internet, HitFox Group) and adopted a hands-on strategy in early stage start-ups bringing them up to speed operationally. He has a strong finance and analytical background especially in the start-up environment. Mr Sprenger resides in Germany.

Chris Mews
Non–Executive Director (Appointed 1 November 2017 / Resigned 20 November 2018)
B. Business, CPA, AGIA, ACIS

Chris is a CPA and holds a Bachelor of Business degree (Accounting) and is a Chartered Company Secretary. He has been in financial services for over 19 years and is experienced in the financial operation, governance and compliance of Managed Investment Schemes, ASX listed companies and unlisted companies. Chris has held senior positions in Finance, Corporate Secretarial and Compliance. In these roles he has been a member of senior management and participated in the due diligence and acquisition of Managed Investment Schemes and participated in various capital raisings for Managed Investment Schemes, ASX listed Companies and unlisted Companies.

3. DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the period were:

Directors	Number Eligible Board Meetings to Attend	Number of Board Meetings Attended
Harry Karelis	-	-
Tod McGrouther	9	9
Andrew Chapman	9	9
Chris Mews	9	9

4. COMPANY SECRETARY

Arron Canicais - Appointed 16 October 2017

Mr Canicais is a corporate advisory executive of corporate advisory firm Smallcap Corporate which specializes in corporate advice and compliance administration to public companies. Mr Canicais has been involved in financial reporting and corporate compliance for over 10 years. Mr Canicais is an associate member of the Institute of Chartered Accountants and an associate member of the Governance Institute of Australia.

5. PRINCIPAL ACTIVITIES

The Board's intention was to actively pursue new business development opportunities aimed at diversifying the Company's interest, which culminated in the entering of the conditional binding agreement to acquire 100% of the shares in HAPA Medical Group based in Germany.

6. OPERATING AND FINANCIAL REVIEW

OPERATIONS

On 2 February 2018 the Company entered into a conditional binding agreement to acquire 100% of the parent company of the HAPA Medical Group based in Germany (HAPA).

HAPA is an early mover in the German medicinal cannabis market and has adopted a fully vertically integrated model from cultivation, pharmaceutical grade manufacturing and distribution of medicinal cannabis products. In addition to the focus on Germany, the Company is building supply and distribution arrangements in a number of other jurisdictions where appropriate legal frameworks allow for the supply of medicinal cannabis products. These include Australia, Spain and the United Kingdom.

The Company is well advanced in the construction of its first phase cultivation facilities in the Republic of North Macedonia through its wholly owned subsidiary "Eurokan Zemjodelie DOOEL Skopje". This phase comprises twelve greenhouses totaling 6,000m^2 and a production capacity of approximately 12 tonnes of dried cannabis flower per annum. This facility has been constructed on Company-owned land totaling 7 hectares which provides ample room for expansion to the ultimate 60 tonne per annum target. All cultivation facilities and operating procedures have been designed to German EU-GACP/GMP standards – a pre-requisite to be able to sell product into the highly regulated German market. Cultivation costs are expected to position HAPA as one of the world's lowest cost producers of pharmaceutical grade material.

In addition to the cultivation operations, HAPA has established a joint venture with long-established specialty pharmaceutical manufacturer Replek Pharm. This joint-venture (RH Farma DOO Skopje) will operate state of the art extraction and manufacturing facilities in Skopje, the capital of North Macedonia. Our partner has several years' experience in cannabis extraction. This facility is expected to be completed later this year.

In addition to distributing HAPA-branded products, the Company has also entered into a number of third-party supply agreements for a range of products both dried flower, THC/CBD and CBD alone. These supply agreements will be fulfilled as our production comes on line later in 2019 to early 2020.

CORPORATE

On 31 July 2018 the Company announced that it had received formal approval from the ASX for the removal of its fully paid ordinary shares from the official List pursuant to ASX Listing Rule 17.11. On 12 September 2018 shareholders approved the delisting of the ASX, with the shares formally removed from the Official List on 13 September 2018.

On 17 September 2018 the Company opened a share sale facility under which shareholders could elect to sell their shares free of brokerage and handling charges. The offer price was set at $0.165 with the amount of the facility at AU $5,000,000. This was completed on the 6th November 2018 with a total of 27,420,230 shares purchased under the facility.

On 20 November 2018, Mr Harry Karelis was appointed as Executive Chairman of the Company. Also, on 20 November 2018, Mr Chris Mews resigned as Non-Executive Director.

7. FINANCIAL PERFORMANCE & FINANCIAL POSITION

The financial results of the Company for the year ended 31 December 2018 are:

	31-Dec-18	31-Dec-17
Cash and cash equivalents ($)	9,425,547	24,793,983
Net assets ($)	11,334,918	25,648,104

	12 Months to 31 Dec 2018	11 Months to 31 Dec 2017
Income ($)	392,273	849,455
Loss from continuing operations after tax ($)	(15,834,831)	(367,585)
Loss from discontinued operations after tax ($)	-	(5,353,749)
Loss from continuing operations per share (cents)	(10.46)	(0.24)
Loss from discontinued operations per share (cents)	-	(3.54)

8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in the state of affairs.

9. DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year (31 December 2017: Nil).

10. EVENTS SUBSEQUENT TO BALANCE DATE

On the 24th January 2019 the Company undertook an unmarketable parcel facility. This facility closed on 12 March 2019 with 347,728 shares purchased off market via the facility taking the total number of shareholders from 1,349 to 947.

The Company is currently in discussions with corporate advisors with the intent to pursue a capital raising and listing of its shares on an appropriate securities exchange at some point over the next 12 months subject to favourable market conditions.

On the 17th May 2019, the Company completed the final material condition precedent of the acquisition of HAPA Medical Group, issuing 90 million shares to the vendors, thereby completing the acquisition of HAPA.

At the date of this report, the initial accounting for the business combination is incomplete. Due to the period of time since the completion of the acquisition, the identification of the fair value of identifiable assets and liabilities of HAPA Medical Group have not be able to be completed.

The consideration payable for the acquisition consists of 90 million shares and cash of €1.3 million (of which €0.43 million is non-refundable).

Since 31 December 2018 to the date of acquisition, the Company had advanced a further €3.208 million under the existing loan to HAPA Medical Group.

On the 17th May 2019, the Company appointed Mr. Michael Sprenger as Managing Director.

The Directors are not aware of any matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that have significantly affected or may significantly affect the operations, the results or operations or the state of affairs of the Company in subsequent financial years.

11. SHARES AND OPTIONS HOLDINGS OF KEY MANAGEMENT PERSONNEL ("KMP")

Shareholdings

The number of shares in the Company held by each KMP of European Cannabis Corporation Limited (formerly 1-Page Limited) during the financial year, including their personally-related entities, is set out below:

31 December 2018	Balance at 1 Jan 2018 or date of appointment	Granted as Remuneration	On Exercise of Performance Rights / Options	Net Change Other	Balance at 31 Dec 2018
Directors					
Tod McGrouther	**4,849,464**	-	-	8,313,484	**13,162,948**
Andrew Chapman	**20,823,636**	-	-	4,715,079	**25,538,715**
Chris Mews [1]	**175,000**	-	-	-	**175,000**
Harry Karelis [2]	**1,930,000**	-	-	-	**1,930,000**

1. Closing shares represents shares held at date of resignation at 20 November 2018.
2. Opening balance represents shares held at date of appointment, being 20 November 2018.

31 December 2017	Balance at 1 Feb 2017 or date of appointment	Granted as Remuneration	On Exercise of Performance Rights / Options	Net Change Other	Balance at 31 Dec 2017
Directors					
Tod McGrouther	**4,024,464**	-	-	825,000	**4,849,464**
Andrew Chapman	**14,675,000**	-	-	6,148,636	**20,823,636**
Chris Mews [1]	**175,000**	-	-	-	**175,000**
John Fennelly [2]	**-**	-	-	-	**-**
Michael Shen [2]	**-**	-	-	-	**-**
Joanna Riley [3]	**15,622,920**	-	-	-	**15,622,920**
Peter Kent [4]	**-**	-	-	-	**-**

1. Opening balance represents shares held at date of appointment, being 1 November 2017.
2. Closing balance represents shares held at date of resignation, being 1 November 2017.
3. Closing balance represents shares held at date of resignation, being 15 May 2017.
4. Closing balance represents shares held at date of resignation, being 20 April 2017.

Option Holdings

The number of options in the Company held by each KMP of European Cannabis Corporation Limited (formerly 1-Page Limited) during the financial year, including their personally-related entities, is set out below:

31 December 2018	Balance at 1 Jan 2018 (Unvested)	Granted as Remuner-ation	Vested		Options Exercised	Forfeited		Balance at 31 Dec 2018	Unvested	Vested & Exercisable
			Number	%		Number	%			
Directors										
Tod McGrouther	**1,367,500**	7,500,000	-	-	-	-	-	**8,867,500**	63,750	8,803,750
Andrew Chapman	**-**	7,500,000	-	-	-	-	-	**7,500,000**	-	7,500,000
Chris Mews	**-**	-	-	-	-	-	-	**-**	-	-
Harry Karelis	**-**	12,500,000	-	-	-	-	-	**12,500,000**	-	12,500,000

31 December 2017	Balance at 1 Feb 2017 (Unvested)	Granted as Remuner-ation	Vested		Options Exercised	Forfeited		Balance at 31 Dec 2017	Unvested	Vested & Exercisable
			Number	%		Number	%			
Directors										
Tod McGrouther	**1,367,500**	-	-	-	-	-	-	**1,367,500**	108,750	1,258,750
Andrew Chapman	-	-	-	-	-	-	-	-	-	-
Chris Mews	-	-	-	-	-	-	-	-	-	-
John Fennelly (1)	**180,000**	-	-	-	-	-	-	**180,000**	112,500	67,500
Michael Shen (1)	**180,000**	-	-	-	-	-	-	**180,000**	112,500	67,500
Joanna Riley	-	-	-	-	-	-	-	-	-	-

(1) Options held at date of resignation, being 1 November 2017.

12. INDEMNIFYING OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring all its Directors and current and former executive officers against a liability incurred as such a Director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company against a liability incurred.

13. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

14. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (Bentleys Audit & Corporate (WA) Pty Ltd) for audit and non-audit services provided during the financial year are set out in Note 19 to the financial statements.

The Directors are satisfied the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not comprised.

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The auditor (Bentleys Audit & Corporate (WA) Pty Ltd) continues as auditor in accordance with Section 327 of the Corporations Act 2001 and has signed an Auditor's Independence Declaration on page 10.

Signed in accordance with a resolution of the Board of Directors.

Tod McGrouther
Non-Executive Director
28 May 2019

Bentleys
THINKING AHEAD

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the audit of the financial statements of European Cannabis Corporation Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Partner

Dated at Perth this 28th day of May 2019

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	Note	12 Months to 31 Dec 2018	11 Months to 31 Dec 2017
		$	$
Income			
Revenue – Rendering of Services		-	3,000
Interest Income		392,273	292,111
Other Income		-	554,344
		392,273	**849,455**
Expenses			
Administration Expenses		(578,083)	(808,979)
Directors Fees		(114,167)	(213,491)
Legal Fees		(139,777)	(149,632)
Share Based Payments	15(f)	(1,521,645)	(44,938)
Provision for impairment expense	4	(13,691,833)	-
Loss on Disposal		(203,426)	-
Foreign Exchange Gain/(Loss)		21,827	-
Loss Before Income Tax		**(15,834,831)**	**(367,585)**
Income Tax	5	-	-
Loss from Continuing Operations Attributable to Equity Holders of European Cannabis Corporation Limited		**(15,834,831)**	**(367,585)**
Discontinued operations			
Loss for the period from discontinued operations	6	-	(5,353,749)
Loss for the period		**(15,834,831)**	**(5,721,334)**
Other Comprehensive Income/(Loss) for the Period			
Items that may be reclassified to profit and loss			
Foreign currency translation reclassified from reserves to profit or loss on disposal		-	2,112,087
Foreign currency translation		-	(624,050)
Total Comprehensive Loss for the Period		**(15,834,831)**	**(4,233,297)**
Total Comprehensive Loss for the Period Attributable to Equity Holders of European Cannabis Corporation Limited		**(15,834,831)**	**(4,233,297)**
Loss per Share for Loss from Continuing Operations Attributable to the Ordinary Equity Holders of the Company			
Basic Loss per Share (cents per share)	7	(10.46)	(0.24)
Diluted Loss per Share (cents per share)	7	(10.46)	(0.24)
Loss per Share for Loss from Discontinued Operations Attributable to the Ordinary Equity Holders of the Company			
Basic Loss per Share (cents per share)	7	-	(3.54)
Diluted Loss per Share (cents per share)	7	-	(3.54)

The above Statement of Profit or Loss & Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

	Note	31-Dec-18	31-Dec-17
		$	$
CURRENT ASSETS			
Cash and Cash Equivalents	8	9,425,547	24,793,983
Other Financial Assets	9	-	337,547
Other Assets	10	22,224	134,672
Total Current Assets		**9,447,771**	**25,266,202**
NON-CURRENT ASSETS			
Other Assets	10	1,927,538	540,708
Total Non-Current Assets		**1,927,538**	**540,708**
Total Assets		**11,375,309**	**25,806,910**
CURRENT LIABILITY			
Trade and Other Payables	11	40,391	158,806
Total Current Liabilities		**40,391**	**158,806**
Total Liabilities		**40,391**	**158,806**
NET ASSETS		**11,334,918**	**25,648,104**
EQUITY			
Contributed Equity	12	83,727,885	83,727,885
Reserves	13	3,463,945	9,765,551
Accumulated Losses	14	(75,856,912)	(67,845,332)
Total Equity		**11,334,918**	**25,648,104**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

	Note	12 Months to 31 Dec 2018	11 Months to 31 Dec 2017
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		-	697,597
Payments to Suppliers and Employees		(920,180)	(6,872,179)
R&D Rebate received		-	554,344
Interest Received		452,133	284,895
Net Cash used in Operating Activities	8(c)	**(468,047)**	**(5,335,343)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans provided		(13,647,680)	-
Payments of acquisition costs		(1,386,830)	(540,708)
Net cash outflow on disposal of subsidiary		134,121	(241,033)
Payments for Financial Assets at Fair Value Through Profit and Loss		-	(2,631,579)
Receipts from Financial Assets at Fair Value Through Profit and Loss		-	25,218,308
Net Cash Inflow/(Outflow) from Investing Activities		**(14,900,389)**	**21,804,988**
Net Increase / (Decrease) in Cash and Cash Equivalents		(15,368,436)	16,469,645
Foreign Exchange Movement in Cash		-	-
Cash and Cash Equivalents at the Beginning of the Period		24,793,983	8,324,338
Cash and Cash Equivalents at the End of the Period	8(a)	**9,425,547**	**24,793,983**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

	Contributed Equity	Foreign Currency Translation Reserve	Option & Share Based Payment Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 31 January 2017	**83,725,958**	**(1,488,037)**	**10,466,454**	**(62,430,893)**	**30,273,482**
Loss for the period	-	-	-	(5,721,334)	**(5,721,334)**
Other Comprehensive Gain - Foreign Currency Translation	-	(624,050)	-	-	**(624,050)**
Other Comprehensive Gain - Foreign Currency Translation on disposal	-	2,112,087	-	-	**2,112,087**
Total Comprehensive Loss	**-**	**1,488,037**	**-**	**(5,721,334)**	**(4,233,297)**
Transactions with Owners in Their Capacity as Owners					
Capital raise cost reversal	1,927	-	-	-	**1,927**
Lapse of options	-	-	(306,895)	306,895	**-**
Share Based Payments	-	-	(394,008)	-	**(394,008)**
Balance at 31 December 2017	**83,727,885**	**-**	**9,765,551**	**(67,845,332)**	**25,648,104**

	Contributed Equity	Foreign Currency Translation Reserve	Option & Share Based Payment Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 January 2018	**83,727,885**	**-**	**9,765,551**	**(67,845,332)**	**25,648,104**
Loss for the period	-	-	-	(15,834,831)	**(15,834,831)**
Other Comprehensive Income	-	-	-	-	**-**
Total Comprehensive Loss	**-**	**-**	**-**	(15,834,831)	**(15,834,831)**
Transactions with Owners in Their Capacity as Owners					
Lapse of options	-	-	(7,823,251)	7,823,251	**-**
Share Based Payments	-	-	1,521,645	-	**1,521,645**
Balance at 31 December 2018	**83,727,885**	**-**	**3,463,945**	**(75,856,912)**	**11,334,918**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

European Cannabis Corporation Limited (formerly 1-Page Limited) ("Eurocann" or "Company"), is a company domiciled in Australia. The address of the Company's registered office and principal place of business is disclosed in the Corporate Directory of the Annual Report. The financial statements of the Company are for the 12 months ended 31 December 2018.

2. BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. European Cannabis Corporation Limited (formerly 1-Page Limited) is a for-profit entity for the purposes of preparing financial statements.

(a) Compliance with IFRS

The financial statements comply with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of European Cannabis Corporation Limited (formerly 1-Page Limited) comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

(b) Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value.

(c) Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

The Company made a net loss after tax for the year of $15,834,831 (2017: $367,585) which include asset impairment of $13,691,833 (2017: Nil). The Company generated net cash outflows for the year of $15,368,436 (2017: inflows of $16,469,645).

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to secure additional funds and developing its medicinal cannabis operations based in Europe. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 months period from the date of signing this financial report.
The Directors believe it is appropriate to prepare these accounts on going concern basis because subsequent to the end of the reporting period:

- The Directors have an appropriate plan to raise additional funds as and when they are required. In light of the HAPA acquisition, the Directors believe that the additional capital required can be raised in the market;
- The Directors have an appropriate plan to contain certain expenditure if appropriate funding is unavailable.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

(d) New, Revised or Amending Accounting Standards and Interpretations

The Company applied AASB 15 *Revenue from Contracts with Customers* (AASB 15) and AASB 9 *Financial Instruments* (AASB 9) for the first time from 1 January 2018. The nature and effect of these changes as a result of the adoption of these new Accounting Standards are described below.

Several other new and amended Accounting Standards and Interpretations applied for the first time from 1 January 2018 did not have an impact on the financial statements of the Company and, hence, have not been disclosed.

AASB 9

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied AASB 9 retrospectively, with the initial application date of 1 January 2018. The Company has elected to restate comparative information.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The changes in accounting policies resulting from the adoption of AASB 9 did not have a material impact on the Company's financial statements.

AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities, however, it eliminates the previous AASB 139 categories for financial assets being: held to maturity; loans and receivables; and available for sale. Under AASB 9, on initial recognition a financial asset is classified as measured at:

a. Amortised cost;
b. Fair Value through Other Comprehensive Income (FVOCI) – debt investment;
c. FVOCI – equity investment; or
d. Fair Value through Profit or Loss (FVTPL)

The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

As at 31 December 2018 and 31 December 2017, the Company's financial instruments consist of cash and cash equivalents, trade and other receivables, and trade and other payables.

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139	New measurement category under AASB 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 1 January 2018 or 1 January 2017.

Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Company to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

As at 1 January 2018 and 1 January 2017, the directors of the Company reviewed and assessed the Company's existing financial assets for impairment using reasonable and supportable information. The assessment did not result in any additional impairment being recognised.

AASB 15

The Company has adopted AASB 15 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 15 the standard has been applied using the full retrospective approach.

AASB 15 supersedes AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

It was determined that the adoption of AASB 15 had no impact on the timing and recognition of revenue by the Company as at this point in time the Company is not generating any material revenue apart from interest revenue.

(e) Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(f) Interest Income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(i) Trade Receivables

Trade receivables, which generally have 30-90 day terms, are initially recognised at fair value and are subsequently carried at amortised cost amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(j) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(k) Employee Benefits

Share-Based Payments

Share-based compensation benefits are provided to employees and advisors.

The fair value of options and performance rights granted is recognised as a share-based payment expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options and performance rights granted:

- including any market performance conditions (e.g. the entity's share price),
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period),
- including the impact of any non-vesting conditions (e.g. requirement for employees to save, and/or holding shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options or performance rights that are expected to vest based on the vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(l) Contributed Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Income Tax
The income tax expense or benefit for the period is the tax payable on the current period's taxable income or tax loss based on the applicable income tax rate for each jurisdiction.

Current Tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax
Deferred tax is recognised using the liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred tax
Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(n) Goods and Services
Revenues, expenses and assets are recognised net of the amount of associated GST, except:
- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable; and

- receivables and payables are stated inclusive of the amount of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(o) Earnings per Share

Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit/(loss) after tax attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to consider the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results or the financial position reported in future periods.

Significant Accounting Judgements

Share-Based Payment Transactions

The Company measures the cost of equity-settled share-based payment transactions with employees by reference to the fair value of the equity instruments at grant date or an estimation of fair value at grant date if grant date has not occurred. The fair value is determined by an external value using an appropriate valuation model such as Black-Scholes or a hybrid employee share option model simulation. The accounting estimates and assumptions relating to equity-settled share- based payments would have no impact on the carrying amounts of assets and liabilities within the annual reporting period but may impact expenses and equity.

4. EXPENSES

	12 Months to 31 Dec 2018	11 Months to 31 Dec 2017
	$	$
Provision for impairment expense		
Provision for non-recoverability – loans to other entities (refer Note 9)	(13,647,680)	-
Provision for non-recoverability – other assets	(44,153)	-
Total Provision for impairment expense	(13,691,833)	-

5. RECONCILIATION OF TAX EXPENSE

	12 Months to 31 Dec 2018	11 Months to 31 Dec 2017
	$	$
Reconciliation of Tax Expense		
Loss Before Tax	(15,834,831)	(367,585)
Tax at the Australian rate of 27.5% (31 December 2017: 30%)	(4,354,579)	(110,276)
Share Based Payments	(418,452)	(13,481)
Non-Assessable Income	-	162,440
(Utilisation of Tax Losses)/Tax Losses Carried Forward not Brought to Account	4,773,031	(38,683)
Tax Expense	**-**	**-**

Since inception, the Company has experienced significant tax losses and the ability to generate future taxable income to offset these losses is uncertain. As a result, there is no recognition of a deferred tax asset for the potential future value of these tax losses.

6. DISCONTINUED OPERATIONS

In the previous financial year, on 31 October 2017 shareholders approved the sale of One-Page Inc for $1, with all future liabilities associated with One-Page Inc resting with the Buyers.

At completion, 1-Page Inc. transferred all its cash to the Company, other than $300,000 as partial repayment for the intercompany loan between the Company and 1-Page Inc. The amount of cash left in 1-Page Inc. was $300,000, less certain pre-completion liabilities of 1-Page Inc. (including third party expenses relating to the preparation of tax returns, outstanding employee entitlements and the settlement payment with Sabal Tech Inc. referred to below) to the extent they were paid prior to completion.

At Completion, the Company also transferred $259,000 into an escrow account for identified but contingent liabilities relating to the period prior to completion (including certain accounts payable, rent and taxes). To the extent those liabilities do not arise or are less than expected, any residual in the escrow account will be returned to the Company. To the extent the liabilities are greater than expected, there is no obligation on the Company to contribute additional funds to 1-Page Inc. or Censia.

In addition, in connection with the entry into the purchase agreement and as a condition of completion, the Company, 1-Page Inc, Censia and Sabal Tech. Inc have entered into a release and settlement of all claims pursuant to Sabal Tech Inc v the One-Page Company Inc. and European Cannabis Corporation Limited (formerly 1-Page Limited) that includes a settlement of $91,749.17 to be paid by Censia to Sabal Tech. Inc (Satisfied by payment by 1-Page Inc, the Company has reduced the cash left in 1-Page Inc by the amount of the payment made to Sabal).

Pursuant to the purchase agreement, the Company appointed Censia as a subcontractor to assist to maintain and preserve intact 1-Page Inc.'s current business organisation until the completion of the transactions contemplated in the purchase agreement.

Censia has agreed to indemnify the Company in respect of certain liabilities, including (i) any liability in relation to claims made by Patrick Riley in connection with his employment by 1 Page Inc. (ii) any misuse of the escrowed amount by Censia or 1-Page Inc, (iii) any liability in relation to claims made by Sabal Tech Inc relating to activities or conduct prior to completion or otherwise relating to 1-Page Inc. and (iv) any actions by Censia as a subcontractor prior to completion of the transaction.

(a) Financial performance and cash flow information

		11 Months to 31 Dec 2017	12 months to 31 Jan 2017
		$	$
Loss for the year from discontinued operations			
Revenue - rendering of services		457,693	808,596
Other income		213,676	188,294
		671,369	996,890
Expenses		(3,815,912)	(24,987,893)
Loss for the year from discontinued operations until date of disposal		(3,144,543)	(23,991,003)
Loss on disposal	(b)	(2,209,206)	-
Loss before income tax		**(5,353,749)**	**(23,991,003)**
Attributable income tax expense		-	-
Loss for the year from discontinued operations (attributable to owners of the company)		**(5,353,749)**	**(23,991,003)**

Cash flows from discontinued operations	
Net cash outflow from operating activities	(5,112,192)
Net cash inflow from investing activities	22,345,696
Net cash inflows from discontinued operations	**17,233,504**

(b) Details of the sale of One-Page Inc

	31-Oct-17
	$
Consideration received or receivable:	
Cash	1
Total disposal consideration	**1**
Carrying amount of net assets sold	(97,120)
Foreign Currency Translation reclassified from reserve to profit or loss on disposal	(2,112,087)
Loss on disposal	**(2,209,206)**

The carrying amounts of assets and liabilities as at the date of sale (31 October 2017) were:

	31-Oct-17
	$
Cash and cash equivalents	241,033
Other current assets	19,869
Property, plant and equipment	178,290
Other non-current assets	124,665
Total assets	**563,857**
Trade and other payables	(367,370)
Deferred revenue	(99,367)
Total liabilities	**(466,737)**
Net assets	**97,120**

7. LOSS PER SHARE

	12 Months to 31 Dec 2018	11 Months to 31 Dec 2017
Continuing Operations		
Loss from Continuing Operations Attributable to Equity Holders of European Cannabis Corporation Limited ($)	(15,834,831)	(367,585)
Weighted average number of ordinary shares for basis per share (No)	151,442,681	151,184,348
Basic loss per share from Continuing Operations (cents)	(10.46)	(0.24)
Discontinued Operations		
Loss from Continuing Operations Attributable to Equity Holders of European Cannabis Corporation Limited ($)	-	(5,353,749)
Weighted average number of ordinary shares for basis per share (No)	-	151,184,348
Basic loss per share from Discontinued Operations (cents)	-	(3.54)

8. CASH AND CASH EQUIVALENTS

(a) Reconciliation to cash at the end of the financial year

	31-Dec-18	31-Dec-17
	$	$
Cash at bank and in hand	9,425,547	24,793,983
Total cash and cash equivalents	**9,425,547**	**24,793,983**

(b) Interest rate risk exposure

The Company's exposure to interest rate risk is discussed in Note 16: Financial Risk Management.

(c) Reconciliation of net cash flows from operating activities to profit / (loss) for the year after tax

	12 Months to 31 Dec 2018	11 Months to 31 Dec 2017
	$	$
Operating Loss After Income Tax	(15,834,831)	(5,721,334)
Loss on Disposal	-	2,209,206
Foreign Exchange Gain	(21,827)	(781,009)
Impairment	13,691,833	-
Share based payments	1,521,645	(394,008)
Net cash used in operating activities before change in assets and liabilities	**(643,180)**	**(4,687,145)**
Changes in assets and liabilities:		
Decrease/(Increase) in receivables	112,450	144,113
Decrease/(Increase) in financial assets	-	(337,547)
Decrease/(Increase) in other current assets	181,098	108,352
Decrease/(Increase) in other non-current assets	-	7,707
Increase/(Decrease) in trade payables	(90,915)	(71,241)
Increase/(Decrease) in accruals	(27,500)	(527,308)
Increase/(Decrease) in unearned revenue	-	27,726
Net cash used in operating activities	**(468,047)**	**(5,335,343)**

9. OTHER FINANCIAL ASSETS

Current	31-Dec-18 $	31-Dec-17 $
Cash held in escrow	-	337,547
Total Other Financial Assets	**-**	**337,547**

Non-Current	31-Dec-18 $	31-Dec-17 $
Loan – HAPA[1]	13,647,680	-
Provision for impairment[1]	(13,647,680)	-
Total Other Financial Assets	**-**	**-**

(1) The Company has advanced a loan to HAPA Medical Group ("HAPA") to fund its operating cash flows. As disclosed in Note 10, the Company is in the process of acquiring HAPA. As disclosed in Note 20, the Company completed the acquisition of HAPA on 17 May 2019. As of the date of acquisition, the loan balance eliminates upon consolidation of the Group.

10. OTHER ASSETS

Current	31-Dec-18 $	31-Dec-17 $
GST receivable	5,358	16,824
Accrued Interest Income	5,038	64,899
Prepayments	11,828	52,949
Total Current Other Assets	**22,224**	**134,672**

Non-Current	31-Dec-18 $	31-Dec-17 $
Prepayment – HAPA Acquisition (i)	1,927,538	540,708
Total Non-Current Other Assets	**1,927,538**	**540,708**

(i) On 2 February 2018, the Company entered into a conditional binding agreement to acquire 100% of the parent company of the HAPA Medical Group ("HAPA") based in Germany. The key terms of the acquisition are as follows:

a. Consideration payable of 90 million shares and the cash payment of €1.3 million (of which €0.43 million is non-refundable). As at 31 December 2018 the cash payment has been fully paid.

b. Completion of the acquisition is subject to the satisfaction or waiver of the following conditions:
   i. the Company completing technical, financial and legal due diligence on HAPA to the sole and absolute satisfaction of the Company;
   ii. the Company obtaining all required third party, regulatory and governmental approvals and consents to give effect to the acquisition, including any necessary shareholder approvals;
   iii. the employees of HAPA and their remuneration being agreed;
   iv. the Company giving notice to HAPA that it is satisfied that no event, change, condition, matter, result or circumstance has occurred or become known to the Company including any breach of any warranty which in the reasonable opinion of the Company could be expected to have a material adverse effect on HAPA; and
   v. HAPA obtaining all regulatory and governmental approvals and third-party consents required to give effect to the transaction.
   vi. The vendors agreeing to voluntary 36 month escrow on their shares received, in addition to any ASX imposed escrow.
   vii. Other terms and conditions relating to conduct prior to and after settlement, confidentiality and warranties from the vendors in relation to HAPA that are considered standard for an agreement of this nature.

11. TRADE AND OTHER PAYABLES

	31-Dec-18	31-Dec-17
	$	$
Trade Payables	17,391	108,306
Other Payables	23,000	50,500
Total Trade and Other Payables	**40,391**	**158,806**

12. CONTRIBUTED EQUITY

	31-Dec-18		31-Dec-17	
	$	No.	$	No.
Issued and fully paid				
Ordinary shares	83,727,885	151,442,681	83,727,885	151,442,681
Treasury shares	-	-	-	-
	83,727,885	**151,442,681**	**83,727,885**	**151,442,681**

Movement in ordinary shares	**$**	**No.**
Balance at 31 January 2017	**83,725,958**	**151,184,348**
Transfer - treasury shares	-	258,333
Capital raising costs - reversal	1,927	-
Balance at 31 December 2017	**83,727,885**	**151,442,681**
Balance at 31 December 2018	**83,727,885**	**151,442,681**

Movement in treasury shares	**$**	**No.**
Balance at 31 January 2017	**-**	**3,000,000**
Treasury shares transferred to ordinary shares	-	(258,333)
Cancellation of shares	-	(2,741,667)
Balance at 31 December 2017	**-**	**-**
Balance at 31 December 2018	**-**	**-**

Shares Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings. In the event of winding up the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

13. RESERVES

	31-Dec-18	31-Dec-17
	$	$
Share Based Payments Reserve	3,463,945	9,765,551
Foreign Currency Translation Reserve	-	-
	3,463,945	**9,765,551**

	31-Dec-18	31-Dec-17
Movement Reconciliation	$	$
Share Based Payments Reserve		
Balance at the beginning of the period	**9,765,551**	**10,466,454**
Share based payment	1,521,645	(394,008)
Lapse of options	(7,823,251)	(306,895)
Balance at the end of the period	**3,463,945**	**9,765,551**
Foreign Currency Translation Reserve		
Balance at the beginning of the period	**-**	**(1,488,037)**
Foreign Currency Translation	-	(624,050)
Reclassification to profit or loss on disposal (refer Note 6)	-	2,112,087
Balance at the end of the period	**-**	**-**

Nature and Purpose of Reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share based payments reserve

The share-based payments reserve is used to record the value of equity benefits provided to eligible executives, employees and consultants as part of their remuneration and payment for services.

14. ACCUMULATED LOSSES

	31-Dec-18	31-Dec-17
	$	$
Movement in accumulated losses		
Balance at the beginning of the period	**(67,845,332)**	**(62,430,893)**
Net loss in current year	(15,834,831)	(5,721,334)
Lapse of options	7,823,251	306,895
Balance at the end of the period	**(75,856,912)**	**(67,845,332)**

15. SHARE-BASED PAYMENTS

(a) Employee Options

Employees are granted options to provide long-term incentives to deliver long-term shareholder return. Options are granted at the Board's discretion and no individual has a contractual right to receive any guaranteed benefits.

The amount of options that will vest depends on individuals meeting service conditions or performance conditions. Each option tranche has various vesting periods or is tied to various performance conditions.

Employee options are granted for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share fifteen days after receipt of a Notice of Exercise.

Employee options outstanding at the end of the period have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31-Dec-2018	Share options 31-Dec-2017
30-Sep-14	14-Jul-18	$0.20	-	19,907
7-May-15	14-Jul-19	$1.74	-	65,073
7-May-15	21-Jul-19	$1.74	-	39,315
8-Jul-16	19-Jun-21	$0.51	-	20,000
Total			**-**	**144,295**

No Employee options were issued during the current period.

(b) Advisor Options

Advisor options outstanding at the end of the period have the following expiry date and exercise prices:

Grant Date	Expiry Date	Exercise Price	Share options 31-Dec-2018	Share options 31-Dec-2017
30-Sep-14	1-Aug-19	$0.20	2,375,000	2,375,000
30-Sep-14	1-Aug-19	$0.20	2,375,000	2,375,000
30-Sep-14	1-Aug-19	$0.20	2,375,000	2,375,000
30-Sep-14	1-Aug-19	$0.20	2,375,000	2,375,000
30-Sep-14	1-Aug-19	$0.20	500,000	500,000
Total			**10,000,000**	**10,000,000**

No Advisor options were issued during the current period.

(c) Director Options

Director options outstanding at the end of the financial year have the following expiry date and exercise prices:

Grant Date	Expiry Date	Exercise Price	Share options 31-Dec-2018	Share options 31-Dec-2017
30-Sep-14	1-Aug-19	$0.20	150,000	150,000
30-Sep-14	1-Aug-19	$0.20	150,000	150,000
30-Sep-14	1-Aug-19	$0.20	150,000	150,000
29-Jun-16	24-Apr-21	$0.83	67,500	180,000
29-Jun-16	30-Apr-21	$0.83	67,500	180,000
29-Jun-16	29-May-21	$0.83	180,000	180,000
12-Sep-18	12-Sep-23	$0.20	27,500,000	-
Total			**28,265,000**	**990,000**

On 12 September 2018, 27,500,000 options were issued to directors and consultants as approved by shareholders at the general meeting on that date. The options are exercisable at $0.20 and expire 5 years from the grant date. The valuation of the options was based on the Black-Scholes model with the following key inputs:

Volatility:	85%
Risk free rate	2.20%
Expiry date:	12 September 2023
Exercise price:	$0.20

The value per instrument was $0.055.

(d) Performance Rights

There were no Performance Rights issued during the period.

(e) Founder's Shares

In previous periods, the Company issued 258,333 founders shares to employees from the 3,000,000 treasury shares on hand. The remaining 2,741,667 treasury shares were cancelled by the Company at the Company's Extraordinary General Meeting held on 31 October 2017, which was approved by shareholders on a show of hands.

	31-Dec-18	31-Dec-17
Allotted shares at the beginning of the period	716,667	995,000
Number of shares forfeited	-	(20,000)
Number of shares granted	-	(258,333)
Allotted shares at the end of the period	**716,667**	**716,667**

(f) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	31-Dec-18	31-Dec-17
	$	$
Options Issued to employees	-	(381,638)
Options Issued to Advisors	-	(80,668)
Options Issued to Directors	1,521,645	44,938
Options issued to founder's shares	-	23,360
Total share-based payments	**1,521,645**	**(394,008)**
Share based payments reversal from discontinued operations	-	(438,946)
Total share-based payments from continued operations	**1,521,645**	**44,938**

16. FINANCIAL RISK MANAGEMENT

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, price and foreign exchange risks and ageing analysis for credit and liquidity risk.

Risk management is carried out by senior management under direction of the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas. The Company is not materially exposed to changes in interest rates in its activities.

The material financial instruments to which the Company has exposure include:
(i) Cash and short-term deposits;
(ii) Financial assets at fair value through profit and loss;
(iii) Receivables; and
(iv) Accounts payable.

The carrying values of the Company's financial instruments are as follows:

	31-Dec-18	31-Dec-17
	$	**$**
Financial Assets		
Cash and Cash Equivalents	9,425,547	24,793,983
Other Financial Assets	-	337,547
Other Assets	22,224	134,672
Total Financial Assets	**9,447,771**	**25,266,202**
Financial Liabilities		
Trade and Other Payables	40,391	158,806
Total Financial Liabilities	**40,391**	**158,806**
Net Exposure	**9,407,380**	**25,107,396**

(a) Market Risk

Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising primarily from its expected acquisition of HAPA Medical Group based in Germany (which as per Note 20 was finalised after balance date), primarily with respect to the Euro.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

Interest Rate Risk

All of the Company's financial instruments that are exposed to interest rate risk are either non-interest bearing, bear interest at commercial interest rates or at fixed rates. The weighted average interest rate on cash and short-term deposits at 31 December 2018 was 1.74% (31 December 2017: 2.47%). All receivables, other financial assets and payables are non-interest bearing.

(b) Credit Risk
Financial instruments, which potentially subject the Company to credit risk, consist primarily of cash and short-term deposits. Credit risk on cash, short term deposits and trade receivables is largely minimised by dealing with companies with acceptable credit ratings.

The Company has no reason to believe credit losses will arise from any of the above financial instruments. However, the maximum amount of loss, which may possibly be realised, is the carrying amount of the financial instrument.

Cash in Australia is held with National Australia Bank Limited which is an appropriate financial institution with an external credit rating of AA-. Cash in the US was held with First Republic Bank which is considered to be an appropriate financial institution with an external credit rating of A.

(c) Liquidity Risk
Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Management monitors the rolling forecasts of the Company's cash and fair value assets based on expected cash flows. This is generally carried out at a local level in the operating companies of the Company in accordance with the practise and limits set by the Company.

(d) Capital Risk management
The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to maintain a suitable capital structure and fulfil the objectives of the Company.

17. RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Compensation
Detailed remuneration disclosures are provided below:

	31-Dec-18	31-Dec-17
	$	$
Short-Term Employee Benefits	136,167	339,651
Post-Employment Benefits	-	-
Termination Benefits	-	113,313
Share-Based payments	1,521,645	44,938
Total Compensation Paid to Key Management	**1,657,812**	**497,902**

(b) Other transactions

There were no other related party transactions during the year (2017: none).

18. CONTINGENT LIABILITIES
The Company has no contingent liabilities as at 31 December 2018 (2017: Nil)

19. AUDITOR'S REMUNERATION

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	12 Months to 31 Dec 2018	11 Months to 31 Dec 2017
	$	$
Audit and review of financial reports and other audit work paid or payable to:		
PricewaterhouseCoopers Australian firm:	-	177,865
Bentleys Audit & Corporate (WA) Pty Ltd:	28,000	18,000
Total remuneration paid or payable to auditors	**28,000**	**195,865**

20. EVENTS SUBSEQUENT TO BALANCE DATE

On the 24th January 2019 the Company undertook an unmarketable parcel facility. This facility closed on 12 March 2019 with 347,728 shares purchased off market via the facility taking the total number of shareholders from 1,349 to 947.

The Company is currently in discussions with corporate advisors with the intent to pursue a capital raising and listing of its shares on an appropriate securities exchange at some point over the next 12 months subject to favourable market conditions.

On the 17th May 2019, the Company completed the final material condition precedent of the acquisition of HAPA Medical Group, issuing 90 million shares to the vendors, thereby completing the acquisition of HAPA.

At the date of this report, the initial accounting for the business combination is incomplete. Due to the period of time since the completion of the acquisition, the identification of the fair value of identifiable assets and liabilities of HAPA Medical Group have not be able to be completed.

Since 31 December 2018 to the date of acquisition, the Company had advanced a further €3.208 million under the existing loan to HAPA Medical Group.

The consideration payable for the acquisition consists of 90 million shares and cash of €1.3 million (of which €0.43 million is non-refundable).

On the 17th May 2019, the Company appointed Mr. Michael Sprenger as Managing Director.

The Directors are not aware of any matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that have significantly affected or may significantly affect the operations, the results or operations or the state of affairs of the Company in subsequent financial years.

21. COMMITMENTS

The Company has no commitments as at 31 December 2018 (2017: Nil)

In the directors' opinion:

(a) the financial statements and notes set out on pages 11 to 30 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Board of Directors.

Tod McGrouther
Non-Executive Director
28 May 2019

Bentleys
THINKING AHEAD

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Independent Auditor's Report

To the Members of European Cannabis Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of European Cannabis Corporation Limited ("the Company"), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 2(c) in the financial report which indicates that the Company incurred a net loss of $15,834,831 during the year ended 31 December 2018. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Company'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 report 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

We also provide the directors 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BENTLEYS	**MARK DELAURENTIS** CA
Chartered Accountants	**Partner**

Dated at Perth this 28th day of May 2019