ANNUAL REPORT

For the 12 months ended 31 December 2022

European Cannabis Corporation Limited

ACN 112 291 960

CONTENTS PAGE

DIRECTORS
Tod McGrouther (Non-Executive Chairman)
Andrew Chapman (Non-Executive Director)
Ricardo Pendon (Non-Executive Director)

COMPANY SECRETARY
Arron Canicais

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The directors present their report together with the financial report of European Cannabis Corporation ("the Company" or "Eurocann") for the financial year ended 31 December 2022.

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
Tod McGrouther	Non-Executive Chairman	Appointed 31 May 2016 as a Non-Executive Director. Appointed Non-Executive Chairman on 11 June 2021
Andrew Chapman	Non-Executive Director	Appointed 23 January 2017
Ricardo Pendon	Non-Executive Director	Appointed 6 April 2020
Harry Karelis	Executive Chairman	Appointed 20 November 2018 / Resigned 11 June 2021

2. INFORMATION ON DIRECTORS

Tod McGrouther
Non–Executive Chairman (Appointed 31 May 2016 as a Non-Executive Director. Appointed Non-Executive Chairman on 11 June 2021)
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.

Ricardo Pendon
Non-Executive Director (Appointed 6 April 2020)
Bachelor of Business Administration and Economics

Mr Ricardo Pendon is the founding Managing Director of HAPA Medical. Mr Pendon has been a successful entrepreneur for over 15 years. He has built two companies in the health insurance and public & investor relations sector and has achieve successful exits of these businesses. He has bootstrapped the Company since inception and has built a team of individuals and a network of relationships positioning the HAPA Pharm Group to take advantage of the medicinal cannabis sector in Europe. Mr Pendon resides in Germany.

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[1]	Number of Board Meetings Attended
Tod McGrouther	5	8
Andrew Chapman	7	8
Ricardo Pendon	8	8

[1]Meetings includes circular resolution addressed by the board.

4. COMPANY SECRETARY

Arron Canicais - Appointed 16 October 2017

Mr Canicais has been involved in financial reporting and corporate compliance for over 16 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 Group continued progressing obtaining the required regulatory licences and approvals with the aim of becoming a vertically integrated specialty pharmaceutical company focused on the German medicinal cannabis sector.

6. OPERATING AND FINANCIAL REVIEW

OPERATIONS

Eurocann wholly owned subsidiary HAPA pharm (HAPA) is an internationally active company focusing on the research, development and marketing of cannabinoid-containing products and drug formulations. HAPA has established itself as a pharmaceutical producer. With its own cultivation of cannabis plants in Europe, HAPA stands for the quality of all raw materials, semi-finished and finished products and is a manufacturer in accordance with EU GMP guidelines.

HAPA operates production facilities in North Macedonia to grow and process medical cannabis for the sale of pharmaceutical cannabis flos and extracts. HAPA has purpose built, state-of-the-art production facilities and GMP licenses in North Macedonia as well as German pharmaceutical distribution licenses are already in place, enabling a first-to-market, scalable business model.

As a globally active producer and wholesaler, HAPA is focusing on the possible uses of medical cannabis, which are becoming ever more important all over the world.

The European and in particular the German cannabis market is developing and growing at an exceptional speed. Less than 2 tons of medicinal cannabis products were imported into Germany in 2017 – 2021 it was already over 20 tons[1].

With the proposed recreational cannabis legalization, Germany should quickly become the global leader and one of the biggest cannabis market in the entire world. The German cannabis market could become larger than the Canadian and Californian markets combined. On top of this, more and more countries in the European Union legalize cannabis for medicinal use. Many governments such as Portugal or the Netherlands consider a fully legalized adult-use cannabis market similar to Germany.

Since our start in 2016 our company HAPA has gathered great experience, medical cannabis market share in Germany and brand awareness in the industry. HAPA is greatly positioned to benefit from Germany's market growth as well as more legalized European countries.

We would like to take the chance to update you on the most recent developments in HAPA and our envisioned next steps for the years ahead.

[1] https://www.bfarm.de/DE/Bundesopiumstelle/_FAQ/Cannabis/faq-liste.html?cms_fid=566334

ENHANCING PRODUCTION CAPACITIES

We have built, finished and GMP-audited 10 greenhouses successfully on our land in Spanchevo, North Macedonia. We have already started adding 10 more greenhouses. With our experiences of the past years, we will be able to finish this swiftly. The 20 greenhouses will allow us to produce up to 25,000 kg per year of premium grade dried cannabis flower. With an expected demand of 200,000 – 400,000kg[2] cannabis in the German recreational market alone, our capacity enhancement will allow us to serve our existing & future German customers and patients consistently. Within a couple of months we can add more production capacities on our land in North Macedonia when demand increases further.

We were able to increase our majority stake in RH pharma from 55% to 100%. RH pharma is our EU-GMP certified manufacturing site in Skopje, North Macedonia, where our cannabis flower is processed and refined into finished pharmaceutical products such as sublingual cannabis oils for oral intake. The full ownership allows us total margin, product development and manufacturing control on all our recreational upscale products as well as finished pharmaceuticals.

HAPA is amongst the very few players in the world that obtained the prime pharmaceutical standard of European Good Manufacturing Practice (EU-GMP). Physically audited by German regulatory officials for the entire value chain from field to pharmaceutical wholesale and distribution, we are proud to be the first German company that has successfully imported and sold its own grown cannabis flower and specifically produced extracts into the German market.

GAINING MORE MEDICAL MARKET SHARE

HAPA has been successful in closing the first meaningful supply agreement with VAMEDA Group / Cannaport: HAPA has agreed to sell 2,000kg of dried cannabis flower + 10,000 SKUs THC extracts in 2022 and has agreed to sell 4,000kg of dried flower + 20,000 bottles of cannabis extracts in 2023.

As we wish to further grow our business, we will invest more into marketing and selling activities as well as grow our team in these departments. HAPA pharm is a pharmaceutical company that serves patients and not cannabis users. HAPA pharm is clearly pharmaceutically oriented, meaning that all our marketing activities will feed into this medical image.

We have understood that only a distinct understanding of both worlds – pharmaceutical cannabis & recreational cannabis – will define a successful strategy for us. Many competitors in Germany hope to make semi-patients on prescription brand-loyal consumers in the German adult-use market. Hence, some companies market their pharmaceutical products focusing on their recreational application.

PLANNING FOR REC

The German government may legalize cannabis for recreational use within the next 12 to 18 months. In order for us to participate and benefit from this creation of an entirely new industry, we are finalizing our recreational market strategy for Germany at the moment. We will establish a new entity, with a new name and brand in order to grow in the recreational market. We want to use synergies from our current production, however, we will produce and market products for the recreational market distinctly and separated from our pharmaceutical business.

In order for HAPA to be successful in any recreational market, it is crucial to produce high-quality and premium cannabis products. As flower/pre-roll and vapes/concentrates will dominate the recreational market (we expect 65-75% category sales share[3]), those categories will be our main priority. Also, we can make best use of our existing manufacturing infrastructure of cannabis grow & extraction.

For the pharmaceutical market we currently work with Amnesia Kush. Amnesia Kush is a hybrid strain (70% Sativa, 30% Indica) of Cannabis Sativa L. that can achieve THC levels as high as 25%. In stark contrast to pharmaceutical focuses in production like validation of processes, qualification of machinery and strict pharmacopeia quality specification limits for the final product, the recreational market demands other priorities. The THC concentration (the higher the more sales), bag appeal (bud size, pistil color, trichome glance etc) and the aroma (smell, taste, terpenes etc) are the main factors most consumers evaluate the quality of their cannabis raw flower strains.

Therefore, we obtained over 50 different genetics from well-acknowledged breeders in California, USA and in British Columbia, Canada. We got hold of many top-seller and award-winning genetics. Our team currently runs multiple tests on our premises in Macedonia in order to assess the chemovars' potentials for the adult-use market. HAPA will select only the best phenotypes for commercial production. We target to maximize THC levels as well as offer a small selection of high-quality HAPA strains: To meet many different consumer needs, we want to offer a small variety in aroma, S/I/H[4], perceived "effect" as well as look & feel. Additionally,

[2] https://www.tagesspiegel.de/wirtschaft/wie-cannabis-zum-wirtschaftsfaktor-wird-5697136.html
[3] see for example NFD 2022 Cannabis Consumer Report at https://info.newfrontierdata.com/us-cannabis-2022

the strains must yield enough biomass as well as grow consistently and resistently on our cultivation facility. In order to grow seedlings quickly, we invest into in-vitro plant tissue culture breeding procedures well-known to intensive agriculture technology.

In upscaled products such as vape cartridges and extracts the industry standard is "live" meaning plants must be shock-frozen shortly after harvest to preserve its aroma (terpenes) and strength (cannabinoids) best. We want to be able to produce and sell live resin (solvent extracted) concentrates in vape cartridges and other consumption forms. To produce this, we can make great use of our existing state-of-the-art critical CO_2 extraction machines, team and know-how. Additionally, we will invest in machinery for the refinement of products (i.e. freezers, purging gear, filtration systems), rolling of pre-rolls as well as in educated personnel in order to be ready to sell premium upscale cannabis products by 2024.

The European cannabis market is just in its infancy and HAPA pioneers and leads this market since inception. The next years will be an incredibly busy and successful time for us. With your ongoing support and your interest, we are confident to increase shareholder value a lot further.

CORPORATE

On the 28th of February 2022 the Company had issued 20,620,000 ordinary shares via a placement at AU$0.05 to raise AU$1,031,000 before costs.

On the 14th of July 2022 the Company had issued 288,222,340 ordinary shares, after shareholder approval at the General Meeting held on 6th July 2022, at AU$0.05 to settle AU$14,411,117 in liabilities with related parties. A further 4,000,000 ordinary shares were issued to an unrelated party to settled AU$200,000 in liabilities and 50,000,000 ordinary AU to a third party to settle an existing contingent consideration which related to the acquisition of Eurokan D.O.O. that occurred in financial year ended 2018. This formally settled the contingent consideration noted at Note 22.

On the 7th November 2022 20,000,000 options were cancelled after agreements were reached with the various option holders.

On the 24th of December 2022 the Company had issued 60,000,000 ordinary shares via a placement at $0.01 to raise AU$600,000 before costs.

7. FINANCIAL PERFORMANCE & FINANCIAL POSITION

The financial results of the Company for the year ended 31 December 2022 are:

	31-Dec-22	31-Dec-21
Cash and cash equivalents (Euro)	418,666	119,664
Net (liabilities)/ assets (Euro)	2,655,236	(2,286,001)

	12 Months to 31 Dec 2022	12 Months to 31 Dec 2021
Income (Euro)	1,247,870	315,189
Loss from continuing operations after tax (Euro)	(5,676,431)	(5,268,689)
Loss from discontinued operations after tax (Euro)	-	-
Loss from continuing operations per share (cents)	(1.12)	(1.63)
Loss from discontinued operations per share (cents)	-	-

8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there have been no significant changes to the state of affairs of the Group during the year other than those disclosed elsewhere in the financial report or the notes thereto.

9. DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year (31 December 2021: Nil).

10. EVENTS SUBSEQUENT TO BALANCE DATE

During the 2023 financial year the Company repaid $2,000,000 to AusCann Group Holdings Limited ("AusCann") and AusCann provided additional borrowings of $1,250,000.

During the 2023 financial year the Company received proceeds from loans that total to $3,000,000 from Merchant Funds Management Pty Ltd ("Merchant").

During the 2023 financial year Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans that total to $4,300,000 from AusCann.

On 1 February 2023 Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans of AU$1,000,000 from John Andrew Rodgers ("John Rodgers").

On 14 June 2023 Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans of AU$500,000 from Peter John Manford ("Peter Manford").

On the 2nd of October 2023 the Company had issued 142,500,000 ordinary shares at $0.01 per share. This was in relation to a placement raising $1,425,000 before costs.

On the 26th of October 2023 the Company had issued 101,700,000 ordinary shares at $0.01 per share. This was in relation to a placement raising $1,017,000 before costs.

On 2 January 2024 Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans of EUR 550,000 from AusCann.

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 during the financial year, including their personally-related entities, is set out below:

31 December 2022	Balance at 1 Jan 2022 or date of appointment	Granted as Remuneration	On Exercise of Performance Rights / Options	Net Change Other	Balance at 31 Dec 2022
Directors					
Tod McGrouther	**31,022,573**	-	-	21,400,000	**52,422,573**
Andrew Chapman	**39,316,585**	-	-	180,391,113	**219,707,698**
Ricardo Pendon[1]	**90,000,000**	-	-	88,092,180	**178,092,180**

[1] Shareholding relates to shares held by Star Pharma BV a director related company of Mr Ricardo Pendon.

31 December 2021	Balance at 1 Jan 2021 or date of appointment	Granted as Remuneration	On Exercise of Performance Rights / Options	Net Change Other	Balance at 31 Dec 2021/Resignation Date
Directors					
Tod McGrouther	**18,522,573**	-	-	12,500,000	**31,022,573**
Andrew Chapman	**37,273,603**	-	-	2,042,982	**39,316,585**
Harry Karelis[1]	**4,862,456**	-	-	-	**4,862,456**
Ricardo Pendon[2]	**90,000,000**	-	-	-	**90,000,000**

[1] Harry Karelis had resigned on the 11th June 2021.
[2] Ricardo Pendon had been Appointed 6th April 2020. Shareholding relates to shares held by Hapa Medical BV a director related company of Mr Ricardo Pendon.

Option Holdings

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

31 December 2022	Balance at 1 Jan 2022	Granted as Remuneration	Vested Number	Vested %	Options Exercised	Net Change other	Forfeited Number	Forfeited %	Balance at 31 Dec 2022	Unvested	Vested & Exercisable
Directors											
Tod McGrouther	**5,000,000**	-	-	-	-	(5,000,000)	-	-	**-**	-	-
Andrew Chapman	**5,000,000**	-	-	-	-	(5,000,000)	-	-	**-**	-	-
Ricardo Pendon	**-**	-	-	-	-	-	-	-	**-**	-	-

31 December 2021	Balance at 1 Jan 2021	Granted as Remuneration	Vested Number	Vested %	Options Exercised	Net Change other	Forfeited Number	Forfeited %	Balance at 31 Dec 2021	Unvested	Vested & Exercisable
Directors											
Harry Karelis[1]	**10,000,000**	-	-	-	-	-	-	-	**10,000,000**	-	10,000,000
Tod McGrouther	**5,180,000**	-	-	-	-	(180,000)	-	-	**5,000,000**	-	5,000,000
Andrew Chapman	**5,000,000**	-	-	-	-	-	-	-	**5,000,000**	-	5,000,000
Ricardo Pendon	**-**	-	-	-	-	-	-	-	**-**	-	-

[1] Harry Karelis had resigned on the 11th June 2021

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 Hall Chadwick WA Audit Pty Ltd for audit and non-audit services provided during the financial year are set out in Note 23 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 Hall Chadwick Audit WA Audit 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 11.

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

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Tod McGrouther
Non-Executive Chairman
6 March 2024

To the Board of Directors

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit director for the audit of the financial statements of European Cannabis Corporation Limited for the year ended 31 December 2022, 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,

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated this 6th day of March 2024
Perth, Western Australia

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	Note	31 Dec 2022 Euro	31 Dec 2021 Euro
Income			
Revenue from contracts with customers		1,247,870	315,189
Changes in inventories of inventory		1,776,735	489,422
Cost of sales		(935,429)	(1,554,528)
Gross profit/(Loss)		2,089,176	(749,917)
Other Income	4	1,352,054	882,359
Expenses			
Administration Expenses		(880,182)	(950,608)
Employee benefits expense		(2,443,980)	(1,418,692)
Legal and consulting fees		(445,206)	(144,432)
Advertising expenses		(433,614)	(158,725)
Depreciation and amortisation		(724,025)	(78,138)
Finance cost		(683,066)	(699,315)
Provision for Impairment/ reversal	5	23,793	(2,087,575)
Loss on disposal of subsidiary	20	(1,639,256)	-
Foreign Exchange Gain/(Loss)		90,860	136,354
Settlement of contingent consideration	15	(1,686,250)	-
Other expenses		(297,735)	-
Loss Before Income Tax		**(5,676,431)**	**(5,268,689)**
Income Tax	6	-	-
Loss for the year attributable to Equity Holders of European Cannabis Corporation Limited		**(5,676,431)**	**(5,268,689)**
Other Comprehensive Income/(Loss) for the year			
Items that may be reclassified to profit and loss			
Foreign currency translation	16	(1,480,005)	(86,223)
Total Comprehensive Loss for the year		**(1,480,005)**	**(86,223)**
Total Comprehensive Loss for the year Attributable to Equity Holders of European Cannabis Corporation Limited		**(7,156,436)**	**(5,354,912)**
Loss for the year attributable to:			
Owners of the Company		(5,680,707)	(5,265,681)
Non-controlling interests		4,276	(3,008)
		(5,676,431)	**(5,268,689)**
Total Other Comprehensive Income/(Loss) for the year attributable to:			
Owners of the Company		(7,160,712)	(5,351,904)
Non-controlling interests		4,276	(3,008)
		(7,156,436)	**(5,354,912)**
Loss per Share for Loss attributable to the Ordinary Equity Holders of the Company			
Basic Loss per Share (cents per share)	7	(1.12)	(1.63)
Diluted Loss per Share (cents per share)	7	(1.12)	(1.63)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2022	31 Dec 2021
		Euro	Euro
CURRENT ASSETS			
Cash and Cash Equivalents	8(a)	418,666	119,664
Trade and other receivables	9	2,096,626	465,941
Inventories	10	2,874,311	2,054,508
Total Current Assets		**5,389,603**	**2,640,113**
NON-CURRENT ASSETS			
Property, Plant and Equipment	11	4,454,499	5,256,371
Intangibles	12	117,603	237,641
Right of Use Asset		140,419	-
Total Non-Current Assets		**4,712,521**	**5,494,012**
Total Assets		**10,102,124**	**8,134,125**
CURRENT LIABILITY			
Trade and Other Payables	13	1,541,899	1,259,006
Borrowings	14	1,000,000	8,804,718
Lease Liability		44,117	-
Total Current Liabilities		**2,586,016**	**10,063,724**
Trade and Other Payables		-	21,679
Borrowings	14	4,760,448	334,723
Lease Liability		100,424	**-**
Total Non-Current Liabilities		**4,860,872**	**356,402**
Total Liabilities		**7,446,888**	**10,420,126**
NET (LIABILITIES)/ ASSETS		**2,655,236**	**(2,286,001)**
EQUITY			
Contributed Equity	15	82,311,931	69,726,066
Reserves	16	(2,016,296)	2,195,756
Accumulated Losses	17	(77,640,399)	(74,203,547)
Non-controlling interest		-	(4,276)
Total Equity		**2,655,236**	**(2,286,001)**

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

	Note	31 Dec 2022	31 Dec 2021
		Euro	Euro
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		571,258	446,169
Payments to Suppliers and Employees		(7,027,694)	(4,626,112)
Finance costs		(11,139)	(44,318)
Interest Received		4,943	71
Net Cash used in Operating Activities	8(c)	**(6,462,632)**	**(4,224,190)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(152,079)	27,179
Payments for intangible assets		(7,890)	(65,000)
Net Cash used in Investing Activities		**(159,969)**	**(37,821)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		1,080,733	-
Proceeds from exercise of Options		-	319,600
Proceeds from borrowings		5,882,075	3,505,136
Repayment of lease liabilities		(41,205)	-
Net Cash Inflows from Financing Activities		**6,921,603**	**3,824,736**
Net Increase/ (Decrease) in Cash and Cash Equivalents		299,002	(437,275)
Foreign Exchange Movement in Cash		-	-
Cash and Cash Equivalents at the Beginning of the Period		119,664	556,939
Cash and Cash Equivalents at the End of the Period	8(a)	**418,666**	**119,664**

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

	Note	Contributed Equity	Foreign Currency Translation Reserve	Option & Share Based Payment Reserve	Convertible Note Reserve	Accumulated Losses	Non-controlling interests	Total
		Euro	Euro	Euro	Euro	Euro	Euro	Euro
Balance at 1 January 2021		**69,406,466**	**(450,068)**	**2,243,855**	**-**	**(68,937,866)**	**(1,268)**	**2,261,119**
Loss for the period		-	-	-	-	(5,265,681)	(3,008)	(5,268,689)
Other Comprehensive Income	16	-	(86,223)	-	-	-	-	(86,223)
Total Comprehensive Loss		**-**	**(86,223)**	**-**	-	**(5,265,681)**	**(3,008)**	**(5,354,912)**
Transactions with Owners in Their Capacity as Owners								
Issue of Placement	15	319,600	-	-	-	-	-	319,600
Convertible Note	16	-	-	-	488,192	-	-	488,192
Balance at 31 December 2021		**69,726,066**	**(536,291)**	**2,243,855**	**488,192**	**(74,203,547)**	**(4,276)**	**(2,286,001)**

	Note	Contributed Equity	Foreign Currency Translation Reserve	Option & Share Based Payment Reserve	Convertible Note Reserve	Accumulated Losses	Non-controlling interests	Total
		Euro	Euro	Euro	Euro	Euro	Euro	Euro
Balance at 1 January 2022		**69,726,066**	**(536,291)**	**2,243,855**	**488,192**	**(74,203,547)**	**(4,276)**	**(2,286,001)**
Loss for the period		-	-	-	-	(5,680,707)	4,276	(5,676,431)
Other Comprehensive Income	16	-	(1,480,005)	-	-	-	-	(1,480,005)
Total Comprehensive Loss		**-**	**(1,480,005)**	**-**	-	**(5,680,707)**	**4,276**	**(7,156,436)**
Transactions with Owners in Their Capacity as Owners								
Issue of Shares	15	12,585,865	-	-	(488,192)	-	-	12,097,673
Transfer options reserve to accumulated losses		-	-	(2,243,855)	-	2,243,855	-	-
Balance at 31 December 2022		**82,311,931**	**(2,016,296)**	**-**	**-**	**(77,640,399)**	**-**	**2,655,236**

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

1. CORPORATE INFORMATION

This Annual Report for the year ending 31 December 2022 is for European Cannabis Corporation Limited (the "Company") and its controlled entities (collectively referred to as the "Group", "Consolidated Entity" and/or "Eurocann"). The Company is 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 2022.

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 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 comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

(b) Presentation currency

During the financial year, the presentation currency in its consolidated financial statements is Euro.

(c) 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.

(d) 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 Group made a net loss after tax for the year of Euro 5,676,431 (2021: Euro 5,268,689) which include a loss on disposal of subsidiary of Euro 1,686,250 (2021: Euro Nil) and asset provisions for impairment of Euro (23,793) (2021: Euro 2,087,575). The Group generated net operating cash outflows for the year of Euro 6,462,632 (2021: Euro 4,224,190).

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group 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 Group to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Group 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:

- During the 2023 financial year the Company repaid $2,000,000 to AusCann Group Holdings Limited ("AusCann") and AusCann provided additional borrowings of $1,250,000.
- During the 2023 financial year the Company received proceeds from loans of $3,000,000 from Merchant Funds Management Pty Ltd ("Merchant").
- During the 2023 financial year Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans that total to $4,300,000 from AusCann.
- On 1 February 2023 Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans of AU$1,000,000 from John Andrew Rodgers ("John Rodgers").
- On 14 June 2023 Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans of AU$500,000 from Peter John Manford ("Peter Manford").
- On the 2nd of October 2023 the Company had issued 142,500,000 ordinary shares at $0.01 per share. This was in relation to a placement raising $1,425,000 before costs.
- On the 26th of October 2023 the Company had issued 101,700,000 ordinary shares at $0.01 per share. This was in relation to a placement raising $1,017,000 before costs.
- On 2 January 2024 Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans of EUR 550,000 from AusCann.

- The Directors have an appropriate plan to raise additional funds to settle the borrowings as and when they fall due and payable in June 2025,
- The Directors have an appropriate plan to raise additional funds as and when they are required. The Directors believe that the additional capital required can be raised via the issue of debt and/or equity instruments in the market;
- Raising additional working capital via divestment of non-core Group assets;
- The Directors have an appropriate plan to contain certain expenditure if appropriate funding is unavailable.
- the Directors are confident that they have the ongoing support of its loan providers and creditors and given the cash forecast be in a position to meet its working capital requirements for the 12 month period following the signing of this report

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.

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

The significant accounting policies adopted in the preparation of the historical financial information included in this report have been set out below.

Accounting policies
The Company has consistently applied the following accounting policies to all periods presented in the financial statements.

New and Revised Standards that are effective for these Financial Statements

The Group has adopted all new and revised Standards that are effective for these financial statements. The adoption of the new or amended standards and interpretations did not result in any significant changes to the Group's accounting policies.

Standards issued but not yet effective and not early adopted by the Group

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements, to the extent they are considered applicable to the Group, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(o) Leases

The Group as lessee
At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

– fixed lease payments less any lease incentives;
– variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
– the amount expected to be payable by the lessee under residual value guarantees;
– the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
– lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
– payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.
Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The Group as lessor
Upon entering into each contract as a lessor, the Group assesses if the lease is a finance or operating lease.

A contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (for example, legal cost, costs to set up equipment) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Rental income due under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

When a contract is determined to include lease and non-lease components, the Group applies AASB 15 to allocate the consideration under the contract to each component.

(p) Foreign Exchange

Foreign currency transactions
The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates.

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the year in which they arise except that exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve in the consolidated financial statements and recognised in consolidated profit or loss on disposal of the net investment.

(q) Convertible Notes

Convertible notes are separated into their component parts based on the terms of the contract. When the notes are denominated in foreign currency, the conversion right represents a derivative liability. The fair value of the derivative feature is determined using an appropriate option pricing model. The derivative liability is initially recognised at fair value and subsequently carried at fair value through profit and loss. The remainder of the proceeds received on issue of the notes is allocated to the host debt contract that is subsequently measured at amortised cost until it is extinguished on conversion or redemption.

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. OTHER INCOME

	31 Dec 2022	31 Dec 2021
	Euro	Euro
Interest income	4,943	71
Forgiveness of loan	1,498,712	
Forgiveness on commission payable	-	882,288
Other income	(151,601)	-
Total Other Income	**1,352,054**	**882,359**

5. EXPENSES

	31 Dec 2022	31 Dec 2021
	Euro	Euro
Loss on disposal of subsidiary	1,639,256	-
Provision for impairment expense		
Provision for non-recoverability – loans to other entities	(23,793)	2,087,575
Total Provision for impairment expense	**(23,793)**	**2,087,575**

6. RECONCILIATION OF TAX EXPENSE

	31 Dec 2022	31 Dec 2021
	Euro	Euro
Reconciliation of Tax Expense		
Loss Before Tax	(5,676,431)	(5,268,689)
Tax at the Australian rate of 26% (31 December 2021: 27.5%)	(1,475,872)	(1,448,889)
Non-Assessable Income	-	-
Tax Losses Carried Forward not Brought to Account	1,475,872	1,448,889
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.

7. LOSS PER SHARE

	31 Dec 2022	31 Dec 2021
	Euro	Euro
Continuing Operations		
Loss from Continuing Operations Attributable to Equity Holders of European Cannabis Corporation Limited (Euro)	(5,676,431)	(5,268,689)
Weighted average number of ordinary shares for basis per share (No)	506,004,779	323,961,394
Basic and Diluted Loss per share from Continuing Operations (cents)	(1.12)	(1.63)

8. CASH AND CASH EQUIVALENTS

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

	31 Dec 2022	31 Dec 2021
	Euro	Euro
Cash at bank and in hand	418,666	119,664
Total cash and cash equivalents	**418,666**	**119,664**

(b) Interest rate risk exposure

The Company's exposure to interest rate risk is discussed in Note 19: Financial Risk Management.

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

	31 Dec 2022	31 Dec 2021
	Euro	Euro
Operating Loss After Income Tax	(5,676,431)	(5,268,689)
Forgiveness of loan	(1,498,712)	-
Loss on disposal of subsidiary	1,639,256	-
Provision for Impairment	(23,793)	-
Depreciation	724,025	595,153
Foreign Exchange Gain	(90,860)	(213,568)
Finance Costs	(671,927)	652,332
Settlement of contingent consideration	1,686,250	-
Net cash used in operating activities before change in assets and liabilities	**(3,912,192)**	**(4,234,772)**
Changes in assets and liabilities:		
Decrease/(Increase) in receivables	(1,630,684)	535,939
(Increase)/Decrease in inventories	(819,803)	(836,532)
Increase in trade payables	(99,953)	311,175
Net cash used in operating activities	**(6,462,632)**	**(4,224,190)**

9. TRADE AND OTHER RECEIVABLES

	31 Dec 2022	31 Dec 2021
Current	Euro	Euro
Trade Debtors	393,296	166,668
GST/VAT receivable	952,995	141,050
Prepayments	13,192	79,714
Security Deposit	714,091	78,509
Other Assets	23,052	-
Total Trade and Other Receivables	**2,096,626**	**465,941**

10. INVENTORIES

	31 Dec 2022	31 Dec 2021
	Euro	Euro
Raw Materials	42,995	1,294,387
Finished Goods	2,831,316	760,121
Total Inventory	**2,874,311**	**2,054,508**

11. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2022	31 Dec 2021
Property, Plant and Equipment	Euro	Euro
Cost	5,883,560	6,169,678
Accumulated Depreciation	(1,429,061)	(913,307)
Total Property, Plant and Equipment	**4,454,499**	**5,256,371**

	31 Dec 2022	31 Dec 2021
Non-Current	Euro	Euro
Plant and Equipment		
Opening Balance	4,648,042	4,974,646
Additions	124,536	53,421
Disposals	(9,418)	(7,865)
Transfer from Asset Under Construction	53,066	212,999
Foreign Exchange Movement	(26,833)	(33,899)
Depreciation charge for the period	(515,755)	(551,260)
Total Plant and Equipment	**4,273,638**	**4,648,042**

	31 Dec 2022	31 Dec 2021
Asset Under Construction	Euro	Euro
Opening Balance	140,510	342,664
Additions	27,543	12,741
Disposals	-	-
Transfer to Plant and Equipment	(53,205)	(212,999)
Transfer to Intangibles	(4,165)	-
Foreign Exchange Movement	8	(1,896)
Total Asset Under Construction	**110,691**	**140,510**

	31 Dec 2022	31 Dec 2021
Land	Euro	Euro
Opening Balance	467,819	466,427
Additions	-	1,875
Disposals	(397,645)	(483)
Foreign Exchange Movement	(4)	-
Total Land	**70,170**	**467,819**

12. INTANGIBLES

Non-Current	31 Dec 2022 Euro	31 Dec 2021 Euro
Software		
Opening Balance	237,641	267,607
Additions	7,890	3,629
Disposals	(1,529)	
Transfer from Asset Under Construction	4,165	-
Amortisation charge for the period	(112,507)	(32,519)
Foreign Exchange Movement	(18,057)	(1,076)
Total Intangibles	**117,603**	**237,641**

13. TRADE AND OTHER PAYABLES

	31 Dec 2022 Euro	31 Dec 2021 Euro
Trade Payables	769,738	1,039,256
Other Payables	772,161	219,750
Total Trade and Other Payables	**1,541,899**	**1,259,006**

14. BORROWINGS

	31 Dec 2022 Euro	31 Dec 2021 Euro
Current Loan	1,000,000	8,804,718
Non-Current Loan	4,760,448	334,723
Total Borrowings	**5,760,448**	**9,139,441**

Reconciliation of Borrowings

	Euro
Opening Balance	9,139,441
Proceeds received during the year	5,882,075
Settlement via share issue	(8,754,044)
Interest Accrued	501,945
Equity Portion of Convertible Note	488,304
Forgiveness of borrowings	(1,498,712)
FX Movement	1,439
Reconciliation of Borrowings	**5,760,448**

During the 2019, the Company entered into a 5M Euro debt facility with Merchant Funds Management Pty Ltd. Cumulative Interest payable as at 31 December 2021 of Euro 1,100,515. There were no interest payments made during the year. The Merchant Loan debt facility agreement is unsecured, which has an interest rate of 10% per annum with repayment due 2 September 2021. During the year the facility was extended to 31 December 2022. This loan was settled via a share issue that occurred on 14 July 2022.

On 24 May 2021, the Company entered into an AU$200,000 promissory note facility with Josephine Pty Ltd, an entity related to Mr McGrouther. Interest payable as at 31 December 2021 of AU$52,888. There were no interest payments during the year. The Josephine promissory note facility agreement has a security to be repaid from future capital raises and against material inventory of the Group, which has an interest rate of 5% per Calendar month with repayment due 24 September 2021. Subsequent to this date the facility was extended to 31 December 2022 with a new interest rate of 20% per annum. This loan was settled via a share issue that occurred on 14 July 2022.

On 24 May 2021, the Company entered into an AU$200,000 convertible note facility with a third party Kunjoorup Pty Ltd. Interest payable as at 31 December 2021 of AU$5,996. There were no interest payments during the year. The Kunjoorup convertible note facility agreement is unsecured and an interest rate of 5% per annum month with repayment due 31 January 2024. This loan was settled via a share issue that occurred on 14 July 2022.

On 2 July 2021, the Company entered into an AU$370,000 promissory note facility with Josephine Pty Ltd, an entity related to Mr McGrouther. Interest payable as at 31 December 2021 of AU$103,195. There were no interest payments during the year. The Josephine promissory note facility agreement has a security to be repaid from future capital raises and against material inventory of the Group, which has an interest rate of 10% per calendar month of the note with repayment due 2 September 2021. Subsequent to this date the facility was extended to 31 December 2022 with a new interest rate of 20% per annum. This loan was settled via a share issue that occurred on 14 July 2022.

On 25 October 2021, the Company entered into an AU$500,000 convertible note facility with Merchant Funds Management Pty Ltd, an entity related to Mr Chapman. Interest payable as at 31 December 2021 of AU$4,498. There were no interest payments during the year. The Merchant convertible note debt facility agreement is unsecured, which has an interest rate of 5% per annum with repayment due 31 January 2024. This loan was settled via a share issue that occurred on 14 July 2022.

On 26 November 2021, the Company entered into an AU$500,000 convertible note facility with Macaronis Pty Ltd, an entity related to Mr Chapman. Interest payable as at 31 December 2021 of AU$2,345. There were no interest payments during the year. The Macaronis convertible note facility agreement is unsecured, which has an interest rate of 5% per annum with repayment due 31 January 2024. This loan was settled via a share issue that occurred on 14 July 2022.

During the 2021 year, the Group entered into a number of loan agreements with Star Pharma, an entity related to Mr Pendon. The total of these loans is Euro 1,714,512. There is no interest payable on these loans and the loans are unsecured with no due date. This loan was settled via a share issue that occurred on 14 July 2022.

During the 2021 year, the Group entered into a number of loan agreements with HAPA Medical, an entity related to Mr Pendon. The total of these loans is Euro 464,200. There is no interest payable on these loans and the loans are unsecured with no due date. This loan was settled via a share issue that occurred on 14 July 2022. This loan was settled during the 2022 financial year.

During the 2021 year, the Group entered into a number of loan agreements with external parties. The total of these loans is Euro 60,000. There is no interest payable on these loans and the loans are unsecured with no due date. This loan was settled during the 2022 financial year.

In May 2022, the Group entered into a loan agreements with AusCann Group Holdings Limited ("AusCann"), an entity related to Mr McGrouther. The total of these loans is Euro 8,750,000. Interest payable as at 31 December 2022 of Euro 196,323. There were no interest payments made during the year. The AusCann Loan debt facility agreement is secured against the assets of the Group, which has an interest rate of 7.5% per annum with repayment due via anniversary payments of $1,000,000 to be made at the first and second anniversary of the loan with the balance of the loan repayable on the third anniversary.

15. CONTRIBUTED EQUITY

	31 Dec 2022		31 Dec 2021	
	Euro	No.	Euro	No.
Issued and fully paid				
Ordinary shares	82,311,931	750,529,761	69,726,066	327,687,421
	82,311,931	**750,529,761**	**69,726,066**	**327,687,421**

Movement in ordinary shares	Euro	No.
Balance at 31 December 2021	**69,726,066**	**327,687,421**
Issued in Placement	664,376	20,620,000
Issued to settle borrowings	9,855,199	292,222,340
Issued to settle contingent liability	1,686,250	50,000,000
Issued in Placement	380,040	60,000,000
Balance at 31 December 2022	**82,311,931**	**750,529,761**

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.

16. RESERVES

	31 Dec 2022	31 Dec 2021
	Euro	Euro
Share Based Payments Reserve	-	2,243,855
Foreign Currency Translation Reserve	(2,016,296)	(536,291)
Convertible note reserve	-	488,192
	(2,016,296)	**2,195,756**

	31 Dec 2022	31 Dec 2021
Movement Reconciliation	Euro	Euro
Share Based Payments Reserve		
Balance at the beginning of the period	**2,243,855**	**2,243,855**
Transfer to Accumulated Losses	(2,243,855)	-
Balance at the end of the period	**-**	**2,243,855**
Foreign Currency Translation Reserve		
Balance at the beginning of the period	**(536,291)**	**(450,068)**
Foreign Currency Translation	(1,480,005)	(86,223)
Balance at the end of the period	**(2,016,296)**	**(536,291)**
Convertible note reserve		
Balance at the beginning of the period	**488,192**	**-**
Convertible note reserve	(488,192)	488,192
Balance at the end of the period	**-**	**488,192**

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.

17. ACCUMULATED LOSSES

	31 Dec 2022	31 Dec 2021
	Euro	Euro
Movement in accumulated losses		
Balance at the beginning of the period	**(74,203,547)**	**(68,937,866)**
Net loss in current year	(5,680,707)	(5,265,681)
Transfer from Options Reserve	2,243,855	-
Balance at the end of the period	**(77,640,399)**	**(74,203,547)**

18. SHARE-BASED PAYMENTS

(a) 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 (AUD)	Share options 31-Dec-2022	Share options 31-Dec-2021
12-Sep-18	12-Sep-23	$0.20	-	20,000,000
		Total	**-**	**20,000,000**

(b) Performance Rights

There were no Performance Rights issued during the period (2021: Nil).

19. 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.
(v) Borrowings

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

	31 Dec 2022 Euro	31 Dec 2021 Euro
Financial Assets		
Cash and Cash Equivalents	418,666	119,664
Trade & Other Receivables	2,096,626	465,941
Total Financial Assets	**2,515,292**	**585,605**
Financial Liabilities		
Trade and Other Payables	1,541,899	1,280,685
Borrowings	5,760,448	9,139,441
Total Financial Liabilities	**7,302,347**	**10,420,126**
Net Exposure	**(4,787,055)**	**(9,834,521)**

(a) Market Risk

Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising primarily from its acquisition of HAPA Medical Group based in Germany, 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 2022 was 0.00% (31 December 2021: 0.00%). 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.

20. CONTROLLED ENTITIES

Name of entity	Country of incorporation	Ownership interest 2022	Ownership interest 2021
HAPA Pharm B.V	Netherlands	100%	100%
HAPA Pharm GmbH	Germany	100%	100%
HAPA Cultivation AE	Greece	-	90%
HAPA Medikal D.O.O.	Macedonia	100%	100%
RH Pharma D.O.O.	Macedonia	100%	55%

On 30 June 2022 the Group sold its held shares of HAPA Cultivation AE, resulting in a loss on sale of EUR1,639,256. The proceeds of the sale were EUR560,000. The net assets at the time of disposal were EUR2,199,256.

21. RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Compensation

Detailed remuneration disclosures are provided below:

	31 Dec 2022 Euro	31 Dec 2021 Euro
Short-Term Employee Benefits	180,959	-
Post-Employment Benefits	-	-
Termination Benefits	-	-
Share-Based payments	-	-
Total Compensation Paid to Key Management	180,959	**-**

(b) Other transactions

During the 2019 year, the Company entered into a 5m Euro debt facility with Merchant Funds Management Pty Ltd, an entity related to Mr Chapman. Interest payable as at 31 December 2021 of Euro 1,100,515. There were no interest payments during the year. The Merchant Loan debt facility agreement is unsecured, which has an interest rate of 10% per annum with repayment due 2 September 2021. During the year the facility was extended to 31 December 2022. This loan was settled via a share issue that occurred on 14 July 2022.

On 24 May 2021, the Company entered into an AU$200,000 promissory note facility with Josephine Pty Ltd, an entity related to Mr McGrouther. Interest payable as at 31 December 2021 of AU$52,888. There were no interest payments during the year. The Josephine promissory note facility agreement has a security to be repaid from future capital raises and against material inventory of the Group, which has an interest rate of 5% per calendar month with repayment due 24 September 2021. Subsequent to this date the facility was extended to 31 December 2022 with a new interest rate of 20% per annum. This loan was settled via a share issue that occurred on 14 July 2022.

On 2 July 2021, the Company entered into an AU$370,000 promissory note facility with Josephine Pty Ltd, an entity related to Mr McGrouther. Interest payable as at 31 December 2021 of AU$103,195. There were no interest payments during the year. The Josephine promissory note facility agreement has a security to be repaid from future capital raises and against material inventory of the Group, which has an interest rate of 10% per calendar month with repayment due 2 September 2021. Subsequent to this date the facility was extended to 31 December 2022 with a new interest rate of 20% per annum. This loan was settled via a share issue that occurred on 14 July 2022.

On 25 October 2021, the Company entered into an AU$500,000 convertible note facility with Merchant Funds Management Pty Ltd, an entity related to Mr Chapman. Interest payable as at 31 December 2021 of AU$4,498. There were no interest payments during the year. The Merchant convertible note debt facility agreement is unsecured, which has an interest rate of 5% per annum with repayment due 31 January 2024. This loan was settled via a share issue that occurred on 14 July 2022.

On 26 November 2021, the Company entered into an AU$500,000 convertible note facility with Macaronis Pty Ltd, an entity related to Mr Chapman. Interest payable as at 31 December 2021 of AU$2,345. There were no interest payments during the year. The

Macaronis convertible note facility agreement is unsecured, which has an interest rate of 5% per annum with repayment due 31 January 2024. This loan was settled via a share issue that occurred on 14 July 2022.

During the 2021 year, the Group entered into a number of loan agreements with Star Pharma, an entity related to Mr Pendon. The total of these loans is Euro 1,714,512. There is no interest payable on these loans and the loans are unsecured with no due date. This loan was settled via a share issue that occurred on 14 July 2022.

During the 2021 year, the Group entered into a number of loan agreements with HAPA Medical, an entity related to Mr Pendon. The total of these loans is Euro 464,200. There is no interest payable on these loans and the loans are unsecured with no due date. This loan was settled during the 2022 financial year.

In May 2022, the Group entered into a loan agreements with AusCann Group Holdings Limited ("AusCann"), an entity related to Mr McGrouther. The total of these loans is Euro 8,750,000. Interest payable as at 31 December 2022 of Euro 196,323. There were no interest payments made during the year. The AusCann Loan debt facility agreement is secured against the assets of the Group, which has an interest rate of 7.5% per annum with repayment due via anniversary payments of $1,000,000 to be made at the first and second anniversary of the loan with the balance of the loan repayable on the third anniversary.

There were no other related party transactions other than the related party loan disclosed at Note 14 (2021: Nil Euro).

22. CONTINGENT LIABILITIES

As of 31 December 2022, there are court litigations raised against each of the Macedonian subsidiaries in amount of EUR 90,666. According the litigations, as of the date of the financial statements, no provision for potential losses has been accounted for. Various legal actions and claims may be asserted in the future against the Company from litigations and claims incident to the ordinary course of business. Although the outcome of these matters cannot always be ascertained with precision, the management of the Company believes that no material liabilities are likely to result.

As at 31 December 2021 the Company had the following contingent liability. The Company has an obligation to a third party of EUR0.5 for each gram sold in the period of three calendar years from the time of commence of commercial sales as settlement of the contingent consideration which related to the acquisition of Eurokan D.O.O. that occurred in financial year ended 2018. As described in Note 24 (Subsequent event note), the Company has settled this obligation in full via the issue of 50,000,000 ordinary shares at $0.20 AUD per share.

23. 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:

	31 Dec 2022	31 Dec 2021
	Euro	Euro
Audit and review of financial reports and other audit work paid or payable to:		
Hall Chadwick WA Audit Pty Ltd	27,719	16,028
Total remuneration paid or payable to auditors	**27,719**	**16,028**

24. EVENTS SUBSEQUENT TO BALANCE DATE

During the 2023 financial year the Company repaid $2,000,000 to AusCann Group Holdings Limited ("AusCann") and AusCann provided additional borrowings of $1,250,000.

During the 2023 financial year the Company received proceeds from loans that total to $3,000,000 from Merchant Funds Management Pty Ltd ("Merchant").

During the 2023 financial year Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans that total to $4,300,000 from AusCann.

On 1 February 2023 Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans of AU$1,000,000 from John Andrew Rodgers ("John Rodgers").

On 14 June 2023 Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans of AU$500,000 from Peter John Manford ("Peter Manford").

On the 2nd of October 2023 the Company had issued 142,500,000 ordinary shares at $0.01 per share. This was in relation to a placement raising $1,425,000 before costs.

On the 26th of October 2023 the Company had issued 101,700,000 ordinary shares at $0.01 per share. This was in relation to a placement raising $1,017,000 before costs.

On 2 January 2024 Hapa Pharm BV, a subsidiary of the Company, received proceeds from loans of EUR 550,000 from AusCann.

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.

25. COMMITMENTS

The Company has no commitments as at 31 December 2022 (2021: Nil).

26. PARENT ENTITY NOTE

The following details information related to the parent entity, European Cannabis Corporation, at 31 December 2022. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	31 Dec 2022 Euro	31 Dec 2021 Euro
Current Assets	55,515	46,465
Non-Current Assets	8,396,913	4,614,381
Total Assets	**8,452,428**	**4,660,846**
Current Liabilities	36,744	6,946,847
Non-Current Liabilities	5,760,448	-
Total Liabilities	**5,797,192**	**6,946,847**
Net Assets	**2,655,236**	**(2,286,001)**
Issued Capital	82,311,931	69,726,066
Reserves	(760,283)	2,275,836
Accumulated Losses	(78,896,412)	(74,287,903)
Total Equity	**2,655,236**	**(2,286,001)**
Losses attributable to the Parent Company	**(4,608,509)**	**(8,386,310)**

In the directors' opinion:

(a) the financial statements and notes set out on pages 12 to 31 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 2022 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
6 March 2024

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") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Consolidated Entity is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 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 Consolidated Entity 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.

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Material Uncertainty Related to Going Concern

We draw attention to Note 2(d) in the financial report which indicates that the Consolidated Entity incurred a net loss of Euro 5,676,431 during the year ended 31 December 2022. As stated in Note 2(d), these events or conditions, along with other matters as set forth in Note 2(d), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity'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 Consolidated Entity's annual report for the year ended 31 December 2022, 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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity 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.

HALL CHADWICK

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.

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated this 6th day of March 2024
Perth, Western Australia