ANNUAL REPORT

For the 12 months ended 31 December 2019

European Cannabis Corporation Limited

ACN 112 291 960

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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 Limited (formerly 1-Page Limited) ("the Company" or "Eurocann") for the financial year ended 31 December 2019.

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 / Resigned 11 June 2021
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
Michael Sprenger	Managing Director	Appointed 17 May 2019 / Resigned 6 April 2020

2. INFORMATION ON DIRECTORS

Harry Karelis
Executive Chairman (Appointed 20 November 2018) (resigned 11th June 2021)
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 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.

Michael Sprenger
Managing Director (Appointed 17 May 2019 / Resigned 6 April 2020)
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.

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
Harry Karelis	5	4
Tod McGrouther	5	5
Andrew Chapman	5	5
Michael Sprenger	5	5

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

4. COMPANY SECRETARY

Arron Canicais - Appointed 16 October 2017

Mr Canicais is a corporate advisory executive of corporate advisory firm Smallcap Corporate which specialises in corporate advice and compliance administration to public companies. Mr Canicais has been involved in financial reporting and corporate compliance for over 14 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

Eurrocan 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, which previously operated under the name of HAPA Medical, 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.

In order to increase its recognizability and better reflect the various aspects of the company, HAPA Medical renamed itself during the year to HAPA pharm.

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.

On May 1st 2020, HAPA has successfully received GMP (Good Manufacturing Practice) approval for both facilities. This milestone demonstrates HAPA's commitment towards stringent quality assurance on premises and throughout all pharmaceutical processes to manufacture APIs and finished products.

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. Besides the development work, the emphasis here is on producing and selling products of the corresponding standard of quality. HAPA has had two products on the German market since 2019, both now established: the HAPA THC test strip and the AYUCANA CBD oil. The test strip is a quick and easy method for determining the presence of the cannabinoid Δ9-tetrahydrocannabinol (THC) in extracts and cannabis flos. The AYUCANA CBD oil is a full-spectrum extract of EU-certified industrial hemp, which is available from pharmacies as a dietary supplement with 5, 10 or 15% cannabidiol.

CORPORATE

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.

On the 31st 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.

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.

7. FINANCIAL PERFORMANCE & FINANCIAL POSITION

The financial results of the Company for the year ended 31 December 2019 are:

	31-Dec-19	31-Dec-18
Cash and cash equivalents (Euro)	980,105	5,823,103
Net assets (Euro)	2,912,799	7,002,714

	12 Months to 31 Dec 2019	12 Months to 31 Dec 2018
Income (Euro)	163,831	248,357
Loss from continuing operations after tax (Euro)	(14,799,881)	(10,025,397)
Loss from discontinued operations after tax (Euro)	-	-
Loss from continuing operations per share (cents)	(7.09)	(6.62)
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 2018: Nil).

10. EVENTS SUBSEQUENT TO BALANCE DATE

On the 6th of April 2020, the Company appointed Mr Ricardo Pendon as Non-Executive Director. On this same day, Mr. Michael Sprenger resigned as Managing Director.

On the 23rd of January 2020 the Company had issued 5,000,000 ordinary shares via a conversion of existing options at $0.20.

On the 20th of February 2020 the Company had issued 2,500,000 ordinary shares via a conversion of existing options at $0.20.

On the 29th of October 2020 the company had issued 58,244,740 ordinary shares at $0.05 per share. This was in relation to a placement and settlement of liabilities.

On the 17th of May 2021 the Company had issued 10,000,000 ordinary shares at $0.05 per share. This was in relation to a placement.

On 24th May 2021 the Company executed promissory notes with a director related entity of Mr Tod McGrouther for $200,000 and a third-party entity for $200,000.

On the 11th of June 2021 Harry Karelis had resigned as Executive Chairman. Tod McGrouther has been appointed as Non-executive Chairman.

On 2nd July 2021 the Company executed promissory notes with a director related entity of Mr Tod McGrouther for $370,000.

Subsequent to year end the Merchant facility was extended to 2 September 2021.

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 2019	Balance at 1 Jan 2019 or date of appointment	Granted as Remuneration	On Exercise of Performance Rights / Options	Net Change Other	Balance at 31 Dec 2019
Directors					
Tod McGrouther	**13,162,948**	-	1,187,500	1,672,125	**16,022,573**
Andrew Chapman	**25,538,715**	-	-	1,115,841	**26,654,556**
Harry Karelis	**1,930,000**	-	-	2,932,456	**4,862,456**
Michael Sprenger[1]	**-**	-	-	90,000,0000	**90,000,000**

[1] Shareholding relates to shares held by Hapa Medical BV a director related company of Mr Michael Sprenger.

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.

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 2019	Balance at 1 Jan 2019	Granted as Remuner-ation	Vested		Options Lapsed	Forfeited		Balance at 31 Dec 2019	Unvested	Vested & Exercisable
			Number	%		Number	%			
Directors										
Harry Karelis	**12,500,000**	-	-	-	-	-	-	**12,500,000**	-	12,500,000
Tod McGrouther	**8,867,500**	-	-	-	(1,187,500)	-	-	**7,680,000**	-	7,680,000
Andrew Chapman	**7,500,000**	-	-	-	-	-	-	**7,500,000**	-	7,500,000
Michael Sprenger	**-**	-	-	-	-	-	-	**-**	-	-

31 December 2018	Balance at 1 Jan 2018	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

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, previously known as Bentleys Audit & Corporate Pty Ltd) for audit and non-audit services provided during the financial year are set out in Note 24 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 WA Audit Pty Ltd, previously known as Bentleys Audit & Corporate 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 Chairman
16 September 2021

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 2019, 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
Partner

Dated at Perth this 16th day of September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	Note	31 Dec 2019 Euro	31 Dec 2018 Euro
Income			
Revenue from contracts with customers		129,337	-
Cost of sales		(101,840)	-
Gross profit		27,497	-
Interest Income		34,494	248,357
Expenses			
Administration Expenses		(542,218)	(365,998)
Employee benefits expense		(1,233,026)	-
Directors Fees		(162,000)	(72,282)
Legal and consulting fees		(1,161,710)	(88,496)
Advertising expenses		(316,944)	-
Depreciation and amortisation		(27,403)	-
Finance cost		(96,660)	-
Share Based Payments	19(e)	-	(963,389)
Impairment expense	4	(11,424,049)	(8,668,616)
Loss on Disposal		-	(128,794)
Foreign Exchange Gain/(Loss)		102,138	13,821
Loss Before Income Tax		**(14,799,881)**	**(10,025,397)**
Income Tax	5	-	-
Loss for the year attributable to Equity Holders of European Cannabis Corporation Limited		**(14,799,881)**	**(10,025,397)**
Other Comprehensive Income/(Loss) for the year			
Items that may be reclassified to profit and loss			
Foreign currency translation		258,170	(653,171)
Total Comprehensive Loss for the year		**(14,541,711)**	**(10,678,568)**
Total Comprehensive Loss for the year Attributable to Equity Holders of European Cannabis Corporation Limited		**(14,541,711)**	**(10,678,568)**
Loss for the year attributable to:			
Owners of the Company		(14,794,992)	(10,025,397)
Non-controlling interests		(4,889)	-
		(14,799,881)	**(10,025,397)**
Total Comprehensive Income/(Loss) for the year attributable to:			
Owners of the Company		(14,541,189)	(10,678,568)
Non-controlling interests		(522)	-
		(14,541,711)	**(10,678,568)**
Loss per Share for Loss attributable to the Ordinary Equity Holders of the Company			
Basic Loss per Share (cents per share)	7	(7.09)	(6.62)
Diluted Loss per Share (cents per share)	7	(7.09)	(6.62)

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-19	31-Dec-18
		Euro	Euro
CURRENT ASSETS			
Cash and Cash Equivalents	8	980,105	5,823,103
Trade and other receivables	9	2,687,891	13,732
Inventories		99,050	-
Total Current Assets		**3,767,046**	**5,836,835**
NON-CURRENT ASSETS			
Property, Plant and Equipment	11	4,220,549	-
Intangibles	12	245,163	-
Other Assets	13	-	1,190,833
Total Non-Current Assets		**4,465,712**	**1,190,833**
Total Assets		**8,232,758**	**7,027,668**
CURRENT LIABILITY			
Trade and Other Payables	14	691,514	24,954
Borrowings	15	4,628,445	-
Total Current Liabilities		**5,319,959**	**24,954**
Total Liabilities		**5,319,959**	**24,954**
NET ASSETS		**2,912,799**	**7,002,714**
EQUITY			
Contributed Equity	16	66,729,103	56,277,307
Reserves	17	1,789,544	1,535,741
Accumulated Losses	18	(65,605,326)	(50,810,334)
Non-controlling interest		(522)	-
Total Equity		**2,912,799**	**7,002,714**

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

	Note	31 Dec 2019	31 Dec 2018
		Euro	Euro
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		95,080	-
Payments to Suppliers and Employees		(3,277,153)	(582,587)
Finance costs		(6,482)	-
Interest Received		34,494	286,256
Net Cash used in Operating Activities	8(c)	**(3,154,061)**	**(296,331)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(3,996,769)	-
Payments for intangible assets		(137,210)	-
Loans provided		(4,708,000)	(8,470,100)
Payments of acquisition costs		-	(950,000)
Net cash inflow on acquisition of subsidiary		1,308,482	-
Net cash outflow on disposal of subsidiary		-	84,915
Net Cash Inflow/(Outflow) from Investing Activities		**(7,533,497)**	**(9,335,185)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of Options		1,303,703	-
Costs of capital raisings		(77,850)	-
Proceeds from borrowings		4,603,946	-
Net Cash Inflows from Financing Activities		**5,829,799**	**-**
Net Increase / (Decrease) in Cash and Cash Equivalents		(4,857,759)	(9,631,516)
Foreign Exchange Movement in Cash		14,761	(735,852)
Cash and Cash Equivalents at the Beginning of the Period		5,823,103	16,190,471
Cash and Cash Equivalents at the End of the Period	8(a)	**980,105**	**5,823,103**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Contributed Equity	Foreign Currency Translation Reserve	Option & Share Based Payment Reserve	Accumulated Losses	Non-controlling interests	Total
		Euro	Euro	Euro	Euro	Euro	Euro
Balance at 1 January 2018		**56,277,307**	**(54,943)**	**6,590,390**	**(46,064,545)**	**-**	**16,748,209**
Loss for the period		-	-	-	(10,025,397)	-	**(10,025,397)**
Other Comprehensive Income		-	(653,171)	-	-	-	**(653,171)**
Total Comprehensive Loss		-	(653,171)	-	(10,025,397)	-	**(10,678,568)**
Transactions with Owners in Their Capacity as Owners							
Lapse of options		-	-	(5,279,608)	5,279,608	-	-
Share Based Payments		-	-	933,073	-	-	**933,073**
Balance at 31 December 2018		**56,277,307**	**(708,114)**	**2,243,855**	**(50,810,334)**	**-**	**7,002,714**

	Note	Contributed Equity	Foreign Currency Translation Reserve	Option & Share Based Payment Reserve	Accumulated Losses	Non-controlling interests	Total
		Euro	Euro	Euro	Euro	Euro	Euro
Balance at 1 January 2019		**56,277,307**	**(708,114)**	**2,243,855**	**(50,810,334)**	**-**	**7,002,714**
Loss for the period		-	-	-	(14,794,992)	(4,889)	**(14,799,881)**
Other Comprehensive Income		-	253,803	-	-	4,367	**258,170**
Total Comprehensive Loss		-	253,803	-	(14,794,992)	(522)	(14,541,711)
Transactions with Owners in Their Capacity as Owners							
Issue of shares for the acquisition of HAPA	16	9,227,790	-	-	-	-	9,227,790
Exercise of options	16	1,295,591	-	-	-	-	1,295,591
Other shares issues	16	6,151	-	-	-	-	6,151
Capital Raising Cost	16	(77,736)	-	-	-	-	(77,736)
Balance at 31 December 2019		**66,729,103**	**(454,311)**	**2,243,855**	**(65,605,326)**	**(522)**	**2,912,799**

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 2019 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 2019.

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 Company changed its presentation currency in its consolidated financial statements from Australian Dollar ("AUD") to Euro.

As a result of the acquisition of HAPA Pharm B.V (refer Note 6), the majority of the Group's assets, liabilities and transactions are denominated in Euro. As such, the change in presentation currency is to better reflect the Group's business activities with HAPA Pharm B.V now consolidated into the Group.

A change in presentation currency represents a change in an accounting policy in terms of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requiring the restatement of comparative information. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, the following methodology was followed in restating historical financial information from AUD into Euro:

- Non-Euro assets and liabilities were translated at the relevant closing exchange rate at the end of the reporting period.
- Non-Euro items of income, expenditure and cash flows were translated at average transaction date exchange rates; and
- The effects of translating the Group's financial results into Euro were recognised into the foreign currency translation reserve.

(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 Company made a net loss after tax for the year of Euro 14,799,881 (2018: Euro 10,025,397) which include asset impairment of Euro 11,424,049 (2018: Euro 8,668,616). The Company generated net cash outflows for the year of Euro 4,857,759 (2018: Euro 9,631,516).

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:

- On the 23rd of January 2020 the Company had issued 5,000,000 ordinary shares via a conversion of existing options at $0.20.

- On the 20th of February 2020 the Company had issued 2,500,000 ordinary shares via a conversion of existing options at $0.20.
- On the 29th of October 2020 the company had issued 58,244,740 ordinary shares at $0.05 per share. This was in relation to a placement and settlement of liabilities.
- On the 17th of May 2021 the Company had issued 10,000,000 ordinary shares at $0.05 per share. This was in relation to a placement.
- On 24th May 2021 the Company executed promissory notes with a director related entity of Mr Tod McGrouther for $200,000 and a third-party entity for $200,000.
- On 2nd July 2021 the Company executed promissory notes with a director related entity of Mr Tod McGrouther for $370,000.
- Subsequent to year end the Merchant facility was extended to 2 September 2021.
- 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.

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 Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

– AASB 16: Leases

The impact of the adoption of this Standard and the respective accounting policies is disclosed below. This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods. As a result of the changes in the Group's accounting policies, prior year financial statements have been restated.

a. 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.

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.

b. Initial Application of AASB 16: Leases

The Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 January 2019. In accordance with AASB 16 the comparatives for the 2018 reporting period have not been restated.

Based on the assessment by the Group, it was determined there was no impact on the Group. As such, the Group has not recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Group is the lessee.
There has been no significant change from prior year treatment for leases where the Group is a lessor.

Lease liabilities are measured at the present value of the remaining lease payments, where applicable. The Group's incremental borrowing rate as at 1 January 2019 was used to discount the lease payments.

The right-of-use assets, where applicable for the remaining leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Group in applying AASB 16 for the first time:
– for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
– leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same was as short-term leases.

– the use of hindsight to determine lease terms on contracts that have options to extend or terminate.

– applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.

– not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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

	31 Dec 2019	31 Dec 2018
	Euro	Euro
Provision for impairment expense		
Provision for non-recoverability – loans to other entities (refer Note 10)	4,195,656	8,640,662
Provision for non-recoverability – other assets (refer note 6)	7,228,393	27,954
Total Provision for impairment expense	11,424,049	8,668,616

4,746,563 Euro was written off during the year in relation to HAPA Medical as outlined in note 10. 550,907 Euro of other liabilities which were originally written off was determined to be recoverable.

5. RECONCILIATION OF TAX EXPENSE

	31 Dec 2019	31 Dec 2018
	Euro	Euro
Reconciliation of Tax Expense		
Loss Before Tax	(14,799,881)	(10,025,397)
Tax at the Australian rate of 30% (31 December 2018: 27.5%)	(4,439,964)	(2,756,984)
Share Based Payments	-	(264,932)
Non-Assessable Income	462,524	-
(Utilisation of Tax Losses)/Tax Losses Carried Forward not Brought to Account	3,977,440	3,021,916
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. BUSINESS COMBINATION

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 (refer to Note 21 for a list of all entities acquired).

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.

All conditions precedent were completed on 31 May 2019.

(a) Consideration transferred

	31 May 2019
Cash and cash equivalents	1,300,000
Issued capital	9,227,790
Total consideration transferred	**10,527,790**

(b) Assets acquired and liabilities recognised at the date of acquisition

	31 May 2019
Assets	
Cash and cash equivalents	1,308,482
Trade and other receivables	738,743
Inventory	21,597
Property, plant & equipment	1,582,684
Liabilities	
Trade and other payables	(352,109)
Fair value of identifiable net assets at the date of acquisition	**3,299,397**

(c) Goodwill arising on acquisition

	31 May 2019
Total consideration transferred	10,527,790
Less: Fair value of identifiable net assets at the date of acquisition	(3,299,397)
Total Goodwill arising on acquisition	**7,228,393**

Goodwill arising on acquisition was impaired for the year. Total impairment was Euro 7,228,393.

7. LOSS PER SHARE

	31 Dec 2019	31 Dec 2018
Continuing Operations		
Loss from Continuing Operations Attributable to Equity Holders of European Cannabis Corporation Limited (Euro)	(14,794,992)	(10,025,397)
Weighted average number of ordinary shares for basis per share (No)	208,533,578	151,442,681
Basic loss per share from Continuing Operations (cents)	(7.09)	(6.62)

8. CASH AND CASH EQUIVALENTS

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

	31-Dec-19	31-Dec-18
	Euro	Euro
Cash at bank and in hand	980,105	5,823,103
Total cash and cash equivalents	980,105	**5,823,103**

(b) Interest rate risk exposure

The Company's exposure to interest rate risk is discussed in Note 20: Financial Risk Management.

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

	31 Dec 2019	31 Dec 2018
	Euro	Euro
Operating Loss After Income Tax	(14,799,881)	(10,025,397)
Depreciation	27,403	-
Foreign Exchange Gain	(102,138)	(13,819)
Impairment	11,424,049	8,668,616
Share based payments	-	963,389
Net cash used in operating activities before change in assets and liabilities	**(3,450,567)**	**(407,211)**
Changes in assets and liabilities:		
Decrease/(Increase) in receivables	31,819	71,195
Decrease/(Increase) in other current assets	-	114,657
Decrease/(Increase) in inventories	77,449	-
Increase/(Decrease) in trade payables	187,238	(57,560)
Increase/(Decrease) in accruals	-	(17,412)
Increase/(Decrease) in unearned revenue	-	-
Net cash used in operating activities	**(3,154,061)**	**(296,331)**

9. TRADE AND OTHER RECEIVABLES

Current	31-Dec-19 Euro	31-Dec-18 Euro
Trade Debtors	232,442	-
GST/VAT receivable	1,164,580	3,310
Accrued Interest Income	-	3,110
Prepayments	802,703	7,312
Other	488,166	-
Total Current Other Assets	**2,687,891**	**13,732**

10. OTHER FINANCIAL ASSETS

Non-Current	31-Dec-19 Euro	31-Dec-18 Euro
Loan – HAPA[1]	13,178,100	8,431,537
Provision for impairment[1]	(13,178,100)	(8,431,537)
Total Other Financial Assets	**-**	**-**

(1) The Company has advanced a loan to HAPA Medical Group ("HAPA") to fund its operating cash flows. The Company completed the acquisition. Upon completion of the acquisition, the loan balance of 13,178,100 Euro eliminates upon consolidation of the Group.

11. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment	31-Dec-19 Euro	31-Dec-18 Euro
Cost	4,246,735	-
Accumulated Depreciation	(26,186)	-
Total Property, Plant and Equipment	**4,220,549**	**-**

Non-Current	31-Dec-19 Euro	31-Dec-18 Euro
Plant and Equipment		
Opening Balance	-	-
Acquired on Business Combination	298,326	-
Additions	104,534	-
Disposals	-	-
Foreign Exchange Movement	-	-
Depreciation charge for the period	(26,186)	-
Total Plant and Equipment	**376,674**	-

Asset Under Construction	**31-Dec-19 Euro**	**31-Dec-18 Euro**
Opening Balance	-	-
Acquired on Business Combination	1,284,358	-
Additions	2,106,777	-
Disposals	-	-
Foreign Exchange Movement	-	-
Total Plant and Equipment	**3,391,135**	-

Land	**31-Dec-19 Euro**	**31-Dec-18 Euro**
Opening Balance	-	-
Acquired on Business Combination	-	-
Additions	452,740	-
Foreign Exchange Movement	-	-
Total Plant and Equipment	**452,740**	-

12. INTANGIBLES

Non-Current	**31-Dec-19 Euro**	**31-Dec-18 Euro**
Goodwill – Refer note 6	-	-
Software	245,163	-
Total Intangibles	**245,163**	**-**

13. OTHER ASSETS

Non-Current	**31-Dec-19 Euro**	**31-Dec-18 Euro**
Prepayment – HAPA Acquisition (i)	-	1,190,833
Total Non-Current Other Assets	**-**	**1,190,833**

(i) As described in Note 6, the Company completed the acquisition of HAPA on 31 May 2019. As such, the prepayments were applied to the consideration payable for this acquisition.

14. TRADE AND OTHER PAYABLES

	31-Dec-19 Euro	31-Dec-18 Euro
Trade Payables	526,003	10,744
Other Payables	165,511	14,210
Total Trade and Other Payables	**691,514**	**24,954**

15. BORROWINGS

	31-Dec-19 Euro	31-Dec-18 Euro
Loan[1]	4,628,445	-
Total Borrowings	**4,628,445**	**-**

[1]During the year, the Company entered into a 5m Euro debt facility with Merchant Funds Management Pty Ltd. The Merchant Loan debt facility agreement is unsecured, which has an interest rate of 10% per annum with repayment due 2 September 2020. Subsequent to year end the facility was extended to 2 September 2021.

16. CONTRIBUTED EQUITY

	31-Dec-19		31-Dec-18	
	Euro	No.	Euro	No.
Issued and fully paid				
Ordinary shares	66,729,103	251,942,681	56,277,307	151,442,681
	66,729,103	**251,942,681**	**56,277,307**	**151,442,681**

Movement in ordinary shares	**Euro**	**No.**
Balance at 31 December 2018	**56,277,307**	**151,442,681**
Issue of shares for the acquisition of HAPA	9,227,790	90,000,000
Exercise of options	1,295,591	10,450,000
Other shares issues	6,151	50,000
Less: capital raising costs	(77,736)	-
Balance at 31 December 2019	**66,729,103**	**251,942,681**

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.

17. RESERVES

	31-Dec-19	31-Dec-18
	Euro	**Euro**
Share Based Payments Reserve	2,243,855	2,243,855
Foreign Currency Translation Reserve	(454,311)	(708,114)
	1,789,544	**1,535,741**

	31-Dec-19	31-Dec-18
Movement Reconciliation	**Euro**	**Euro**
Share Based Payments Reserve		
Balance at the beginning of the period	**2,243,855**	**6,590,390**
Share based payment	-	933,073
Lapse of options	-	(5,279,608)
Balance at the end of the period	**2,243,855**	**2,243,855**
Foreign Currency Translation Reserve		
Balance at the beginning of the period	**(708,114)**	**(54,943)**
Foreign Currency Translation	253,803	(653,171)
Balance at the end of the period	**(454,311)**	**(708,114)**

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.

18. ACCUMULATED LOSSES

	31-Dec-19	31-Dec-18
	Euro	**Euro**
Movement in accumulated losses		
Balance at the beginning of the period	**(50,810,334)**	**(46,064,545)**
Net loss in current year	(14,794,992)	(10,025,397)
Lapse of options	-	5,279,608
Balance at the end of the period	**(65,605,326)**	**(50,810,334)**

19. SHARE-BASED PAYMENTS

(a) 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 (AUD)	Share options 31-Dec-2019	Share options 31-Dec-2018
30-Sep-14	1-Aug-19	$0.20	-	2,375,000
30-Sep-14	1-Aug-19	$0.20	-	2,375,000
30-Sep-14	1-Aug-19	$0.20	-	2,375,000
30-Sep-14	1-Aug-19	$0.20	-	2,375,000
30-Sep-14	1-Aug-19	$0.20	-	500,000
Total			**-**	**10,000,000**

All of the above advisor options were exercised during the year.

(b) 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-2019	Share options 31-Dec-2018
30-Sep-14	1-Aug-19	$0.20	-	150,000
30-Sep-14	1-Aug-19	$0.20	-	150,000
30-Sep-14	1-Aug-19	$0.20	-	150,000
29-Jun-16	24-Apr-21	$0.83	67,500	67,500
29-Jun-16	30-Apr-21	$0.83	67,500	67,500
29-Jun-16	29-May-21	$0.83	180,000	180,000
12-Sep-18	12-Sep-23	$0.20	27,500,000	27,500,000
Total			**27,815,000**	**28,265,000**

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.

(c) Performance Rights

There were no Performance Rights issued during the period.

(d) 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-19	31-Dec-18
Allotted shares at the beginning of the period	716,667	716,667
Number of shares forfeited	-	-
Number of shares granted	-	-
Allotted shares at the end of the period	**716,667**	**716,667**

(e) Expenses Arising from Share-based Payment Transactions
Total expenses arising from share-based payment transactions recognised during the period were as follows:

	31-Dec-19	31-Dec-18
	Euro	Euro
Options Issued to Directors	-	963,389
Total share-based payments	**-**	**963,389**

20. 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-19	31-Dec-18
	Euro	Euro
Financial Assets		
Cash and Cash Equivalents	980,105	5,823,103
Other Financial Assets	-	-
Trade & Other Receivables	2,687,891	13,732
Total Financial Assets	**3,667,996**	**5,836,835**
Financial Liabilities		
Trade and Other Payables	691,514	24,954
Borrowings	4,628,445	-
Total Financial Liabilities	**5,319,959**	**24,954**
Net Exposure	**(1,651,963)**	**5,811,881**

(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 (which as per Note 6 was finalised on 31 May 2019), 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 2019 was 1.48% (31 December 2018: 1.74%). 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.

21. CONTROLLED ENTITIES

Name of entity	Country of incorporation	Ownership interest 2019	Ownership interest 2018
HAPA Pharm B.V	Netherlands	100%	-
HAPA Pharm GmbH	Germany	100%	-
Canna Investments BV	Netherlands	100%	-
HAPA Cultivation B.V	Netherlands		
HAPA Cultivation AE	Greece	90%	-
HAPA Clinic B.V	Netherlands	100%	-
HAPA Fleet B.V	Netherlands	100%	-
HAPA Medikal D.O.O.	Macedonia	100%	-
RH Pharma D.O.O. Skpoje	Macedonia	55%	-

All of the above entities were acquired as part of the acquisition of the HAPA Medical Group described in Note 6.

22. RELATED PARTY TRANSACTIONS
(a) Key Management Personnel Compensation
Detailed remuneration disclosures are provided below:

	31-Dec-19	31-Dec-18
	Euro	**Euro**
Short-Term Employee Benefits	185,133	86,210
Post-Employment Benefits	-	-
Termination Benefits	-	-
Share-Based payments	-	963,389
Total Compensation Paid to Key Management	**185,133**	**1,049,599**

(b) Other transactions

During the year, Tod McGrouther had providing underwriting services of 31,848 Euro, Andrew Chapman had provided underwriting services of 23,001 Euro and Harry Karelis had provided underwriting services of 23,001 Euro.

During the year, the Company entered into a 5m Euro debt facility with Merchant Funds Management Pty Ltd, an entity related to Mr Andrew Chapman. The Merchant Loan debt facility agreement is unsecured, which has an interest rate of 10% per annum with repayment due 2 September 2020. Subsequent to year end the facility was extended to 2 September 2021.

There were no other related party transactions other than the related party loan disclosed at note 15 (2018: none).

23. CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 31 December 2019 (2018: Nil)

24. 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 2019	31 Dec 2018
	Euro	Euro
Audit and review of financial reports and other audit work paid or payable to:		
Hall Chadwick WA AUdit Pty Ltd, previously known as Bentleys Audit & Corporate (WA) Pty Ltd:	17,382	17,727
Total remuneration paid or payable to auditors	**17,382**	**17,727**

25. EVENTS SUBSEQUENT TO BALANCE DATE

On the 6th of April 2020, the Company appointed Mr Ricardo Pendon as Non-Executive Director. On this same day, Mr. Michael Sprenger resigned as Managing Director.

On the 23rd of January 2020 the Company had issued 5,000,000 ordinary shares via a conversion of existing options at $0.20.

On the 20th of February 2020 the Company had issued 2,500,000 ordinary shares via a conversion of existing options at $0.20.

On the 29th of October 2020 the Company had issued 58,244,740 ordinary shares at $0.05 per share. This was in relation to a placement and settlement of liabilities.

On the 17th of May 2021 the Company had issued 10,000,000 ordinary shares at $0.05 per share. This was in relation to a placement.

On 24th May 2021 the Company executed promissory notes with a director related entity of Mr Tod McGrouther for $200,000 and a third-party entity for $200,000.

On the 11th of June 2021 Harry Karelis had resigned as Executive Chairman. Tod McGrouther has been appointed as Non-executive Chairman.

On 2nd July 2021 the Company executed promissory notes with a director related entity of Mr Tod McGrouther for $370,000.

Subsequent to year end the Merchant facility was extended to 2 September 2021.

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.

26. COMMITMENTS

The Company has no commitments as at 31 December 2019 (2018: Nil)

27. Parent Entity Note

The following details information related to the parent entity, European Cannabis Corporation, at 31 December 2019. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	31-Dec-19	31-Dec-18
	Euro	Euro
Current Assets	93,867	5,836,835
Non-Current Assets	7,509,495	1,190,833
Total Assets	**7,603,362**	**7,027,668**
Current Liabilities	4,690,563	24,954
Total Liabilities	**4,690,563**	**24,954**
Net Assets	**2,912,799**	**7,002,714**
Issued Capital	66,729,103	56,277,307
Reserves	1,606,235	1,535,741
Accumulated Losses	(65,422,539)	(50,810,334)
Total Equity	**2,912,799**	**7,002,714**
Losses attributable to the Parent Company	**(14,612,205)**	**(10,025,397)**

In the directors' opinion:

(a) the financial statements and notes set out on pages 11 to 32 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 2019 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
16 September 2021

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 2019, 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 2019 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.

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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 Company incurred a net loss of EUR 14,799,881 during the year ended 31 December 2019. As stated in Note 2, 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 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 2019, 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.

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Partner

Dated at Perth this 16th day of September 2021