ICC International Cannabis Corporation

Consolidated Financial Statements
For the year ended December 31, 2016 and December 31, 2015

(In United States Dollars, unless otherwise noted)

ICC International Cannabis Corporation

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements and other financial information in this annual report were prepared by management of ICC International Cannabis Corporation, reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of consolidated financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These consolidated financial statements have been audited by the shareholders' auditors, MNP LLP, and their report is presented herein.

(signed) "*Guillermo Delmonte*"

Chief Executive Officer

(signed) "*Oscar Leon*"

Chief Financial Officer

April 28, 2017

Independent Auditors' Report

To the Shareholders of ICC International Cannabis Corporation:

We have audited the accompanying financial statements of ICC International Cannabis Corporation, which comprise the statement of financial position as at December 31, 2016, and the statements of loss and comprehensive loss, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ICC International Cannabis Corporation as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The financial statements of the Company, for the year ended December 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on June 30, 2016.

MNP LLP

Toronto, Ontario
April 28, 2017

Chartered Professional Accountants
Licensed Public Accountants

ICC International Cannabis Corporation
Consolidated statements of financial position

	Notes	December 31, 2016	December 31, 2015
		$	$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	6,489,247	-
Licenses and authorizations	12	3,416,000	2,400,000
Total non-current assets		**9,905,247**	**2,400,000**
CURRENT ASSETS			
Biological assets	10	85,883	-
Inventories	9	99,462	-
Other receivables	8	574,311	105,780
Cash and cash equivalents	7	5,897,620	3,751
Total current assets		**6,657,276**	**109,531**
TOTAL ASSETS		**16,562,523**	**2,509,531**
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	20	41,909,414	50,000
Warrants	21	269,918	-
Share-based payment reserve	22	1,942,528	-
Deficit		(30,551,406)	(55,948)
Total shareholders' equity (deficit)		**13,570,454**	**(5,948)**
LIABILITIES			
NON-CURRENT LIABILITIES			
Other payables	13	692,500	-
Total non-current liabilities		**692,500**	**-**
CURRENT LIABILITIES			
Accounts payable and other payables	13	2,299,569	2,515,479
Total current liabilities		**2,299,569**	**2,515,479**
TOTAL LIABILITIES		**2,992,069**	**2,515,479**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**16,562,523**	**2,509,531**

Approved on behalf of the Board

"*Ravi Sood*"
Signed: Director

"*Michael Galego*"
Signed: Director

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

ICC International Cannabis Corporation

Consolidated statements of loss and comprehensive loss

	Notes	December 31, 2016	December 31, 2015
		$	**$**
Initial recognition and changes in fair value of biological assets and agricultural produce		185,345	-
Cost of production		(232,534)	-
Gross loss		**(47,189)**	**-**
Expenses:			
General and administrative	16	(1,948,425)	(36,748)
Share-based compensation	22	(1,942,528)	-
		(3,890,953)	**(36,748)**
Loss from operations		**(3,938,142)**	**(36,748)**
Financial results, net:			
Listing costs	6	(2,863,891)	-
Loss on debt settlement	15,22	(23,451,599)	-
Other financial expenses	14	(229,816)	(2,439)
Financial income		4,005	-
Exchange difference, net		(16,015)	(545)
		(26,557,316)	**(2,984)**
Loss before income taxes		**(30,495,458)**	**(39,732)**
Income tax benefit / (expense)	14	-	-
Net loss and comprehensive loss		**(30,495,458)**	**(39,732)**
Loss per share during the year:			
Basic and diluted	23	(0.532)	(0.993)

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

ICC International Cannabis Corporation
Consolidated statements of changes in shareholders' equity

	Notes	Number of common shares	Share capital	Warrants	Share-based payments reserve	Deficit	Total
		#	$	#	$	$	$
Balances as of January 1, 2015		**40,000**	**50,000**	**-**	**-**	**(16,216)**	**33,784**
Net loss for the year		-	-	-	-	(39,732)	(39,732)
Balances as of December 31, 2015		**40,000**	**50,000**	**-**	**-**	**(55,948)**	**(5,948)**
Balances as of January 1, 2016		**40,000**	**50,000**	**-**	**-**	**(55,948)**	**(5,948)**
Conversion of amounts due to related parties	15	39,960,000	15,369,231	-	-	-	15,369,231
Share-based payments	22	40,000,000	15,384,615	-	-	-	15,384,615
Shares issued for reverse acquisition	6	6,200,010	2,384,619	-	113,538	-	2,498,157
Subscription receipts, net of issuance costs	20	26,000,000	8,570,911	269,918	-	-	8,840,829
Share-based payments	22	-	-	-	1,942,528	-	1,942,528
Stock options exercised	22	365,000	150,038	-	(113,538)	-	36,500
Net loss for the year		-	-	-	-	(30,495,458)	(30,495,458)
Balances as of December 31, 2016		**112,565,010**	**41,909,414**	**269,918**	**1,942,528**	**(30,551,406)**	**13,570,454**

Outstanding number of shares has been retrospectively adjusted to reflect a share exchange in connection with the Qualifying Transaction (as defined below) of 0.8 common shares of the Company for every 0.8 common shares of ICC International Corp, which was effected in November 2016.

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

ICC International Cannabis Corporation
Consolidated statements of cash flows

	Notes	December 31, 2016	December 31, 2015
		$	$
Cash flows from operating activities:			
Loss for the year:		(30,495,458)	(39,732)
Adjustments for:			
Amortization and depreciation	11,12	634,914	-
Loss on debt settlement	15,22	23,451,599	-
Share-based compensation	22	1,942,528	-
Non-cash listing costs	6	2,498,157	-
Changes in operating assets and liabilities:			
Increase in other receivables		(73,526)	(50,780)
Increase in inventories		(99,462)	
Increase in biological assets		(85,883)	
Increase in accounts payable and other payables		1,771,243	1,294,263
Net cash used in operating activities		**(455,888)**	**1,203,751**
Cash flows from investing activities:			
Purchases of property, plant and equipment	11	(6,520,161)	-
Purchases of licenses and authorizations	12	(820,000)	(1,200,000)
Net cash used in investing activities		**(7,340,161)**	**(1,200,000)**
Cash flows from financing activities:			
Financing facility draw-downs	15	5,123,963	-
Payments on behalf of ICC and other expenses	15	2,902,599	-
Settlement	15	(3,213,973)	-
Share capital issued, net of cash issuance costs	15,20	8,877,329	-
Net cash generated from financing activities		**13,689,918**	**-**
Net decrease in cash and cash equivalents		**5,893,869**	**3,751**
Cash and cash equivalents at beginning of the year		3,751	-
Cash and cash equivalents at end of the year	7	**5,897,620**	**3,751**

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

1. NATURE OF OPERATIONS

ICC International Cannabis Corporation (the "Company" or "ICC") was incorporated on October 19, 2010 under the Business Corporations Act (British Columbia) as Shogun Capital Corp.

ICC International Corp, a wholly-owned subsidiary of the Company, is engaged in producing and selling cannabis and its derivatives in Uruguay for recreational, industrial and medicinal use, pursuant to applicable Uruguayan law. As at December 31, 2016, the Company is operative in the "recreational cannabis" segment and in a pre-operative stage in the "cannabinoids extraction" segment".

The Company's common shares are listed under the symbol "ICC" on the TSX Venture Exchange ("TSX-V").

On November 23, 2016, the Company closed its qualifying transaction with ICC International Corp. The Company was a capital pool company prior to the transaction. The transaction was accounted for as a reverse acquisition (Note 6).

These consolidated financial statements were approved by the Company's Board of Directors on April 28, 2017.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The policies applied in this consolidated financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

2.2. Basis of measurement

These consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial instruments that are measured at fair value and biological assets that are measured at fair value less costs to sell, as detailed in the Company's accounting policies.

2.3. Functional and presentation currency

The consolidated financial statements are presented in United States dollars, unless otherwise stated. References to CAD$ are to Canadian dollars.

The functional currency of the Company is the Canadian dollar. The functional currency of the Company's subsidiaries, which includes ICC International Corp, Tersum S.A. and Salesol S.A, is the United States dollar.

2.4. Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. The principal wholly owned subsidiaries of ICC are as follows:

Subsidiaries	Jurisdiction of incorporation
ICC International Corp	British Virgin Islands
Tersum S.A.	Uruguay
Salesol S.A. (dormant entity)	Uruguay

All transactions and balances between companies are eliminated on consolidation. Each entity within the consolidated group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using the functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Revenue

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are shipped to customers:

- the Company has transferred the significant risks and rewards of ownership of the goods to the purchaser;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.2. Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

3.3. Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Inventories of harvested cannabis are transferred from biological assets into inventory at their fair value at harvest less costs to sell, which is deemed to be their cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Packaging and supplies are initially valued at cost.

3.4. Biological assets

Biological assets are living plants managed by the Company for sale, as agricultural produce, or as biological assets. Biological assets of ICC include recreational cannabis crops, which are to be harvested as agricultural produce.

The Company distinguishes between consumable and bearer biological assets, and between mature and immature biological assets. 'Consumable' biological assets are those assets that may be harvested as agricultural produce or sold as biological assets. 'Bearer' biological assets are those assets capable of producing more than one harvest. 'Mature' biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets). 'Immature' biological assets are those biological assets other than mature biological assets. Consumable biological assets are classified as current or non-current depending on their period of maturity. Bearer biological assets are generally classified as non-current.

Expenses relating to the agricultural activity include planting, harvesting, weeding, seedlings, irrigation, agrochemicals, fertilizers and others. The Company elected to expense all such costs when incurred and include them within 'Cost of production' in the statement of profit or loss and other comprehensive income. Therefore, 'Cost of production' represents the costs expensed whilst the biological assets are growing.

Biological assets are measured at fair value less costs of disposal on initial recognition and at each statement of financial position date, except where fair value cannot be reliably measured.

Expected future sale prices for all biological assets are determined by reference to observable data in the relevant market. Costs expected to arise throughout the life of the biological assets are estimated based on statistical data.

The gain or loss arising from initial recognition of a biological asset at fair value less costs of disposal and from a change in fair value less costs of disposal of a biological asset is recognized as a gain or loss in the period in which they are incurred.

3.5. Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and impairment losses, if any. Historical cost comprises the purchase price and any costs directly attributable to the acquisition.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. These costs may include the cost of replacing parts that are eligible for capitalization when the costs of replacing the parts are incurred. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is based on the estimated useful life of the asset using the straight-line method as follows:

- Machinery 5 – 10 years
- Furniture and equipment 5 years
- Information systems 5 years
- Facilities 10 years
- Construction in progress not depreciated

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other operating income and expenses, net' in the statement of profit or loss and other comprehensive income.

3.6. Intangible assets – licenses and authorizations costs

Intangible assets are recognized as such if it is probable that future economic benefits attributable to the asset will flow to the Company and their cost can be reasonably measured.

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and impairment losses. These intangible assets are comprised of license costs and cost related to the obtention of the licenses and authorizations for the recreational and cannabinoids extraction projects, which are amortized in profit or loss on a straight line basis over their estimated useful lives estimated to be five years and ten years respectively from the beginning of operations.

3.7. Impairment of non-financial assets

The Company reviews and evaluates impairment of its non-financial assets subject to depreciation and amortization whenever events or changes in circumstances occur that indicate that the carrying amount of the asset will not be recovered from its use or sale. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds the higher of its fair value and value in use. Fair value is the amount that can be obtained from the sale of an asset in an open market. The value in use corresponds to the present value of the estimated future cash flows expected to be obtained from the continuing use of the asset and from its sale at the end of its useful life. Impairment losses recognized in previous years are reversed if there is a change in the estimates used on the last time an impairment loss was recognized.

3.8. Financial instruments

Financial assets are classified into one of four categories:

- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available for sale ("AFS"); and
- loans and receivables.

(i) FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value with any resulting gain or loss recognized in the consolidated statements of income and comprehensive income. Transaction costs are expensed as incurred.

(ii) HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs and subsequently at amortized cost.

(iii) AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories. Gains and losses arising from changes in fair value are recognized in other comprehensive income.

(iv) Loans and receivables

Loans and receivables are financial assets having fixed or determinable payments that are not quoted in an active market. They are initially recognized at the transaction value and subsequently carried at amortized cost less, when material, a discount to reduce the loans and receivables to fair value.

(v) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of income and comprehensive income. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through the consolidated statements of income and comprehensive income. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

(vi) Financial liabilities and other financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities at FVTPL are stated at fair value, with changes being recognized through the consolidated statements of income and comprehensive income. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(vii) Classification of financial instruments

Cash and cash equivalents – FVTPL
Receivables from related parties – loans and receivables
Other receivables – loans and receivables
Accounts payable and other payables – other financial liabilities
Due to related parties – other financial liabilities

(viii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3.9. Provisions

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. The Company bases its accruals on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Company may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations.

3.10. Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements; they are only disclosed in a note to the financial statements. When the possibility of an outflow of resources to cover a contingent liability is remote, such disclosure is not required.

Contingent assets are not recognized in the consolidated financial statements, they are only disclosed in the notes to the financial statements when it is probable that an inflow of resources occurs.

Items previously treated as contingent liabilities will be recognized in the consolidated financial statements in the period in which a change of probabilities occurs, that is, when it is determined that it is probable that an outflow of resources will take place to cover such liabilities. The items treated as contingent assets will be recognized in the consolidated financial statements in the period in which it is determined that it is virtually certain that an inflow of resources will occur, respectively.

3.11. Segment reporting

According to IFRS 8, operating segments are identified based on the ‘management approach’. This approach stipulates external segment reporting based on the Company’s internal organizational and management structure and on internal financial reporting to the chief operating decision maker. Management of the Company is responsible for measuring and steering the business success of the segments and is considered the chief operating decision maker within the meaning of IFRS 8.

3.12. Share-based payments

The Company approved the stock option plan by which directors, executive officers and consultants may be entitled to receive stock options. Stock options are measured at fair value at the date of grant. The Company measures the fair value using the valuation technique that they consider to be the most appropriate to value each class of award. Methods used may include Black-Scholes calculations or other models as appropriate. The valuations take into account factors such as non-transferability, exercise restrictions and behavioral considerations.

For stock options granted to directors and executive officers as part of their remuneration package, an expense is recognized in profit or loss to spread the fair value of each award over the vesting period on a straight-line basis, after allowing for an estimate of the awards that will eventually vest.

The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognized immediately. For stock options granted to selling agents (including directors acting as selling agents), the charge is deducted from equity as part of the transaction costs directly attributable to the capital issuance.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

When stock options granted to directors and executive officers as part of their remuneration package expired, the charge is credited against retained earnings / (accumulated deficit).

3.13. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the period attributable to the equity holders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing the profit or loss for the period by the weighted average number of common shares outstanding, adjusted for the effect of all potentially dilutive shares, including share options and warrants, on an as-if converted basis.

3.14. Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income (loss) or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

3.15. New standards and interpretations issued but not yet adopted

The IASB has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intended to adopt those standards when they become effective. The impact on the Company is currently being assessed.

IFRS 9 Financial Instruments (“IFRS 9”)

In July 2014, IASB issued the final version of IFRS 9 (2014) as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This Standard will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 9 will have on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

In May 2014, IASB issued a new standard, IFRS 15, on the recognition of revenue from contracts with customers. IFRS 15 specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 15 will have on the Company's financial statements.

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 will have on the Company's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

4.1. Biological assets and inventory

Management is required to make a number of estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions such as estimating the stage of growth of the cannabis, harvesting costs, sales price, and expected yields.

4.2. Share-based compensation

The fair value of share-based compensation expenses are estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the expected volatility of the underlying share price, the risk free rate of return, and the estimated rate of forfeiture of options granted.

4.3. Estimated useful lives and depreciation of property, plant and equipment and intangible assets

Depreciation of property, plant and equipment and intangible assets is dependent upon estimates of useful lives based on management's judgment.

4.4. Impairment testing

At the date of each statement of financial position, the Company reviews the carrying amounts of its finite-life intangible assets carried at cost to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

4.5. Valuation of deferred income tax assets

The Company assesses the probability of taxable profits being available in the future based on its budget forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When a forecast shows a net profit, the Company considers that the use of deferred income taxes is probable and recognizes the benefit. When management believes that the benefits will not be realized, the deferred income tax asset is not recognized.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1. Financial instruments

The Company has classified its cash and cash equivalents as fair value through the consolidated statements of loss and comprehensive income loss and other receivables as loans and receivables, and accounts payable and other payables as other financial liabilities.

The carrying values of other receivables, and accounts payable and other payables approximate their fair values due to their short periods to maturity.

5.2. Financial risk management

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively.

The principal financial risks arising from financial instruments are liquidity risk, credit risk, and capital risk.

a) Liquidity risk

As at December 31, 2016, the Company's financial liabilities consist of accounts payable and other payables, which have contractual maturity dates within one year, with the exception of the long term portion of accounts payable and other payables. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position at December 31, 2016, management regards liquidity risk to be low.

b) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposure to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Counterparties in cash transactions are limited to first-rate financial credit institutions.

As of December 31, 2016, the Company's management considers that the Company's other receivables do not have non-collectable accounts because they do not have credit risk.

c) Capital risk management

The capital of the Company includes shareholders' equity of $13,675,748 (December 31, 2015 – ($5,948)), which is comprised of issued share capital, warrants, share-based payments reserve and deficit. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets. The Company is not subject to externally imposed capital requirements.

6. REVERSE ACQUISITION

In November 2016, the Company completed its qualifying transaction (the "Qualifying Transaction) with ICC International Corp (formerly International Cannabis Corp). ICC International Corp amalgamated with a newly formed and direct, wholly-owned subsidiary of Shogun Capital Corp. to become a direct, wholly-owned subsidiary of Shogun Capital Corp. Shogun Capital Corp. changed its name to ICC International Cannabis Corporation and remained as the resulting issuer. The Qualifying Transaction constituted the qualifying transaction of Shogun Capital Corp. under the policies of the TSX-V.

By way of a three-cornered amalgamation, Shogun Capital Corp. acquired all of the issued and outstanding shares of ICC International Corp by issuing 0.8 common shares for each outstanding ICC International Corp common share. Each of the warrants to purchase common shares of ICC International Corp thereafter was exercisable for 0.8 common shares of ICC.

The Qualifying Transaction has been accounted for as a reverse acquisition that does not constitute a business combination. For accounting purposes, the legal subsidiary, ICC International Corp, has been treated as the acquirer and Shogun Capital Corp., the legal parent, has been treated as the acquiree.

	$
Consideration transferred	**2,498,157**
(6,200,010 common shares at a price of $0.3846 (CAD$0.50) per share and 365,000 options to purchase common shares at a fair value of $0.3111(CAD$0.4054) per share option)	
Net assets acquired	**-**
Excess attributed to cost of listing	**2,498,157**

Listing cost:	**$**
Excess attributed to cost of listing	2,498,157
Legal	365,734
	2,863,891

For accounting purposes, these consolidated financial statements reflect a continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, ICC International Corp.

7. CASH AND CASH EQUIVALENTS

	December 31, 2016	**December 31, 2015**
	$	**$**
Cash in hand	10,821	3,751
Trust bank account	5,886,799	-
	5,897,620	**3,751**

8. OTHER RECEIVABLES

This account comprises:

	December 31, 2016	December 31, 2015
	$	$
Receivables from related parties (Note 15)	395,005	-
Deposit in guarantee – IRCCA (Note 17)	50,000	50,000
Tax credit certificates	32,638	-
Prepaid VAT	83,314	5,780
Prepayments	8,540	-
Other	4,814	-
Receivable from shareholders	-	50,000
	574,311	**105,780**

9. INVENTORIES

As of December 31, 2016, inventories were comprised of approximately 109 kilograms of harvested recreational cannabis (2015: nil).

10. BIOLOGICAL ASSETS

Biological assets, comprised entirely of live plants, are as follows:

	December 31, 2016	December 31, 2015
	$	$
Beginning of the year	-	-
Initial recognition and changes in fair value of biological assets	185,345	-
Decrease due to harvest	(99,462)	-
Decrease due to sales	-	-
End of the year	**85,883**	**-**

In determining the fair value of biological assets, management is required to make a number of estimates, including the expected cost required to grow the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, and expected yields for the cannabis plant. These estimates are subject a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future years.

The significant assumptions used in determining the fair value of recreational cannabis plants are as follows:

- yield by plant; and
- percentage of costs incurred for each stage of plant growth.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Facilities	Furniture and Equipment	Machinery	Total
Cost	$	$	$	$	$
Balance, December 31, 2015	-	-	-	-	-
Additions	3,300,000	3,039,736	135,979	44,446	6,520,161
Balance, December 31, 2016	**3,300,000**	**3,039,736**	**135,979**	**44,446**	**6,520,161**
Accumulated depreciation					
Balance, December 31, 2015	-	-	-	-	-
Depreciation	-	(19,194)	(11,261)	(459)	(30,914)
Balance, December 31, 2016	**-**	**(19,194)**	**(11,261)**	**(459)**	**(30,914)**
Net Book Value, December 31, 2015	-	-	-	-	-
Net Book Value, December 31, 2016	**3,300,000**	**3,020,542**	**124,718**	**43,987**	**6,489,247**

Included in facilities is a greenhouse in the amount of $2,950,740 which was under construction and not available for use until close to the end of the fiscal year; accordingly no related depreciation expense was recognized.

12. LICENSES AND AUTHORIZATIONS COSTS

As of December 31, 2016 and December 31, 2015, this account was comprised of costs for technical advisory, procedures for license and authorizations costs related to the recreational cannabis and cannabinoids extraction projects.

	Cannabinoids Extraction	Recreational	Total
	$	**$**	**$**
Year ended December 31, 2015			
Opening net book amount	-	-	-
Additions (Note 18)	-	2,400,000	2,400,000
Closing net book amount	**-**	**2,400,000**	**2,400,000**
At December 31, 2015			
Cost	-	2,400,000	2,400,000
Accumulated amortization	-	-	-
Net book amount	**-**	**2,400,000**	**2,400,000**
Year ended December 31, 2016			
Opening net book amount	-	2,400,000	2,400,000
Additions (Note 18)	1,600,000	20,000	1,620,000
Amortization charge	(120,000)	(484,000)	(604,000)
Closing net book amount	**1,480,000**	**1,936,000**	**3,416,000**
At December 31, 2016			
Cost	1,600,000	2,420,000	4,020,000
Accumulated amortization	(120,000)	(484,000)	(604,000)
Net book amount	**1,480,000**	**1,936,000**	**3,416,000**

13. ACCOUNTS PAYABLE AND OTHER PAYABLES

This account comprises:

	December 31, 2016	December 31, 2015
	$	$
Non-current		
Greenhouse acquisition debt (Note 18.5)	692,500	-
	692,500	**-**
Current		
Greenhouse acquisition debt (Note 18.5)	1,387,814	-
Due to related parties (Note 15)	7,736	102,389
Trade payables	113,015	12,474
Accrued liabilities	602,563	2,400,000
	105,294	-
Payroll and social security liabilities	81,449	-
Other	1,698	616
	2,299,569	**2,515,479**
	2,992,069	**2,515,479**

14. TAXATION

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26% (2015 - 26%) to the effective tax rate is as follows:

	December 31, 2016	December 31, 2015
	$	$
Net loss before recovery of income taxes	(30,390,164)	(39,732)
Expected income tax difference	(7,901,440)	(10,530)
Difference in foreign tax rates	6,450	-
Income not subject to tax	6,618,550	-
Non-deductible expenses	1,154,580	-
Change in tax benefits not recognized	121,860	10,530
Income tax (recovery) expense	-	-

One of the subsidiaries was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from payment of British Virgin Islands' income taxes. Accordingly, the entity's tax expense comprises the charge for tax currently payable or deferred attributable to its registered branch in other foreign jurisdiction, which is limited to Uruguay as of the date of these financial statements.

The Company is subject to net worth tax in Uruguay. The tax is calculated at a standard rate of 1.5% on its net worth, calculated on the difference between taxable property and deductible liabilities. In 2016, the capital net worth tax levied is $105,294, and is included in other financial expenses in the statement of loss and comprehensive loss.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2016	December 31, 2015
	$	$
Canadian non-capital loss carry forwards	421,521	413,798
Foreign non-capital loss carry forwards	493,500	-
Share issuance costs	6,970	14,688
Other	151,146	151,146

The Canadian non-capital loss carry forwards expire as noted in the table below. The foreign non-capital loss carry forwards expire in 5 years. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

	$
2031	2,005
2032	442
2033	6,662
2034	136,568
2035	182,714
2036	93,170
	421,521

15. RELATED-PARTIES TRANSACTIONS

Prior to going public, the Company funded operations through the support and management services provided by companies associated with a shareholding company of ICC. The amounts due at year end are owing to several entities of this group of companies.

The following transactions were carried out with related entities:

		December 31, 2016	December 31, 2015
		$	$
Opening balances		(102,389)	-
Financing facility draw-downs	(a)	(5,123,963)	(100,000)
Payments on behalf of ICC and other expenses	(b)	(2,902,599)	(2,389)
Settlement	(c)	5,302,247	-
Repayments		3,213,973	-
Closing balances	(d)	**387,269**	**(102,389)**

Prior to the qualifying transaction, the Company's controlling shareholder was Union Group International Holdings Limited (Union Group). Union Group continues to be an existing shareholder of the Company.

On August 20, 2014, ICC entered in a "Services and Financing Agreement" with Union Group in which:

1) Union Group grants a financing facility for a total amount of $4,000,000. Each draw down on the facility bears interest at an annual rate of 10%.

2) Union Group provides professional services (consisting of management, accounting, tax and legal services) to ICC related to the execution of the recreational cannabis and cannabinoids

extraction projects.

a) During the year ended December 31, 2016, $5,023,963 (December 31, 2016 - $100,000) was drawn down on the Union Group Facility pursuant to the terms of the Services and Financing Agreement.

b) Included in payments on behalf of ICC and other expenses includes interest expense as of December 31, 2016, of $32,270 (December 31, 2015 - $2,389) at a rate of 10% per annum on outstanding balances and professional fees as of December 31, 2016, of $450,000 (December 31, 2015 - $nil) pursuant to the terms of the Services and Financing Agreement.

c) On April 28, 2016, ICC International Corp issued 49,950,000 common shares at a fair value of $0.3076 (39,960,000 post-Qualifying Transaction common shares of ICC at a fair value of $0.3846 per share) to settle the outstanding debt with Union Group. The excess between the fair value consideration paid and the carrying amount of the debt settled of $10,066,984 was recognized in the Consolidated Statement of Loss in “Loss on debt settlement”.

d) As of December 31, 2016, the Company maintained an account receivable from Union Capital Group S.A., a subsidiary of Union Group, of $163,051 (as of December 31, 2015: nil), an account receivable from Union Capital Group International Holding, a subsidiary of Union Group, of $135,382 (as of December 31, 2015: nil) and an account receivable from Union Group of $96,572 (as of December 31, 2015: an account payable of US$102,389).

As of December 31, 2015, the Company maintained an account receivable from a previous shareholder of ICC of $50,000 that was expensed during the year.

Key management personnel

For the year ended December 31, 2016, the Company paid $171,715 in remuneration to senior management and directors. At December 31, 2016, there was $51,715 due to senior management and directors in accounts payable and other payables.

For the year ended December 31, 2016, the Company granted $808,489 in concept of share-based compensation to senior management and directors.

16. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2016	December 31, 2015
	$	$
Professional fees	830,791	27,100
Amortization of licenses and authorizations	604,000	-
Payroll and social security expenses	229,524	-
Security and surveillance	59,055	-
Office expenses	48,881	9,142
Depreciation of property, plant and equipment	30,914	-
Transportation	18,399	-
Marketing expenses	20,204	-
Office rental	17,736	-
Other	88,921	506
	1,948,425	**36,748**

17. CONTINGENCIES AND GUARANTEES

17.1. Contingencies

Management of ICC considers there to be no contingent liabilities or legal commitments that have to be recognized in the consolidated financial statements as of December 31, 2016 and December 31, 2015.

17.2. Guarantees

As a performance bond of the license granted by IRCCA, ICC has pledged in guarantee a deposit of $50,000 (as of December 31, 2015: $50,000). This deposit is included in "Other receivables".

18. CONTRACTS AND LICENSES

18.1. Recreational Cannabis – License

On October 1, 2015, the Institute for the Regulation and Control of Cannabis ("Instituto de Regulación y Control del Cannabis" or "IRCCA") in its resolution N° 57/2015 granted to ICC International Corp a license to produce and distribute psychoactive cannabis for non-medical use to be dispensed in pharmacies, pursuant to the provisions in Law N° 19.172, the respective regulations and what is established in the specifications set out during the tender processes N° 1/2014 and N° 2/2014 of IRCCA.

On January 14, 2016, the "Contract for the production and distribution of psychoactive cannabis for non-medical use for dispensing in pharmacies" between the IRCCA and ICC International Corp was signed. The contract establishes that, among other things:

- ICC International Corp is permitted to produce and distribute up to 2 tonnes annually of psychoactive cannabis for non-medical use for dispensing in pharmacies;
- ICC International Corp must pay IRCCA as follows: a) a fixed cost of $20,000 annually and b) a variable cost of 10% of its sales to pharmacies;
- the term of the license is 5 years from January 14, 2016, subject to revocation for non-compliance;
- production of recreational cannabis must be done on government owned land;
- ICC International Corp must only trade product with third-parties authorized by IRCCA;
- IRCCA determines the varieties of recreational cannabis to be produced, provides ICC International Corp with the initial genetic material for the first multiplication, and reserves the right to introduce and define changes in the varieties to be produced at any time during the validity of the license; and
- recreational cannabis will be sold to pharmacies at a price of $0.90 per gram during the first year of production, adjustable thereafter according to the conditions appearing in the specifications of the tender process N° 2/2014.

18.2. Compensation agreement with recreational cannabis business' developers

On August 4, 2014, ICC International Corp signed a "Compensation Agreement" with the original developers of the recreational cannabis project for the initiation, promotion and support of the project, which included technical advisory, surveying and studies. As compensation, subject to the obtention of the recreational cannabis license, ICC International Corp paid in April 2016 to those developers

$1,200,000 in cash through a related party's finance facility and $1,200,000 of ICC International Corp's common shares.

18.3. Compensation agreement with hemp business' developers

On January 20, 2015, ICC International Corp signed a "Compensation Agreement" with the original hemp business developers for technical advice and support related to the cannabinoids extraction project. As compensation, subject to the obtention of a hemp authorization, ICC International Corp paid in April 2016 to those developers $800,000 in cash through a related party's finance facility and $800,000 of ICC International Corp's common shares.

18.4. Farmland acquisition for the cannabinoids extraction project

On February 10, 2015, ICC International Corp signed an agreement to acquire a farmland for the cannabinoids extraction project for a total amount of $3,300,000. This agreement is enforceable since ICC International Corp obtained a hemp license. In April 2016, the initial amount of $2,300,000 was paid through a related party's financing facility and $1,000,000 was paid in December 2016.

18.5. Greenhouse acquisition for the recreational project

On March 1, 2016, ICC International Corp signed the "Greenhouse Purchase Agreement" in which ICC International Corp acquired a greenhouse to be assembled on IRCCA's premises to grow recreational cannabis. The purchase price is $2,770,000 payable to the supplier after the completion of the assemblage in four consecutive semiannual installments of $692,500 beginning December 2016. The amount due bears interest at an annual rate of Libor 6 months + 3%.

18.6. Hemp authorization

On April 27, 2016, the Agricultural Services General Directorate of the Ministry of Livestock, Agriculture and Fishery of Uruguay issued its Resolution N°35 authorizing Tersum S.A. to import and plant seeds of hemp, harvest the grains and inflorescences planted, condition and to trade in the internal Uruguayan market the grains harvested as propagation material. The authorization of these activities shall be for 360 days as from the date of the resolution.

On December 20, 2016, the Agricultural Services General Directorate of the Ministry of Livestock, Agriculture and Fishery of Uruguay granted an additional authorization for Tersum S.A. to import and plant seeds of hemp, harvest the grains and inflorescences planted, condition and to trade in the internal Uruguayan market the grains harvested as propagation material, and to export fiber and extracted oil. The authorization of these activities shall be for 360 days as from the date of the resolution.

19. SEGMENT INFORMATION

IFRS 8 'Operating Segments' requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker ('CODM', Company´s management) in deciding how to allocate resources and in assessing performance. The CODM evaluates the business based on the differences in the nature of its products, operations and risks. The amount reported for each segment item is the measure reported to the chief operating decision maker for these purposes.

Operating segments identified are disclosed as reportable segments if they meet any of the following quantitative thresholds:

- the operating segment's reported revenue, including both sales to external customers and inter-segment sales or transfers, is ten per cent or more of the combined revenue, internal and external, of all operating segments;

- the absolute amount of its reported profit or loss is ten per cent or more of the greater, in absolute amount, of:

    - the combined reported profit of all operating segments that do not report a loss, and

    - the combined reported loss of all operating segments that report a loss; and

- its assets are ten per cent or more of the combined assets of all operating segments.

If, after determining reportable segments in accordance with the preceding quantitative thresholds, the total external revenue attributable to those segments amounts to less than 75 per cent of the total Company's consolidated external revenue, additional segments are identified as reportable segments, even if they do not meet the thresholds described above, until at least 75 per cent of the Company's consolidated external revenue is included in reportable segments. Once the 75 per cent of the Company's consolidated external revenue is included in reportable segments, the remaining operating segments are aggregated in the 'All other segments' column.

As of December 31, 2016, the Company's principal businesses are "recreational cannabis project" and "cannabinoids extraction project". Based on the Company's managerial business structure, the Company operates in the following reportable segments as of December 31, 2016:

- The 'Recreational' Segment consists of planting, harvesting and sale of psychoactive cannabis pursuant to the licenses granted by the Uruguayan government. Management is focused on the long-term performance of the productive land, and to that extent, the performance is assessed considering the aggregated combination, if any, of crops planted in the land. A single manager is responsible for the management of operating activity of all crops.

- The 'Cannabinoids Extraction' Segment consists of planting, harvesting and sale of hemp and the related cannabinoid extraction for medicinal use pursuant to the authorizations granted by the Uruguayan government. This segment is as of December 31, 2016 in a pre-operative stage.

Both segments have reported revenues of nil as of December 31, 2016.

As of December 31, 2015, the Company operated as a single segment in relation to the "recreational cannabis project" business.

The measurement principles for the Company's segment reporting structure are based on the IFRS principles adopted in the consolidated financial statements. Revenue generated and goods and services exchanged between segments, if any, are calculated on the basis of market prices.

The following table presents information with respect to the Company's reportable segments.

Segment analysis is as follows:

	Recreational	Cannabinoids Extraction	Total Segments
	$	$	$
Year ended December 31, 2016			
Initial recognition and changes in fair value of biological assets	185,345	-	185,345
Cost of production and direct selling expenses	(232,534)	-	(232,534)
Gross loss	**(47,189)**	**-**	**(47,189)**
Depreciation and amortization	(514,914)	(120,000)	(634,914)
Assets at December 31, 2016			
Property, plant and equipment, net	3,189,247	3,300,000	6,489,247
Intangible assets	1,936,000	1,480,000	3,416,000
Biological assets	85,883	-	85,883
Inventories	99,462	-	99,462
Total segment assets	**5,310,592**	**4,780,000**	**10,090,592**

Total segment assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Total reportable segments' assets are reconciled to total assets as per the statement of financial position as follows:

	December 31, 2016
	$
Total reportable assets as per segment information	10,090,592
Other receivables, net	574,311
Cash and cash equivalents	5,897,620
Total assets as per the consolidated statement of financial position	**16,562,523**

20. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. The Company has 112,565,010 common shares issued and outstanding as of December 31, 2016.

COMMON SHARES		Number of shares	$
Balance at January 1, 2015		40,000	50,000
Balance at December 31, 2015		**40,000**	**50,000**
Conversion of due to related parties (Note 15)		39,960,000	15,369,231
Share-based payments (Note 22)		40,000,000	15,384,615
Shares issued for reverse acquisition (Note 6)		6,200,010	2,384,619
Subscription receipts, net of issuance costs	(a)	26,000,000	8,570,911
Exercise of stock options (Note 22)		365,000	150,038
Balance at December 31, 2016		**112,565,010**	**41,909,414**

(a) Prior to the closing of the Qualifying Transaction, ICC International Corp completed a private placement (the "Private Placement") of 32,500,000 subscription receipts ("Subscription Receipts") at a price of $0.3076 (CAD$0.40) per Subscription Receipt for gross proceeds of $9,651,076 (CAD$13,000,000). At the closing of the Qualifying Transaction, the holders of the Subscription Receipts received 26,000,000 common shares of the Company, being 0.8 common shares for each Subscription Receipt. In connection with the Private Placement, GMP Securities L.P., as lead agent and sole bookrunner, and Mackie Research Capital Corporation received a cash commission of $675,575 (CAD$910,000) and broker warrants to purchase 2,275,000 common shares of ICC International Corp exercisable at a price of $0.3076 (CAD$0.40) per share until November 29, 2018, with such warrants being exchanged at the closing of the Qualifying Transaction for broker warrants to purchase 1,820,000 common shares of the Company exercisable at a price of $0.3846 (CAD$0.50) per common share until November 29, 2018. Warrants were valued at $269,918 (CAD$363,576) and have been recorded in equity under Warrants. The cost of issuing equity of $134,673 (CAD$181,405) has been applied against the fair value of the equity issued at the time of the acquisition.

21. WARRANTS

The warrant details of the Company are as follows:

Type of warrant	Expiry Date	Number of warrants	Weighted average exercise price	Amount
			CAD$	$
Warrant	November 29, 2018	1,456,000	0.50	215,934
Warrant	November 29, 2018	364,000	0.50	53,984
Balance at December 31, 2016		**1,820,000**	**0.50**	**269,918**

The Company used Black-Scholes pricing model to determine de fair value of warrants granted using the following assumptions: 1.31% risk-free rate; expected life of 2.02 years; volatility of 70% based on comparable companies; forfeiture rate of nil; and, exercise price of the respective warrants.

22. SHARE-BASED PAYMENT ARRANGEMENTS

Share-based payment reserve

Share-based payment reserve is comprised of:

	December 31, 2016	December 31, 2015
	$	**$**
Balance, beginning of the year	-	-
Amounts charged in respect of reverse acquisition	113,538	-
Amounts charged in respect of stock based compensation	1,942,528	-
Amounts reclassified for exercise of stock options	(113,538)	-
Balance, end of year	**1,942,528**	**-**

Stock option plan

In November 2016, the Company adopted a stock option plan under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire common shares of the Company. The maximum number of common shares reserved for issuance of stock options that may be granted under the plan is 10% of the issued and outstanding common shares of the Company. The options granted can be exercised for up to a maximum of 10 years and vest as determined by the Board of Directors. The exercise price of each option may not be less than the market price of the common shares on the date of grant.

Options to purchase 365,000 ICC common shares at an exercise price of CAD$0.10 per share, vested and having an expiry date of September 4, 2018, were recognized in respect of the reverse acquisition (Note 6).

On November 23, 2016, the Company issued 6,988,000 options at an exercise price of CAD$0.50 per share, vesting immediately and having an expiry date of November 23, 2026, to certain directors, officers and consultants of the Company. The Company recognized a share-based compensation expense of $1,942,528 during the year ended December 31, 2016 (2015: nil).

The Company used the Black-Scholes pricing model to determine the fair value of options granted using the following assumptions: 1.31% risk-free rate; expected life of 1.78 and 10 years; volatility of 70% based on comparable companies; forfeiture rate of nil; and, exercise price of the respective options.

	Number of Options	Weighted average exercise price
Year ended December 31, 2016		CAD$
Outstanding, beginning of the year	-	-
Converted in reverse acquisition	365,000	0.10
Issued during the year	6,988,000	0.50
Exercised during the year	(365,000)	0.10
Outstanding, end of year	6,988,000	0.50
Exercisable, end of year	**6,988,000**	**0.50**

Compensation agreements

In August 2014 and January 2015, ICC International Corp entered into agreements in which, subject to certain conditions, ICC International Corp had to issue common shares equivalent to $1,200,000 and

$800,000, respectively. The Company agreed to issue 50,000,000 (40,000,000 post-Qualifying Transaction common shares of the Company) common shares to satisfy this obligation.

On April 28, 2016, ICC International Corp issued 50,000,000 common shares at a fair value of $0.3076 per share (40,000,000 post-Qualifying Transaction common shares of the Company at a fair value of $0.3846 per share). The excess between the fair value consideration paid and the carrying amount of the debt settled of $13,384,615 was recognized in the Consolidated Statement of Loss in “Loss on debt settlement”.

23. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to the company by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

	December 31, 2016	December 31, 2015
	$	$
Net loss	(30,495,458)	(39,732)
Basic and diluted:		
Weighted average number of common shares outstanding	57,376,162	40,000
Basic and diluted loss per share	**(0.532)**	**(0.993)**

As the Company reported a net loss for the year ended December 31, 2016, the effect of the conversion or exercise of stock options and broker warrants was anti-dilutive and excluded from the calculation.

24. SUBSEQUENT EVENTS

Subsequent to year end, the Company issued options expiring March 9, 2027 to purchase up to 750,000 common shares of the Company to a director of the Company, with 500,000 of such options and 250,000 of such options having an exercise price of CAD$0.86 and CAD$1.50, respectively.

Additionally, broker warrants to acquire 1,456,000 common shares were exercised at an exercise price of CAD$0.50 per share.