ICC Labs Inc.

Consolidated Interim Financial Statements (Unaudited)

For the three and six month periods ended june 30, 2018 and 2017

(In United States dollars, unless otherwise noted)

Note to Reader

The accompanying unaudited consolidated interim financial statements of ICC Labs Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements.

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ICC Labs Inc.
Consolidated statements of financial position (unaudited)

As at June 30, 2018 and December 31, 2017

(In United States dollars)

	Notes	June 30, 2018	December 31, 2017
		US$	US$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	10,912,116	8,191,121
Licenses and permits	11	3,654,141	3,676,805
Total non-current assets		**14,566,257**	**11,867,926**
CURRENT ASSETS			
Biological assets	9	190,404	200,707
Inventories	8	15,732,938	280,754
Other receivables	7	2,250,206	1,540,804
Cash and cash equivalents	6	7,571,509	14,802,141
Total current assets		**25,745,057**	**16,824,406**
TOTAL ASSETS		**40,311,314**	**28,692,332**
SHAREHOLDERS' EQUITY			
Share capital	19	56,851,430	56,572,920
Warrants	20	2,639,495	2,622,167
Share-based payment reserve	21	9,179,996	2,751,680
Conversion result		-	497,463
Deficit		(29,396,157)	(35,003,178)
Total equity		**39,274,764**	**27,441,052**
LIABILITIES AND EQUITY			
NON-CURRENT LIABILITIES			
Accounts payable	12	-	-
Total non-current liabilities		**-**	**-**
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	12	1,036,549	1,251,280
Total current liabilities		**1,036,549**	**1,251,280**
TOTAL LIABILITIES		**1,036,549**	**1,251,280**
TOTAL LIABILITIES AND EQUITY		**40,311,313**	**28,692,332**

Approved by the Board of Directors

Signed: _*"Ravi Sood"*_____________ Director

Signed: _*"Michael Galego"*___________ Director

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

ICC Labs Inc.
Consolidated statements of net loss and net comprehensive income (unaudited)

For the three and six month periods ended June 30, 2018 and 2017

(In United States dollars)

	Notes	Three Months Ended		Six Months Ended	
		June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
		US$	**US$**	**US$**	**US$**
Sales		151,518	-	315,644	
Cost of sales	8	(158,240)	-	(321,859)	
Cost of production		(481,330)	(84,107)	(1,021,168)	(259,364)
Gross loss before fair value adjustment		**(488,052)**	**(84,107)**	**(1,027,383)**	**(259,364)**
Initial recognition and changes in fair value of biological assets and agricultural produce		1,043,300	190,162	15,763,739	299,426
Gross Income/(loss)		**555,248**	**106,055**	**14,736,356**	**40,062**
Expenses:					
General and administrative	15	(1,152,942)	(1,143,521)	(2,598,752)	(1,785,028)
Share-based compensation	20	(98,651)	(85,300)	(6,513,037)	(105,922)
		(1,251,593)	**(1,228,821)**	**(9,111,789)**	**(1,890,950)**
Income/(Loss) from Operations		**(696,345)**	**(1,122,766)**	**5,624,567**	**(1,850,889)**
Financial results, net:					
Other financial expenses		(40,771)	(85,385)	(49,574)	(87,403)
Financial income		7,824	44,597	12,160	47,808
Exchange difference, net		(169,219)	233,358	(561,888)	310,300
		(202,166)	**192,571**	**(599,301)**	**270,706**
Profit/(Loss) before income taxes		**(898,511)**	**(930,195)**	**5,025,266**	**(1,580,183)**
Income tax benefit / (expense)	13	-	-	-	
Conversion Result				84,291	
Comprehensive Income/(Loss)		**(898,511)**	**(930,195)**	**5,109,557**	**(1,580,183)**
Loss per share during the year:					
Basic and diluted		(0.007)	(0.008)	(0.037)	(0.014)
Weighted average number of shares outstanding					
Basic and diluted		138,046,192			

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

ICC Labs Inc.
Consolidated interim statement of changes in shareholders’ equity (unaudited)

For the six month periods ended June 30, 2018 and 2017

(In United States dollars)

	Notes	Number of common shares	Share capital	Warrants	Share-based payments reserve	Accumulated other comprehensiv e income	Deficit	Total
Balance, December 31, 2016	19	**112,565,010**	**41,909,414**	**269,918**	**1,942,528**		**(30,551,406)**	**13,570,454**
Warrants exercised Options	20	1,456,000	762,420	(215,934)	-	-	-	546,486
Stock options exercised	21	79,900	-	-	-	-	-	-
Share-based payments	21	-	-	-	105,922	-	(105,922)	-
Net loss for the year		-	52,522	-	(22,890)	-	(1,474,261)	(1,444,629)
Balances as of June 30, 2017		**114,100,910**	**42,724,356**	**53,984**	**2,025,560**	**-**	**(32,131,589)**	**12,672,311**
Balance, December 31, 2017		**137,600,910**	**56,572,920**	**2,622,167**	**2,751,680**	**497,463**	**(35,003,178)**	**27,441,052**
Warrants exercised		364,000	200,239		(54,003)	-	-	160,867
Compensation Options Exercised		81,282	78,271	17,328	(26,017)	-	-	54,951
Share-based payments		-	-	-	6,508,336	-	-	6,508,336
Net Income/Loss of the year		-	-	-	-	(497,463)	5,607,020	5,109,557
Balance at June 30, 2018		**138,046,192**	**56,851,430**	**2,639,495**	**9,179,997**	**-**	**(29,396,158)**	**39,274,764**

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

ICC Labs Inc.
Consolidated interim statement of cash flows (unaudited)

For the six months ended June 30, 2018 and 2017

(In United States dollars)

Cash flows from operating activities:			
Loss for the year:		5,109,557	(1,580,183)
Adjustments for:			
Amortizations and depreciations	10,11	863,938	682,511
Interest expense / income			(39,594)
Share-based compensation	21	6,508,336	105,922
Unrealized initial recognition and charges in fair value of biological assets		-	(40,062)
Changes in operating assets and liabilities:			
(Increase) / decrease in inventories and biological assets	9	(15,441,881)	(299,426)
(Increase) / decrease in other receivables		(709,402)	(1,273,748)
Increase / (decrease) in accounts payable and accrued liabilities		(214,731)	(1,233,295)
Net cash used in operating activities		**(3,884,183)**	**(3,677,875)**
Cash flows from investing activities:			
Purchases of property, plant and equipment	10	(2,896,499)	(151,297)
Purchases of licenses and permits	11	(247,320)	(20,000)
Net cash used in investing activities		**(3,143,819)**	**(171,297)**
Cash flows from financing activities:			
Share capital issued, net of cash issuance costs	14,19	215,818	-
Net cash generated from financing activities		**215,818**	**-**
Effect of exchange rate in cash		**(418,450)**	-
Net decrease in cash and cash equivalents		**(7,230,633)**	**(3,849,172)**
Cash and cash equivalents at beginning of the period		14,802,142	5,897,620
Cash and cash equivalents at end of the period	6	**7,571,509**	**2,048,448**

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

1. NATURE OF OPERATIONS

ICC Labs Inc. (formerly 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, through its subsidiaries, is engaged in producing and selling cannabis and its derivatives in Uruguay for recreational, industrial and medicinal use, pursuant to the provisions in Law N° 19,172 ‘*Cannabis and its derivatives: state control and regulation of the importation, production, acquisition, storage, marketing and distribution*’ of the República Oriental del Uruguay. As at June 30, 2018, the Company is operative in the “recreational cannabis” segment and in a pre-operative stage in the “cannabinoids extraction” and “medicinal cannabis” segments.

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. In November 2016, the Company completed its qualifying transaction (the “Qualifying Transaction) with ICC International Corp. (formerly International Cannabis Corp). ICC International Corp. merged 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 (subsequently renamed as ICC Labs Inc.) and remained as the resulting issuer. The Qualifying Transaction constituted the qualifying transaction of Shogun Capital Corp. under the policies of the TSX-V and was accounted for as a reverse acquisition.

These consolidated interim financial statements were approved by the Company’s Board of Directors on August 29, 2018.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The policies applied in these consolidated interim 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”). The interim financial statements have been prepared by management in accordance with IAS 34 for Interim Financial Reporting

2.2. Basis of measurement

These consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets that are measured at fair value, as detailed in the Company’s accounting policies.

2.3. Functional and presentation currency

The consolidated interim 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 all of the Company's subsidiaries are the United States dollar.

2.4. Basis of consolidation

These consolidated interim financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Subsidiaries are included in the consolidated interim 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 and its Uruguayan Branch	British Virgin Islands
Tersum S.A.	Uruguay
Salesol S.A.	Uruguay
Plomfin S.A.	Uruguay
ICC Labs Inc Colombia, S.A.S (*)	Colombia

(*) Formerly ICC International Cannabis Corp Colombia, S.A.S.

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 interim 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.

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 to sell 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 set pricing by the Regulation and Control of Cannabis (“Instituto de Regulación y Control del Cannabis” or “IRCCA”). 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 in profit 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 until ready for use and complete

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 permits 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 obtaining the licenses and permits for the recreational and hemp 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
Trade and other receivables – loans and receivables
Accounts payable and other payables – 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

Contingent liabilities are not recognized in the consolidated interim 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.

Items previously treated as contingent liabilities will be recognized in the consolidated interim 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.

3.11. Segment reporting

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.

3.12. Share-based payments

The Company approved an equity incentive plan by which directors, executive officers and consultants may be entitled to receive share-based payments. Equity settled awards 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 equity settled share-based payments 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 equity settled share-based payments 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 equity settled share-based payments granted to directors and executive officers as part of their remuneration package expired, the charge is credited against 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, and when dilutive, adjusted for the effect of all potentially dilutive shares, including share options, on an as-if converted basis.

For the periods presented, all options and warrants were anti-dilutive.

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 interim 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 International Accounting Standards Board 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, the International Accounting Standards Board ("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. The Company does not expect this standard to have a significant impact on the Company's financial statements at this time.

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

In May 2014, the International Accounting Standard Board ("IASB") issued a new International Financial Reporting Standard ("IFRS") 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. The Company does not expect this standard to have a significant impact on the Company's financial statements at this time.

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 interim 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.

Market prices are determined by reference to the agreements with the Government. Harvesting costs and other costs are estimated based on historical and statistical data. Yields are estimated based on several factors including the location, soil type, environmental conditions, infrastructure and other restrictions and growth at the time of measurement. Yields are subject to a high degree of uncertainty and may be affected by several factors out of the Company's control including but not limited to extreme or unusual weather conditions, plagues and other diseases.

Generally, the estimation of the fair value of biological assets is based on models or inputs that are not observable in the market and the use of unobservable inputs is significant to the overall valuation of the assets. Unobservable inputs are determined based on the best information available, for example by reference to historical information of past practices and results, statistical and agronomical information, and other analytical techniques. Unobservable inputs include yields at the point of harvest, estimated production cycle and estimated costs to complete.

The key assumptions discussed above are highly sensitive. Reasonable shifts in assumptions including but not limited to increases or decreases in prices and costs used may result in a significant increase or decrease to the fair value of biological assets recognized at any given time. Cash flows are projected based on estimated production. Estimates of production in themselves are dependent on various assumptions, in addition to those described above, including but not limited to several factors such as location, environmental conditions and other restrictions. Changes in these estimates could materially impact on estimated production and could therefore affect estimates of future cash flows used in the assessment of fair value. The valuation models and their assumptions are reviewed annually, or quarterly if warranted, and, if necessary, adjusted.

See Note 10 for details of methods and assumptions used in determining fair values.

4.2. Share-based compensation and warrant valuation

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

In calculating the value of the warrants, the Company includes key estimates such as the volatility of the Company's stock price, the value of the Company's common shares, and the risk-free interest rate

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.

4.6. Functional currency determination

In determining the functional currency of the Company and its subsidiary companies, management considered the currency that mainly influences sales and the cost of providing goods and services in each jurisdiction in which each of the companies operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

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 trade and other receivables as loans and receivables, and accounts payable and other payables as other financial liabilities.

The carrying values of 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 June 30, 2018, 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 June 30, 2018, 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 and related party receivables. 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 at June 30, 2018, there are no amounts past due.

c) Capital risk management

The capital of the Company includes shareholders' equity of $39,274,764 (December 31, 2017 – $27,441,052), which is comprised of issued share capital, warrants, share-based payments reserve, accumulated other comprehensive income, 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.

(In United States dollars)

6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017
	US$	**US$**
Cash in hand	11,910	2,339
Trust bank account (proceeds from 2017 bought deal Offering)	550,752	14,799,802
ICC Labs Inc. Colombia SAS	146,495	
Capital Union Bank	6,862,352	-
	7,571,509	**14,802,141**

7. OTHER RECEIVABLES

This account comprises:

	June 30, 2018	December 31, 2017
	US$	**US$**
Receivables from related parties (Note 14)	795,996	695,881
Trade receivables	270,677	129,403
Deposit in guarantee - IRCCA (Note 16)	50,000	50,000
Deposit in guarantee -Use of trade zone, Scientific Park (Note 17)	9,288	-
Tax credit certificates ($U)	53,785	43,112
Prepaid VAT ($U)	168,199	128,521
Prepayments and advances	540,029	492,455
Investment in other companies (Note 17.5)	355,176	
Other	7,055	1,432
	2,250,206	1,540,804

8. INVENTORIES

As of June 30, 2018, inventories were comprised of approximately 1,896 kilograms of harvested recreational cannabis valued at $814,500 (December 31, 2017: 419 kilograms of harvested recreational cannabis valued at $418,787).

As at June 30, 2018, the Company had 138,507 kilograms of dried hemp flower (December 31, 2017: 106 kilograms of harvested hemp) and is in the process of finalizing its extraction facilities from where it intends to formulate medicinal extracts.

Inventory recognized as an expense in cost of sales was $158,240 for the three month ended June 30, 2018 (December 31, 2017).

9. BIOLOGICAL ASSETS

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

	June 30, 2018	December 31, 2017
	$	**$**
Beginning of the year	200,707	85,883
Initial recognition and changes in fair value of biological assets	15,763,739	510,191
Decrease due to harvest	(15,774,043)	(395,367)
As at June, 30	**190,404**	**200,707**

(In United States dollars)

As at June 30, 2018, the Company managed approximately 26,361 recreational cannabis plants in production and 5,105 hemp plants.

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 to a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future years.

The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

(a) The cost to compete the cannabis and hemp post-harvest and cost to sell;
(b) The stage of plant growth; and
(c) Expected yields by cannabis and hemp plant.

A 10% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets by $16,000. Additionally, an increase or decrease of 10% in the costs of production would increase of decrease the fair value of biological assets by $9,500.

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Facilities	Furniture and Equipment	Machinery	Total
	$	$	$	$	$
Cost					
Balance December 31, 2017	4,800,000	3,644,533	355,619	63,636	8,863,788
Additions		2,816,482	98,442	160,279	3,075,203
Balance June 30, 2018	**4,800,000**	**6,461,015**	**454,061**	**223,915**	**11,938,990**
Accumulated depreciation					
Balance December 31, 2017	-	(577,218)	(92,719)	(2,730)	(672,667)
Depreciation	-	(305,439)	(46,393)	(2,375)	(354,207)
Balance June 30, 2018	-	(882,657)	(139,112)	(5,105)	(1,026,874)
Net book value December 31, 2017	**4,800,000**	**3,067,315**	**262,900**	**60,906**	**8,191,121**
Net book value June 30, 2018	**4,800,000**	**5,578,358**	**314,949**	**218,810**	**10,912,116**

(In United States dollars)

11. INTANGIBLE ASSETS

As of June 30, 2018 and December 31, 2017, this account was comprised of costs for technical advisory, procedures for permits and license costs related to the recreational cannabis and hemp projects.

	Hemp	Recreational	Seed License	Total
	$	$	$	$
Six month period ended June 30, 2017				
Opening net book amount	1,480,000	1,936,000	-	3,416,000
Additions	-	-		-
Amortization charge	(160,000)	(256,000)		(416,000)
Closing net book amount	**1,320,000**	**1,680,000**	**-**	**3,000,000**
At June 30, 2017				
Cost	1,600,000	2,432,000		4,032,000
Accumulated amortization	(280,000)	(720,000)		(1,000,000)
Net book amount	**1,320,000**	**1,712,000**	**-**	**3,032,000**
Six month period ended June 30, 2018				
Opening net book amount	1,352,067	1,460,000	911,804	3,723,871
Additions		(20,000)	460,000	440,000
Amortization charge	(148,157)	(240,000)	(121,574)	(509,731)
Closing net book amount	**1,203,910**	**1,200,000**	**1,250,230**	**3,654,140**
At June 30, 2018				
Cost	1,527,067	2,400,000	1,371,804	5,298,871
Accumulated amortization	(323,157)	(1,200,000)	(121,574)	(1,644,731)
Net book amount	**1,203,910**	**1,200,000**	**1,250,230**	**3,654,140**

12. ACCOUNTS PAYABLE AND OTHER PAYABLES

This account comprises:

	June 30, 2018	December 31, 2017
	US$	**US$**
Non-current		
	-	-
Current		
Trade payables	783,498	996,690
Accrued liabilities	61,696	26,072
Tax liabilities	9,999	31,173
Payroll and social security liabilities	181,356	170,131
Other	-	27,214
	1,036,549	**1,251,280**
	1,036,549	**1,251,280**

(In United States dollars)

13. TAXATION

One of the subsidiaries is incorporated under the International Business Companies Act of the British Virgin Islands and accordingly, is exempted from payment of British Virgin Island's income taxes. Accordingly, the Group'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.

14. RELATED-PARTIES TRANSACTIONS

Prior to the completion of 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 pursuant to which:

(a) Union Group granted a $4,000,000 financing facility (the "UG Facility"). Each draw down on the facility bears interest at an annual rate of 10%.

(b) 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.

The following transactions were carried out with related entities:

		June 30, 2018 US$	June 30, 2017 US$
Opening balances		695,881	387,269
Financing facility draw-downs	(a)		(124,650)
Payments on behalf of ICC	(b)	(2,418,951)	(977,467)
Office leases charged	(c)	(11,700)	
Accrued interest	(d)		-
Repayments	(e)	11,700	19,436
Cash advanced	(f)	2,519,066	2,342,442
			-
Closing balances	**(g)**	**795,996**	**1,647,030**

Notes:

(a) During the three month period ended June 30, 2018, no amount was drawn down on the UG Facility.
(b) Included payments made by Union Group on behalf of ICC and other expenses.
(c) Included charges from 11,700 with respect to 19,436.
(d) As no amounts were outstanding on the UG Facility in the three month period ended June 30, 2018, no interest accrued.
(e) Included the cash sent to Union Group accounts for paying capital expenses and other expenses.
(f) Included the cash sent to Union Group's accounts for paying capital expenses and other expenses.
(g) As of June 30, 2018, the Company maintained an account receivable from Union Capital Group S.A., a subsidiary of Union Group, of $137.725 (December 31, 2017: $59,515), an account receivable from Union Capital Group International Holding, a subsidiary of Union Group, of $549.817 (December 31, 2017: $539,794) and an account receivable from Union Group of $96,572 (December 31, 2017: $96,572).

(In United States dollars)

Key management personnel

For the six-month period ended June 30, 2018, the Company accrued $131,939 in remuneration to senior management and directors (March 31, 2017: $39,215). At June 30, 2018, the Company included $27.321 in accounts payable and other accrued liabilities for amounts due to senior management and directors (December 31, 2017: $26,151).

For the six month period ended June 30, 2018, the Company granted $6.508.336 in share-based compensation to senior management and directors (June 30, 2017: $105,922).

15. GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended		Six Months Ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	US$	**US$**	**US$**	**US$**
Professional fees	418,581	493,266	1,211,632	632,073
Amortization of licenses and permits (Note 11)	237,127	200,000	509,581	400,000
Payroll and social security expenses	142,040	113,169	251,326	173,190
Security and surveillance	525	22,253	21,389	40,883
Office expenses	89,069	167,458	138,824	195,412
Depreciation of property, plant and equipment (Note 10)	-	200,528	-	286,226
Transportation	66,403	397	79,933	17,780
Marketing expenses	17,242	(548)	100,822	3,294
Office rental	25,455	11,700	37,155	23,400
Other	156,343	(64,703)	248,090	12,770
	1,152,785	1,143,521	2,598,596	1,785,028

16. CONTINGENCIES AND GUARANTEES

17.1 Contingencies

Management of the Group considers there to be no contingent liabilities or legal commitments that have to be recognized in the consolidated interim financial statements as of June 30, 2018.

17.2 Guarantees

As a performance bond of the license granted by Regulation and Control of Cannabis (“Instituto de Regulación y Control del Cannabis” or “IRCCA”), ICC has pledged in guarantee a deposit of $50,000 (as of June 30, 2018: $50,000). This deposit is included in “Other receivables”.

As required per of Company’s use of the Trade Zone in Scientific Park, Plomfin S.A. has provided a guarantee of $9,288, (as of June 30, 2018: nil). This deposit is included in “Other receivables”.

17. CONTRACTS AND LICENSES

17.1. Recreational Cannabis – License

On October 1, 2015, the Institute for 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. In January 2018, the wholesale price of recreational cannabis was increased by 6.5% to $0.9585.

17.2. 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 semi-annual installments of $692,500 beginning December 2016. The amount due bears interest at an annual rate of Libor 6 months + 3%. The balance was fully paid off as at December 31, 2017.

17.3. Hemp authorization

On December 20, 2016, Tersum received an authorization from the Agricultural Services General Directorate of the Ministry of Livestock, Agriculture and Fishery of Uruguay (the "2016 Authorization") that permits Tersum to, among other things: (i) plant up to approximately 100 acres of land at its Canelones production site with certain cannabis sativa seeds; (ii) harvest the seeds, stems and flowers of the planted crop; (iii) process the fibre and extract oil from the harvested seed; (iv) sell the processed fibre and harvested seeds in the domestic market to certain authorized buyers; and (v) export the processed fibre and extracted oil, upon receipt of further required authorizations. The 2016 Authorization expired 360 days after issuance and was not renewed by Tersum as it no longer used the strain of cannabis included in the 2016 Authorization.

On May 5, 2017, Tersum was granted an authorization (the "May 5, 2017 Authorization") that permits Tersum to, among other things: (i) plant up to approximately 100 acres of land at its Canelones production site with certain cannabis sativa seeds; (ii) harvest the seeds, stems and flowers of the planted crop; (iii) process the fibre, extract oil from the harvested grain and extract cannabinoids from the harvested flowers, in accordance with certain specified methods and directives; (iv) sell the processed fibre and harvested seeds in the domestic market to certain authorized buyers; and (v) export the processed fibre, extracted oil and extractions from the flowers after fulfilling certain stipulated requirements. The May 5, 2017 Authorization expired 360 days after issuance and was not renewed by Tersum as it no longer used the strain of cannabis included in the May 5, 2017 Authorization.

On May 31, 2017, Tersum was granted an authorization (the "May 31, 2017 Authorization") that permits Tersum to, among other things: (i) plant up to approximately 495 acres of land at its Flores production site with certain cannabis sativa seeds; (ii) harvest the seeds, stems and flowers of the planted crop, in accordance with certain specified methods and directives; (iii) process the fibre, extract oil from the harvested grain and extract cannabinoids from the harvested flowers; (iv) sell the processed fibre in the domestic market for certain specified uses; and (v) export the processed fibre, extracted oil and extractions from the flowers after fulfilling certain stipulated requirements. The May 31, 2017 Authorization expires 360 days after issuance and Tersum has applied to the Ministry of Livestock, Agriculture and Fishery of Uruguay to renew the authorization.

On July 25, 2017, Tersum was granted an authorization (the "July 2017 Authorization") that permits Tersum to, among other things: (i) import certain approved varietals of cannabis seeds; (ii) plant up to approximately 100 acres of land at its Flores and/or its Canelones production sites with such varietals of cannabis seeds; (iii) harvest the seeds, stems and flowers of the planted crop; (iv) process the fibre, extract oil from the harvested grain and extract cannabinoids from the harvested flowers, in accordance with certain specified methods and directives; (v) sell the processed fibre and harvested seeds in the domestic market to certain authorized buyers, and subject to certain approvals, the extractions from the flowers; and (vi) export the processed fibre, extracted oil and extractions from the flowers after fulfilling certain stipulated requirements. The July 2017 Authorization expires 360 days after issuance, except for the importation activities, which are authorized for a period of 120 days after the issuance. Tersum is in the process of renewing the July 2017 Authorization.

17.4. Colombia

On January 3, 2018, ICC obtained two licenses for its wholly-owned Colombian subsidiary from the Ministry of Justice and Law of the Republic of Colombia. One license permits ICC to cultivate non-psychoactive cannabis plants to produce various medicinal cannabis-based products for domestic and international distribution. The second license permits ICC to obtain cannabis seeds under the Colombian regulatory regime and use such seeds for its operations. These licenses are each valid for a period of five years and are renewable upon request within three months of expiration.

On February 9, 2018 the Ministry of Justice and Law of the Republic of Colombia granted ICC's Colombian subsidiary a license to cultivate psychoactive cannabis plants for medicinal purposes for domestic and international distribution. The Ministry of Health of the Republic of Colombia also granted the subsidiary a license to manufacture cannabis derivatives for medicinal purposes. Such licenses are each valid for a period of five years and are renewable upon request within three months of expiration.

17.5. Kalapa Agreement

On March 28, 2018, the Company announced the acquisition of Global Group Kalapa S.L. (Kalapa) in Spain. The Company will acquire an initial 25% equity stake in Kalapa at an agreed upon valuation of €3,500,000 to be paid with a combination of cash, pure CBD produced by ICC, and common shares of ICC valued at an agreed upon price per common share of CAD$1.40. In addition, ICC will be granted an option to acquire the remaining 75% of Kalapa at the same valuation prior to the end of 2018 in a combination of cash and securities of ICC. See “Subsequent Events”.

On April 5, 2018, the Company agreed to provide a line of credit for up to €100,000 to Kalapa at 3.8% per annum payable 12 months after disbursement and convertible into shares towards the acquisition.

On May 9, 2018, ICC BVI signed a quotas purchase agreement with Kalapa for the acquisition by ICC of 788 quotas of Kalapa, representing a 25% equity stake in Kalapa at an agreed upon valuation of €3,500,000 to be paid with a combination of cash and common shares valued at an agreed upon price per common share of CAD$1.40. ICC is also obliged to provide Kalapa with CBD raw material with a value of €140,000. In addition, Kalapa has granted to ICC, subject to the terms and conditions of the agreement, an irrevocable option to purchase up to 75% of the quotas of Kalapa until October 31, 2018. Closing remains subject to TSX-V approval.

17.6. Scientific Research

On April 2, 2018, ICC entered into a framework collaboration agreement with the Pasteur Institute of Montevideo, a Uruguayan foundation devoted to biomedical research. Over a period of two years, ICC will provide $400,000 in funding and three phytocannabinoid extracts to the research program and the Pasteur Institute will conduct various scientific and medicinal research activities designed to ascertain potential effects of the phytocannabinoids on immune response, neuroprotection and intestinal microbiota. The direct results of the research program are expected to be owned solely by ICC.

On April 3, 2018, ICC entered into a letter of intent with Eurofarma Uruguay S.A., a member of the Eurofarma group of companies. The Eurofarma group is a Brazilian-owned multinational pharmaceutical producer. Pursuant to the letter of intent, the parties have agreed to negotiate definitive commercial agreements pursuant to which Eurofarma will blend, bottle and package, in accordance with GMP, for sale by ICC, various products derived from ICC’s CBD extractions that will be used for medicinal purposes.

18. SEGMENT INFORMATION

As of June 30, 2018, the Company’s principal businesses are recreational cannabis and hemp. Based on the Company’s managerial business structure, the Company operates in the following reportable segments as of June 30, 2018:

- 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 ‘Hemp’ Segment consists of planting, harvesting and sale of industrial hemp and medicinal cannabis pursuant to the authorizations granted by the Uruguayan government. This segment is as of June 30, 2018 in the pre-revenue stage.

(In United States dollars)

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

Segment analysis is as follows for the six-month period ended June 30, 2018:

	Recreational	**Hemp**	**Total Segments**
	$	**$**	**$**
Six month period ended June 30, 2018			
Sales	315,644		315,644
Cost of sales	(321,859)		(321,859)
Initial recognition and changes in fair value of biological assets and agricultural produce	655,232	15,108,507	15,763,739
Cost of production and direct selling expenses	(879,814)	(141,354)	(1,021,168)
Gross loss / Gain	**(230,796)**	**14,967,153**	**14,736,357**
Depreciation and amortization	(584,395)	(279,543)	(863,938)
Assets at June 30, 2018			
Property, plant and equipment, net	2,450,067	8,462,050	10,912,116
Intangible assets	1,200,000	2,454,141	3,654,141
Biological assets	158,575	31,829	190,404
Inventories	656,259	15,076,678	15,732,938
Trade receivables and other receivables	414,358	1,039,852	1,454,210
Total segment assets	**4,879,260**	**27,064,549**	**31,943,809**

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:

	June 30, 2018
	US$
Total reportable assets as per Segment Information	31,943,809
Other receivables, net	795,996
Cash and cash equivalents	7,571,509
Total assets as per the Consolidated Statement of Financial Position	**40,311,314**

(In United States dollars)

19. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at June 30, 2018, the Company has issued 138,046,192 common shares (June 30, 2017 137,600,910 common shares).

COMMON SHARES		**Number of shares**	**US$**
Balance at December 31, 2016		**112.565.010**	**41.909.414**
Units, net of issuance costs	(a)	23.000.000	13.522.261
Warrants exercised	Note 20	1.456.000	755.375
Exercise of stock options	Note 20	579.900	385.870
Balance at December 31, 2017		**137.600.910**	**56.572.920**
Warrants exercised	Note 20	364.000	200.239
Compensation Options Exercised	Note 20	68,862	63.640
Balance at March 31, 2018		**138.033.772**	**56.836.799**
Warrants exercised	Note 20	-	14.631
Compensation Options Exercised	Note 20	12.420	
Balance at June 30, 2018		**138.046.192**	**56.851.430**

Notes:

(a) On November 22, 2017, ICC closed a bought deal offering of 23,000,000 units ("Units") at a price of CAD$1.00 per Unit, including the full exercise of the over-allotment option, for aggregate gross proceeds of CAD$23,000,000 (the "Offering"). The Offering was underwritten by a syndicate of underwriters led by GMP Securities L.P. and including Haywood Securities Inc., and PI Financial Corp. (collectively, the "Underwriters"). Each Unit issued pursuant to the Offering consisted of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one common share at an exercise price of CAD$1.50 per common share until November 22, 2019, subject to customary anti-dilution adjustments. In consideration for the services provided by the Underwriters, the Company paid the Underwriters a cash commission and issued an aggregate of 1,380,000 non-transferable compensation options to the Underwriters (the "Compensation Options"). Each Compensation Option is exercisable into one Unit at a price of CAD$1.00 until November 22, 2019, subject to customary anti-dilution adjustments.

(In United States dollars)

20. WARRANTS AND COMPENSATION OPTIONS

Warrants

The details of the Company's warrants are as follows:

Warrant Activity	**June 30, 2018**	**Weighted Avg. Exercise Price (CAD$)**	**June 30, 2017**	**Weighted Avg. Exercise Price (CAD$)**
Six-month period ended June 30				
Outstanding, beginning of the period	11,864,000	1.47	1,820,000	0.50
Issued during period	40,641	1.50	-	-
Expired during period	-	-	-	-
Exercised during period	364,000	0.50	1,456,000	0.50
Exercisable, end of period	**11,540,641**	**1.50**	**364,000**	**0.50**

The following table summarizes information about warrants outstanding as at June 30, 2018:

Date of issuance	**Date of Expire**	**Exercise Price (CAD$)**	**June 30, 2018 Outstanding**	**June 30, 2017 Outstanding**
November 23, 2016	November 29, 2018	0.50	-	364,000
November 22, 2017	November 22, 2019	1.50	11,500,000	-
February 6, 2018	November 22, 2019	1.50	34,431	-
April 16, 2018	November 22, 2019	1.50	6,210	-
			11,540,641	**364,000**

As at June 30, 2018, warrants outstanding have a weighted average remaining life of 1.25 years.

The Company used Black Scholes pricing model to determine the fair value of warrants. The November 2017 warrants were valued using the following assumptions: 1.43% risk-free rate; expected life of 2 years; volatility of 90% based on comparable companies; forfeiture rate of nil; and, exercise price of Cd.$0.50. The total fair value of the warrants was calculated to be $2,568,183.

The February 2018 warrants were valued using the following assumptions: 2.07% risk free rate; expected life 1.79 years; volatility of 84.72% based on the company history, and exercise price of CAD$1.50. The fair value calculated for them is $ 17,328.

The April 2018 warrants were valued using the following assumptions: 2.22% risk free rate; expected life 5years; volatility of 94.57% based on the company history, and exercise price of CAD$1.50. The fair value calculated for them is $375,799.

Compensation Options

The Company issued an aggregate of 1,380,000 non-transferable Compensation Options relating to the November 2017 financing. Each Compensation Option is exercisable into one Unit at a price of CAD$1.00 until November 22, 2019, subject to customary anti-dilution adjustments.

The Company used Black Scholes pricing model to determine the fair value of options. The November 2017 options were valued using the following assumptions: 1.43% risk-free rate; expected life of 2 years; volatility of 90% based on comparable companies; forfeiture rate of nil; and, exercise price of the respective option. The total fair value of the warrants was calculated to be $521,386.

On February 6, 2018 and April 16, 2018, 68,862 and 12,420 Compensation Options were exercised, respectively.

21. SHARE-BASED PAYMENT ARRANGEMENTS

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.

On March 9, 2017, the Company issued options to purchase up to 500,000 common shares at an exercise price of CAD$0.86 per share and options to purchase up to 250,000 common shares at an exercise price of CAD$1.50 per share, with all such options expiring on March 9, 2027.

On June 6, 2017, 79,900 common shares were issued at a price of CAD$0.50 per share upon the exercise of options.

On June 26, 2017, the Company issued options to purchase up to 150,000 common shares at an exercise price of CAD$1.40 per share, with all such options being cancelled and terminated in connection with the recipient ceasing to provide consulting services to the Company.

On November 29, 2017, the Company issued options to purchase up to 250,000 common shares at an exercise price of CAD$0.98 per share and options to purchase up to 200,000 common shares at an exercise price of CAD$1.25 per share, with all such options expiring on November 29, 2027.

On January 10, 2018, the Company issued options to purchase up to 4,252,018 common shares at an exercise price of CAD$1.42 per share, with all of such options expiring on January 10, 2028.

On April 30, 2018, the Company issued options to purchase up to 300,000 common shares at an exercise price of CAD$1.44 per share, with all of such options expiring on April 30, 2023.

In 2016, 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.

In 2017, the Company used the Black Scholes pricing model to determine the fair value of options granted using the following assumptions: 1.12% - 1.64% risk-free rate; expected life of 5 to 10 years; volatility of 80% - 90% based on comparable companies; forfeiture rate of nil; and, exercise price of the respective options.

In 2018, the Company used the Black Scholes pricing model to determine the fair value options granted using the following assumptions: 2.07% risk-free rate; expected life 10 years; volatility of 84.72% based on the history of the Company.

(In United States dollars)

	Number of Options	Weighted average exercise price (CAD$)
Six-month period ended June 30, 2018		
Outstanding, beginning of the period	7,608,100	0.59
Issued during the period	4,552,018	1.42
Exercised during the period	-	-
Cancellation of options	-	-
Outstanding, end of period	12,160,118	0.93
Exercisable, end of period	**12,160,118**	**0.93**
Six-month period ended June 30, 2017		
Outstanding, beginning of the period	6,988,000	0.50
Issued during the period	750,000	1.07
Exercised during the period	(79,900)	-
Cancellation of options	-	-
Outstanding, end of period	7,658,100	0.56
Exercisable, end of period	**7,658,100**	**0.56**

As at June 30, 2018, options outstanding have a weighted average remaining life of 9.10 years (31st March 2017 – 9.88 years).

22. SUBSEQUENT EVENTS

On July, 2018, ICC has completed the construction of its 124,000 sq. ft. greenhouse in Tabio, close to Bogotá, where the Company intends to produce psychoactive cannabis plants with up to 20% of tetrahydrocannabinol (THC) for medicinal purposes, subject to approval of the TSX-V. The greenhouse is divided into four different areas which will be used for the germination, conservation of mother plants, vegetative growth and flowering. It is located on a total area of 172,223 sq. ft. of land which will also provide up to 4,000 sq. ft. to dry, store and manufacture derivatives.

Effective in August 2018, the Government of Uruguay increased the domestic sale price for dried recreational cannabis by 6.83% per gram.

On August 16, 2018, the Company signed a purchase agreement with Pharma Binoide S.L., a Spain based hemp producer, to buy 20 tons of CBD dry flowers at an average price of €18,700 per ton, depending on the CBD content. ICC also obtained an option to acquire Pharma Binoide S.L. for €1,800,000 to be paid through the issuance of Common Shares, at a price per Common Share to be fixed as at closing price of the Common Shares on the TSX-V on the day prior to the exercise of such option, and subject to approval of the TSX-V.

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