ICC INTERNATIONAL CANNABIS CORPORATION

Consolidated Interim Financial Statements (Unaudited)
For the three and nine month periods ended September 30, 2017 and 2016

(In United States dollars, unless otherwise noted)

Note to Reader

The accompanying unaudited consolidated interim financial statements of ICC International Cannabis Corporation (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.

ICC International Cannabis Corporation

Consolidated interim statement of financial position (unaudited)
As at September 30, 2017 and December 31, 2016

(in United States dollars)	Notes	September 30, 2017	December 31, 2016
		$	$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	6,247,426	6,489,247
Licenses and authorizations	12	2,950,000	3,416,000
Total non-current assets		**9,197,426**	**9,905,247**
CURRENT ASSETS			
Biological assets	10	210,200	85,883
Inventories	9	161,843	99,462
Other receivables	8	1,698,263	574,311
Account receivables		113,836	-
Cash and cash equivalents	7	2,096,709	5,897,620
Total current assets		**4,280,851**	**6,657,276**
TOTAL ASSETS		**13,478,277**	**16,562,523**
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	20	42,724,356	41,909,414
Warrants	21	53,984	269,918
Share-based payment reserve	22	2,109,017	1,942,528
Deficit		(33,266,370)	(30,551,406)
Total shareholders' equity (deficit)		**11,620,987**	**13,570,454**
LIABILITIES			
NON-CURRENT LIABILITIES			
Other payables	13	-	692,500
Total non-current liabilities		**-**	**692,500**
CURRENT LIABILITIES			
Accounts payable and other payables	13	1,857,290	2,299,569
Total current liabilities		**1,857,290**	**2,299,569**
TOTAL LIABILITIES		**1,857,290**	**2,992,069**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**13,478,277**	**16,562,523**

Approved on behalf of the Board

"*Ravi Sood*" (signed)
Director

"*Michael Galego*" (signed)
Director

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

ICC International Cannabis Corporation

Consolidated interim statement of loss and comprehensive loss (unaudited) For the three and nine month periods ended September 30, 2017 and 2016

(in United States dollars)	Notes	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
		$	$	$	$
Sale		146,977	-	146,977	-
Cost of Sales		(145,897)	-	(145,897)	-
Initial recognition and changes in fair value of biological assets and agricultural produce		33,169	97,642	332,595	209,047
Cost of production		(166,212)	(109,642)	(425,577)	(136,485)
Gross profit		**(131,964)**	12,000	**(91,902)**	**72,562**
Expenses:					
General and administrative	16	(781,688)	(252,844)	(2,566,716)	(1,121,656)
Loss on debt settlement		-	-		(23,451,599)
Share-based compensation	22	(83,457)	-	(189,379)	-
		(864,261)	**(252,844)**	**(2,755,211)**	**(24,500,693)**
Loss from operations		**(996,225)**	(264,844)	**(2,847,114)**	**(24,590,861)**
Financial results, net:					
Other financial expenses	15	(15,370)	(5,958)	(102,773)	(66,566)
Financial income		3,930	-	51,738	-
Exchange difference, net		(127,116)	(17,268)	183,184	(23,602)
		(138,556)	**(23,226)**	**132,149**	**(90,168)**
Loss before income taxes		**(1,134,781)**	**(288,070)**	**(2,714,964)**	**(24,590,861)**
Income tax benefit / (expense)	14			-	-
Net loss and comprehensive loss		**(1,134,781)**	**(288,070)**	**(2,714,964)**	**(24,590,861)**
Loss per share during the period:					
Basic and diluted	23	(0.010)	(0.003)	(0.023)	(0.435)

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

ICC International Cannabis Corporation

Consolidated interim statement of changes in shareholders' equity (unaudited)
For the nine month period ended September 30, 2017 and 2016

(in United States dollars, except share amounts)	Notes	Number of common shares	Share capital	Warrants	Share-based payments reserve	Deficit	Total
		#	$	$	$	$	$
Balance, December 31, 2016		**40,000**	**50,000**	**-**	**-**	**(55,948)**	**(5,948)**
Net loss for the period		-	-	-	-	(598,858)	(598,858)
Balance, September 30, 2016		**40,000**	**50,000**	**-**	**-**	**(654,806)**	**(604,806)**
Balance, December 31,	20	**112,565,010**	**41,909,414**	**269,918**	**1,942,528**	**(30,551,406)**	**13,570,454**
2016 Share-based payments	22	-	-	-	189,379	(189,379)	0
Warrant exercised Options	21	1,456,000	762,420	(215,934)		0	546,486
Exercised Net loss for the	22	79,900	52,522		(22,890)	0	29,632
period		-	-	-	-	(2,525,586)	(2,525,586)
Balance, September 30, 2017		**114,100,910**	**42,724,356**	**53,984**	**2,109,017**	**(33,266,370)**	**11,620,987**

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 interim financial statements.

ICC International Cannabis Corporation

Consolidated interim statement of cash flows (unaudited)
For the nine month period ended September 30, 2017 and 2016

(in United States dollars)	Notes	Nine Months Ended September 30, 2017	 September 30, 2016
		$	$
Cash flows from operating activities:			
Loss for the period:		(2,714,964)	(24,590,861)
Adjustments for:			
Interest expenses			16,044
Amortization and depreciation	11,12	946,509	381,725
Unrealized initial recognition and changes in fair value of biological assets		(332,595)	(209,047)
Loss on debt settlement		-	23,451,599
Share-based compensation	22	189,379	-
Changes in operating assets and liabilities:			
Decrease in inventories		208,278	(58,106
(Increase) in biological assets		(62,381)	58,106
(Increase) in account receivables		(113,836)	-
(Increase) in other receivables		(1,123,952)	(84,654)
(Decrease) in accounts payable and other payables		(1,134,718)	1,741,137
Net cash used in operating activities		**(4,138,341)**	**705,943**
Cash flows from investing activities:			
Purchases of property, plant and equipment	11	(218,688)	(689,670)
Purchases of licenses and authorizations	12	(20,000)	(20,000)
Net cash used in investing activities		**(238,688)**	**(709,670)**
Cash flows from financing activities:			
Share capital issued, net of cash issuance costs	15,20	576,118	-
Net cash generated from financing activities		**-**	**-**
Net decrease in cash and cash equivalents		**(3,800,911)**	**(3,727)**
Cash and cash equivalents at beginning of the period		5,897,620	3,751
Cash and cash equivalents at end of the period	7	**2,096,709**	**24**

The accompanying notes are an integral part of these consolidated interim 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 September 30, 2017, 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).

The Company's Board of Directors on November 29, 2017, approved these consolidated interim financial statements.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The policies applied in this 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 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 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 the Company's subsidiaries, which includes ICC International Corp., Tersum S.A. ("Tersum"), Plomfin S.A. and Salesol S.A, is 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 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
Plomfin S.A.	Uruguay
ICC Colombia SAS	Colombia

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 and hemp 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	5 – 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 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.

Contingent assets are not recognized in the consolidated interim 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 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. The items treated as contingent assets will be recognized in the consolidated interim 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 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 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. The impact of adopting IFRS 15 is not expected to be material.

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.

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 September 30, 2017, 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 September 30, 2017, 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 September 30, 2017, 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 $11,620,987 (December 31, 2016 – $13,570,474), 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, among other things, 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 interim 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

	September 30, 2017	December 31, 2016
	$	$
Cash in hand	-	10,821
Trust account (private placement proceeds)	2,096,709	5,886,799
	2,096,709	**5,897,620**

8. OTHER RECEIVABLES

This account comprises:

	September 30, 2017	December 31, 2016
	$	$
Receivables from related parties (Note 15)	1,173,770	395,005
Deposit in guarantee - IRCCA (Note 17)	50,000	50,000
Tax credit certificates ($U)	19,748	32,638
Prepaid VAT ($U)	161,174	83,314
Prepayments	288,684	8,540
Other	4,887	4,814
	1,698,263	574,311

On January 23, 2017, the Company invested $1 million in a six-month unsecured loan bearing interest at a rate of 10% per annum. On June 29, 2017, the $1,000,000 invested by the Company, was repaid in full plus interest.

9. INVENTORIES

As of September 30, 2017, inventories were comprised of approximately 201 kilograms of harvested recreational cannabis (December 31, 2016: 109 kg).

10. BIOLOGICAL ASSETS

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

	September 30, 2017	December 31, 2016
	$	$
Beginning of the period/year	85,883	-
Initial recognition and changes in fair value of biological assets	332,595	185,345
Decrease due to harvest	(208,278)	(99,462)
End of the period/year	**210,200**	**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 and hemp 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	Vehicles	Machinery	Total
	$	$	$	$	$	$
Cost						
Balance, December 31, 2016	3,300,000	3,039,736	135,979	-	44,446	6,520,161
Additions	-	-	172,030	41,746	4,912	218,688
Balance, September 30, 2017	**3,300,000**	**3,039,736**	**308,009**	**41,746**	**49,358**	**6,738,849**
Accumulated depreciation						
Balance, December 31, 2016	-	(19,194)	(11,261)	-	(459)	(30,914)
Depreciation	-	(444,898)	(9,682)	(4,429)	(1,500)	(460,509)
Balance, September 30, 2017	**-**	**(464,092)**	**(20,943)**	**(4,429)**	**(1,959)**	**(491,423)**

12. LICENSES AND AUTHORIZATIONS COSTS

As of September 30, 2017 and 2016, 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
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**
Nine month period ended September 30, 2017			
Opening net book amount	1,480,000	1,936,000	3,416,000
Additions		20,000	20,000
Amortization charge	(120,000)	(366,000)	(486,000)
Closing net book amount	**1,360,000**	**1,590,000**	**3,032,000**
At September 30, 2017			
Cost	1,600,000	2,440,000	4,040,000
Accumulated amortization	(240,000)	(850,000)	(1,090,000)
Net book amount	**1,360,000**	**1,590,000**	**2,950,000**

13. ACCOUNTS PAYABLE AND OTHER

PAYABLES This account comprises:

	September 30, 2017	December 31, 2016
	$	$
Non-current		
Greenhouse acquisition debt (Note 18.5)	-	692,500
	-	**692,500**
Current		
Greenhouse acquisition debt (Note 18.5)	1,454,869	1,387,814
Due to related parties (Note 15)	-	7,736
Trade payables	44,835	113,015
Accrued liabilities	144,747	602,563
Capital net worth tax	101,500	105,294
Payroll and social security liabilities	111,339	81,449
Other	-	1,698
	1,857,290	**2,299,569**
	1,857,290	**2,992,069**

14. TAXATION

One of the subsidiaries of the Company, ICC International Corp., was 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, ICC International Corp.'s tax expense comprises the charge for tax currently payable or deferred attributable to its subsidiaries and registered branch in their taxable jurisdiction, which is limited to Uruguay as of the date of these interim consolidated financial statements. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case, it is also recognized in equity.

The subsidiaries and branch in Uruguay are required to calculate and file their income tax returns on a separate basis, rather than preparing a consolidated tax return. Therefore, neither subsidiaries nor the registered branch are allowed to offset income from one with losses from another.

Management has determined the tax losses for each subsidiary and branch under the general system of income tax under current Uruguayan tax law, which requires adding and deducting from the income or loss for the year of the financial statements prepared in local currency (Uruguayan Pesos) those items considered as taxable and nontaxable, respectively. The Uruguayan rate of income tax as of September 30, 2017 is 25%.

15. RELATED PARTIES TRANSACTIONS

Prior to the completion of the Qualifying Transaction, 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.

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:

		Nine Months Ended September 30, 2017	Twelve Months Ended December 31, 2016
		$	**$**
Opening balances		387,269	(102,389)
Financial facilities draw-downs	(a)	(124,650)	(5,123,963)
Cash advanced	(b)	3,805,511	2,902,599
Payments on behalf of ICC	(c)	(2,902,097)	(5,302,247)
Office leases charged		(35,100)	
Repayments		42,837	3,216,973
Closing balances	(d)	**1,173,770**	**387,269**

Notes:

(a) During the nine month period ended September 30, 2017, $124,650 was drawn down on the UG Facility pursuant to the terms of the Financing Agreement.
(b) Included the cash sent to UG accounts for paying CAPEX and expenses.
(c) Included in payments on behalf of ICC and other expenses for the nine month period ended September 30, 2017.
(d) As of September 30, 2017, the Company maintained an account receivable from Union Capital Group S.A., a subsidiary of Union Group, of $154,965, an account receivable from Union Capital Group International Holding, a subsidiary of Union Group, of $922,232 and an account receivable from Union Group of $96,572.

Key management personnel

For the nine-month period ended September 30, 2017, the Company paid $152,147 in remuneration to senior management and directors (September 30, 2016: $36,000). For the three-month period ended September 30, 2017, the Company paid $46,875 in remuneration to senior management and directors (September 30, 2016: nil). At September 30, 2017, there was $16,205 due to senior management and directors in accounts payable and other payables (December 31, 2016: $51,715).

For the nine-month period ended September 30, 2017, the Company granted $189,379 in share-based compensation to senior management and directors (September 30, 2016: nil). For the three-month period ended September 30, 2017, the Company granted no share-based compensation to senior management and directors (September 30, 2016: nil).

16. GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	$	$	$	$
Professional fees	136,416	89,405	768,489	561,614
Amortization of licenses and permits costs	(34,000)	121,000	366,000	363,000
Payroll and social security expenses	192,464	74,191	365,654	166,011
Security and surveillance	15,270	23,130	56,153	42,649
Office expenses	144,164	4,868	339,575	23,335
Depreciation of property, plant and equipment	294,283	16,880	580,509	18,725
Transportation	13,032	6,267	30,812	13,142
Marketing expenses	7,083	2,258	10,377	9,938
Office rental	11,700	7,818	35,100	7,818
Other	1,277	43,512	14,047	33,265
	781,689	389,329	2,566,717	1,258,141

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 interim financial statements of financial position as of September 30, 2017 and December 31, 2016.

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, 2016: $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 semi-annual 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 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 will expire 360 days after issuance.

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 expires 360 days after issuance.

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.

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.

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 September 30, 2017, 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 September 30, 2017:

- 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, processing and sale of hemp, hemp-based products and the related cannabinoid extractions for medicinal use pursuant to the authorizations granted by the Uruguayan government. As of September 30, 2017, this segment is in a pre-operative stage.

The measurement principles for the Company's segment reporting structure are based on the IFRS principles adopted in the consolidated interim 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.

	Recreational	Cannabinoids Extraction	Total Segments
	$	$	$
Nine month period ended September 30, 2017			
Sales	146,977		146,977
Cost of Sales	(145,897)		(145,897)
Initial recognition and changes in fair value of biological assets and agricultural produce	317,565	15,030	332,595
Cost of production and direct selling	(396,770)	(28,581)	(425,577)
expenses **Gross profit**	**(78,126)**	**(13,551)**	**(91,902)**
Depreciation and amortization	(820,199)	(126,310)	(946,509)
Assets at September 30, 2017			
Property, plant and equipment, net	5,884,907	362,519	6,247,426
Intangible assets	1,590,000	1,360,000	2,950,000
Biological assets	195,170	15,030	210,200
Inventories	161,843	-	161,843
Account receivable	113,836		113,836
Total segment assets	**7,770,103**	**1,737,549**	**9,683,305**

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:

	September 30, 2017
	$
Total reportable assets as per Segment Information	9,683,305
Other receivables, net	1,698,263
Cash and cash equivalents	2,096,709
Total assets as per the Consolidated Statement of Financial Position	**13,478,277**

20. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. The Company has 114,100,910 common shares issued and outstanding as of September 30, 2017. The following represents the number of common shares issued and outstanding, and related carrying value of shareholders' equity, for the nine months ended September 30, 2017 and 2016 and for the year ended December 31, 2016:

COMMON SHARES	Notes	Number of shares	$
Balance, December 31, 2015		**40,000**	**50,000**
Balance, September 30, 2016		**40,000**	**50,000**
Conversion of amounts due to related parties (a)		39,960,000	15,369,231
Share-based payments	22	40,000,000	15,384,615
Shares issued for reverse acquisition	6	6,200,010	2,384,619
Subscription receipts, net of issuance costs (b)		26,000,000	8,570,911
Stock options exercised	22	365,000	150,038
Balance, December 31, 2016		**112,565,010**	**41,909,414**
Stock options exercised	22	79,900	52,522
Warrants exercised	21	1,456,000	762,420
Balance, September 30, 2017		**114,100,910**	**42,724,356**

Notes:

(a) 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" in the Company's annual audited financial statements for the year ended December 31, 2016.

(b) 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. On April 12, 2017, GMP Securities L.P. exercised 1,456,000 warrants.

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	364,000	0.50	53,984
Balance at September 30, 2017		**364,000**	**0.50**	**53,984**

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.

On April 21, 2017, 1,456,000 warrants were exercised at an exercise price of $CAD0.50 per share.

22. SHARE-BASED PAYMENT ARRANGEMENTS

Share-based payment reserve

Share-based payment reserve is comprised of:

	Nine Months Ended September 30, 2017	Twelve Months Ended December 31, 2016
	$	$
Balance, beginning of the period	1,942,528	-
Amounts charged in respect of reverse acquisition	-	113,538
Amounts charged in respect of stock based compensation	189,379	1,942,528
Amounts reclassified for exercise of stock options	(22,890)	(113,538)
Balance, end of the period	**2,109,017**	**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).

On March 9, 2017, the Company issued options to purchase 500,000 common shares at an exercise price of CAD$0.86 per share and options to purchase 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 150,000 common shares at an exercise price of CAD$1.40 per share, with such options expiring on June 26, 2022.

The Company used the Black-Scholes pricing model to determine the fair value of options granted using the following assumptions: 1.31% to 1.57% risk-free rate; expected life of 1.78, 5 and 10 years based on the respective options; 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
Nine month period ended September 30, 2017		CAD$
Outstanding, beginning of the year	6,988,000	0.50
Exercised during the period	79,900	0.50
Issued during the period	900,000	1.13
Outstanding, end of period	7,808,100	0.57
Exercisable, end of period	**7,808,100**	**0.57**

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” in the Company’s annual audited financial statements for the year ended December 31, 2016.

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 are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

	Three months ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	$	$	$	$
Net loss	**(1,134,781)**	**(288,070)**	**(2,714,964)**	**(24,590,861)**
Basic and diluted:				
Weighted average number of common shares outstanding	113,076,977	100.000.000	113,147,184	56.591.058
Basic and diluted loss per share	(0.020)	(0.003)	(0.003)	(0.435)

As the Company reported a net loss for the nine month periods ended September 30, 2017 and September 30, 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 *Options*

Between November 2, 2017 and November 8, 2017, 500,000 common shares were issued at a price of CAD$0.50 per share upon the exercise of options.

On November 22, 2017, 75,000 unvested options were cancelled in connection with the termination of the Company's consulting agreement with Venture North Capital Inc.

Bought deal offering

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 $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 $1.00 until November 22, 2019, subject to customary anti-dilution adjustments.

International Expansion Developments

ICC entered into a presale agreement with Brasliv through Brasliv Import and Export ("Brasliv") for a term of three years. Subject to ICC and Brasliv entering into a definitive agreement and all requisite regulatory approvals, Brasliv will purchase a minimum of 180,000 thirty millilitre bottles of BIDIOL per year for distribution for medicinal purposes.

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