

NuCannaCo Science Limited

(ACN 607 640 503)

Interim Financial Statements

For the half-year ended 30 June 2017

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Directors' Report

The Directors of NuCannaCo Science Limited ("NuCannaCo" or "Company") present their report together with the financial statements of the Company and the entities they control (consolidated entity) for the half year ended 30 June 2017 and the Independent Audit Review thereon.

Director Details

The following persons were Directors of NuCannaCo Science Limited during or since the half year:

David John Lindh LLB (*University of Adelaide*), OAM - Chairman

Mr. Lindh is a consultant in corporate and commercial matters with over 30 years of experience both as a lawyer and a company director. Mr. Lindh was founding Chairman of ASX listed Ellex Medical Lasers Ltd and Centrex Metals Ltd as well as a non-executive director of ASX listed Enterprise Energy Ltd and Bass Strait Oil & Gas Ltd. Mr. Lindh is a consultant with Adelaide Law Firm, Minter Ellison and has served as a director for many publicly listed companies over his extensive career. Mr. Lindh received the Order of Australia for services to business and equestrian sport. He is an Australian Citizen and is 71 years of age

James Robert Renfro MBA - Finance Specialization (*University of Chicago*), BS. Chemical Engineering (*University of Kentucky*) - Managing Director

Mr. Renfro has 35 years of diversified business and management expertise in Investment Banking as well as the Chemical and Oil & Gas industries. During the past 20 years, Mr. Renfro has founded several private oil and gas companies including Renfro Energy, LLC and Petroleum Capitol, LC. In addition, he was Chief Executive Officer of several "small cap" public oil and gas companies including OMNI Oil & Gas Inc., and Fox Petroleum Inc. Prior to these executive positions, Mr. Renfro was Vice President at EnCap Investments, an energy institutional investment group located in Houston and Dallas; a member of a five person think tank within the Corporate Planning Department at Shell Oil in Houston and a Corporate Finance Investment banker with Dean Witter Reynolds, Inc. in New York City. Prior to Mr. Renfro obtaining his MBA (Finance) from the University of Chicago's Booth School of Business in 1989, Mr. Renfro was a petroleum engineer with Exxon Company USA in Houston, and held the position of Plant Supervisor and Research and Development Engineer for Dow Corning Corporation in Kentucky. Mr. Renfro earned his Bachelor of Science Degree in Chemical Engineering in 1980 from the University of Kentucky. Mr. Renfro is a US citizen and is aged 58 years.

Kenneth David Goughnour - Executive Director

Mr. Goughnour, who is generally referred to "David" Goughnour, brings 40 years of diversified business and management expertise to the Company. Beginning as a strategic consultant advising companies, Mr. Goughnour moved from mid-level and senior level management of various companies, to participation as a principal. He has formed and managed oil and gas companies in the US and Australia and served as Executive Director of an Australian company. His various responsibilities included company organisation, asset purchase and sale, integration and management.

Mr. Goughnour's study of the nutritional benefits of botanicals, cannabis and hemp resulted in the development of the NuOxylation "cold process" technology to be used for the production of NuCannaCo's cannabidiol product NuOxylate, to be produced from hemp. Mr. Goughnour is a US citizen and is aged 64 years.

Robert Kernal Hughes *Bachelor of Arts (Texas Christian University) - Non-Executive Director*

Mr. Hughes brings significant business, management, oversight and innovative expertise to the Company through his 50 year diversified career in oil & gas, banking, and manufacturing as well as being an inventor holding many US Patents. Mr. Hughes' primary career has been in the oil & gas industry through companies he founded or was otherwise involved in with activity focused in North Dakota, Colorado, Kansas, Oklahoma, Texas, Louisiana and Florida. In addition, he is the founder and owner of Flexistake, Inc. which manufactures airport and highway traffic control devices. He is a graduate of Texas Christian University in Fort Worth, Texas with a Bachelor of Arts degree. Mr. Hughes is a founding member of the First Independence Bank of Fort Myers, Florida and served on the Board. Mr. Hughes is a citizen of the US and is aged 79 years.

David Wayne Frankens - *Non-Executive Director*

Mr. Frankens is a lifelong resident of East Texas where he started his business career as a custom home builder and expanded into mortgage lending & Farm and Ranch Management. Mr. Frankens is also a developer of wind energy in the Southwestern US and brings a high level of experience in negotiations, deal structures, and worldwide business contacts that benefit and complement the Company. Mr. Frankens is a US Citizen and is aged 46 years.

Simon Jeremy Newton Gray *BEC (Accounting) (University of Adelaide), CA - Non-Executive Director*

Mr. Gray is a business consultant with over 30 years' experience as a Chartered Accountant with a major Chartered Accounting Firm in Australia and overseas. His experience includes public company accounting and reporting and he has been involved in a significant number of initial public offerings. He has a particular interest in start-up companies and the compliance and governance challenges within that area. He has had a wide industry exposure including mining and agriculture with a particular focus on medical and high-tech products. Mr. Gray is an Australian citizen and is aged 58 years.

Company Secretary

The following person was Company Secretary of NuCannaCo Science Limited during or since the end of the financial year:

Jonathan Lindh, *LLB, B. Int. St., - Company Secretary*

Johnathan Lindh is an Australian qualified lawyer with over 10 years' legal and corporate advisory experience. He has worked in private practice for Australian and international law firms and for a boutique corporate advisory business. He holds a Bachelor of Laws, a Bachelor of International Studies and post-graduate qualifications in corporate finance and corporate governance. Jonathan is also company secretary of various listed and unlisted private and public companies. Mr. Lindh is an Australian citizen and aged 35 years.

Principal business

The Company's primary operations are conducted through its wholly owned US subsidiary NuCannaCo Systems, Inc. ("NCI") located in the State of Texas. NCI is involved in the marketing and sale of cannabinoid ("CBD") capsules and a line of skin, body care beauty products. It also markets and sells Spa Essentials (wholesale) and Erika Gavina (retail) line of skin, body and bath products.

Future plans include a CBD infused premium organic skin and body care product line to be manufactured by a third party based on the Company's formulation and the installation of a manufacturing facility to manufacture a line of consumable CBD products.

Review of Operations and Financial Results

The Company was officially listed on the NSX and began trading on 24 February 2017.

For the six months ended 30 June 2017, the Company had a net loss of \$1,469,990. The primary components were revenue of \$9,162, write-off of goodwill \$327,612, \$362,691 related to employee benefits expense and \$141,234 of acquisition costs for the contemplated Pro-Thotics acquisition.

Revenue for the period was lower than expected primarily due to:

- unanticipated issues in with third-party merchant processors who refused credit card processing and advertisers such as Facebook and other social media venues refused to accept advertising claiming the product did not meet with their terms of service. These businesses cited the product did not meet with their terms of service. Although the product is legal in all states in the US, the merchant processors refused the business with no attempt to vet the product. Traditional banking firms such as Chase Bank, PayPal, Intuit, Square, and others declined to provide merchant processing forcing the Company to locate alternate firms to process credit card orders; and
- the sales figures for the half year ending 30 June 2017 commenced in April of 2017 represent approximately two and one-half months of sales.

As noted above, and pursuant to certain agreements entered into and disclosed in these financial statements, the Company has entered into a contract to acquire Pro-Thotics Technology, Inc. ("PTI"). PTI is a medical equipment company formed as a New York corporation in 1988. Through its nationwide distribution network, three call centers and an existing 300,000 customer database, they specialise in the sale of orthotics and prosthetics products to patients throughout the United States and Puerto Rico. Prothotics has perfected the marketing of its products and plans to utilise its proprietary techniques and extensive distribution network to market existing and future Company products.

Signed in accordance with a resolution of the Directors.



David Lindh

Chairman

18 September 2017

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF NUCANNACO SCIENCE LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of NuCannaCo Science Limited for the period ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J.L. Humphrey
Partner – Audit & Assurance

Adelaide, 18 September 2017

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2017

	Notes	30 June 2017 \$	30 June 2016 \$
Sales revenue	4	9,162	-
Movements in inventory		(15,344)	-
Interest revenue		71	-
Accounting and audit fees		(17,587)	-
Acquisition costs - Pro-Thotics		(141,234)	-
Administrative and sundry costs		(82,561)	-
Corporate secretarial fees		(25,000)	-
Director fees		(47,500)	-
Public offer costs expensed		(400,018)	-
Impairment - goodwill	5	(327,612)	-
Payroll costs		(362,691)	-
Product research and development costs		(47,080)	-
Professional fees		(4,749)	-
Travel and accommodation costs		(7,847)	-
Profit (loss) before income tax		(1,469,990)	-
Income tax expense		-	-
Profit (loss) for the period		(1,469,990)	-
Other comprehensive income – foreign currency translation		4,789	-
Total comprehensive income		(1,465,201)	-

	Notes	30 June 2017 \$	30 June 2016 \$
Earnings per share:			
Earnings from continuing operations		(\$0.29)	n/a

Pursuant to AASB 133 as the company has recognized a loss for the period there is not considered to be any dilutive securities.

The accompanying notes form part of these financial statements.

NCI Statement of Financial Position

As of 30 June 2017

	Notes	30 June 2017 \$	31 Dec 2016 \$
Assets			
Current Assets			
Cash and cash equivalents		65,713	778
GST receivable		66,597	-
Inventory		60,969	-
Prepaid expenses		-	121,548
Total Current Assets		193,279	122,326
Non-Current Assets			
Deposits		6,132	-
Total Non-Current Assets		6,132	-
Total Assets		199,411	122,326
Liabilities			
Current Liabilities			
Trade and others payables	6	352,299	370,291
Related party payable		391,134	-
Total Liabilities		743,433	370,291
Net Assets / (Liabilities)		(544,022)	(247,965)
Equity			
Issued capital	7	3,109,820	1,940,675
Share option reserve		1,436,658	1,436,658
Foreign exchange reserve		4,788	-
Accumulated losses		(5,095,289)	(3,625,298)
Total Equity (Deficit)		(544,022)	(247,965)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2017

	Share Capital \$	Option Reserve \$	Accumulated Losses \$	Foreign Currency Exchange Reserve \$	Total Equity \$
Balance at 1 January 2017	1,940,675	1,436,658	(3,625,298)	-	(247,965)
Issue of share capital:					
- For acquisition of NCI	807,435				807,435
- On IPO	523,988				523,988
Costs of capital raising	(162,278)				(162,278)
Loss for the period			(1,469,990)		(1,469,990)
Other comprehensive income				4,788	4,788
Balance at 30 June 2017	3,109,820	1,436,658	(5,095,289)	4,788	(544,022)

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2017

	Notes	30 June 2017 \$	30 June 2016 \$
Operating Activities:			
Receipts from customers		9,162	-
Payments to suppliers and employees		(945,836)	-
Interest received		71	-
Net cash (used in) operating activities		(936,603)	-
Investing Activities:			
Acquisition of business – SPA Essentials	12	(58,829)	-
Acquisition of NCI, net of cash acquired	11	568,156	-
Net cash from investing activities		509,327	-
Financing Activities:			
Proceeds from issue of share capital		523,988	3
Payment of capital raising costs		(162,278)	-
Net cash from / (used in) financing activities		361,710	3
Net change in cash and cash equivalents		65,566	3
Cash and cash equivalents, beginning of period		783	-
Exchange differences on cash and cash equivalents		(636)	-
Cash and cash equivalents, end of period		65,713	3

The accompanying notes form part of these financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

For the half year ended 30 June 2017

1 Nature of operations

NuCannaCo Science Limited became a publicly owned company through a listing on the National Stock Exchange of Australia (NSX) on 24 February 2017. NuCannaCo's primary and only operations are conducted in the United States of America through its acquisition of 100% of the stock outstanding of NuCannaCo Systems, Inc. (NCI), a private Delaware corporation, on 20 February 2017. Funding for operations was obtained through an equity raise via a Prospectus and subsequent listing on the NSX.

The principal activities currently conducted in the USA is to:

- 1) Market and sell NCI's NuOxy CBD Complex capsules produced by a third party; and
- 2) Market and sell Spa Essentials (wholesale) and Erika Gavina (retail) line of skin, body and bath products.

Future activity planned is to:

- 3) Market and sell NCI's CBD infused premium organic skin and body care products; and
- 4) Have manufacturing capability to produce our own complete line of CBD products.

2 General information and statement of compliance

The general purpose financial statements of the Company have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). NuCannaCo Science Limited is a for-profit entity for the purpose of preparing the financial statements.

NuCannaCo Science Limited is the Group's Ultimate Parent Company. NuCannaCo Science Limited is a Public Company registered and domiciled in Australia. The address of its registered office is Level 4 22 Grenfell Street Adelaide SA 5000. The Company's primary operations are in the Dallas Texas area in the United States.

The financial statements for the half year period ending 30 June 2017 were approved and authorised for issue by the Board of Directors on 18 September 2017.

Changes in accounting policies

2.1 New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017. The adoption of this amendment has not had a material impact on the company

2.2 Accounting Standards issued but not yet effective and not been adopted early by the Company

AASB 9 Financial Instruments (December 2014) AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. When this standard is first adopted for the year ending 31 December 2018, there will be no material impact on the transactions and balances recognised in the financial statements

AASB 15 Revenue from Contracts with Customers_AASB 15: replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations: – establishes a new revenue recognition model – changes the basis for deciding whether revenue is to be recognised over time or at a point in time – provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) – expands and improves disclosures about revenue

When this Standard is first adopted for the year ending 31 December 2018, there will be no material impact on the transactions and balances recognised in the financial statements

AASB 16 Leases replaces AASB 117 Leases and some lease-related Interpretations

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117;
- requires new and different disclosures about leases.

When this Standard is first adopted for the year ending 31 December 2019, there will be no material impact on the transactions and balances recognised in the financial statements

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses_AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107_AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share based Payment Transactions_This Standard amends AASB 2 Share-based Payment to address: a The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; b The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and c The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements

3 Summary of accounting policies

3.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

3.2 Basis of consolidation

The financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2017. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

3.3 Business combination

The Company applies the acquisition method in accounting for business combinations.

The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred; (b) the recognised amount of any non-controlling interest in the acquiree; and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

3.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian Dollars (\$AUD), which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entities, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the financial statements, all assets, liabilities and transactions of entities with a functional currency other than the \$AUD are translated into \$AUD upon consolidation.

On consolidation, assets and liabilities have been translated into \$AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into \$AUD at the closing rate. Income and expenses have been translated into \$AUD at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a

foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

3.5 Revenue

Revenue arises from the sale of goods and the rendering of services. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

Interest and dividend income

Interest income and expenses are reported on an accrual basis using the effective interest method.

3.6 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

3.7 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Company's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.9 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with

investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.11 Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- Retained earnings includes all current and prior period retained profits.
- Share based payment reserve includes the fair value of equity issued
- Foreign currency translation reserve captures movements in exchange rates on translation of foreign subsidiaries

All transactions with owners of the parent are recorded separately within equity.

3.12 Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

Liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Company presents employee benefit obligations as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

3.13 Share-based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

3.14 Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

3.15 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

3.16 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

1. Intangible Asset recognition.

The intellectual property associated with research into new extraction methods for compounds found in hemp is an important asset but have not been valued as it cannot be reliably measured. The ultimate aim is to use the results to manufacture commercial products. The costs associated with these acquisitions have been expensed.

2. Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

3.17 Going concern

In preparing the interim financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern. The Group incurred a loss of \$1,469,990 and also generated a cash outflow of \$936,603 from operating activities for the six months ending 30 June 2017. The Group remains in the development phase of operations and is forecast to operate at an operating loss and cash deficit for the immediate forecast period.

In considering their position, the Directors have had regard to the current cash reserves, the level of forecast cash expenditure, the successful completion of the acquisition of Pro-Thotics Technology Inc., and the Company's ability to raise cash from new investors, should the need arise.

The Directors have concluded there are reasonable grounds to believe the Company is a going concern and will be able to continue to pay its overhead expenses as and when they become due and payable while working on a permanent solution for its outstanding accounts.

Should the Group not achieve its forecast trading result, successfully complete the acquisition of Pro-Thotics Inc., or not raise funds of a level or timing as required, there is material uncertainty as to whether the group will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

4 Revenue

NuCannaCo had revenue of \$9,162 for the half year ended 30 June 2017.

All revenue was from the sale of NuOxy CBD Complex capsules.

5 Significant Expense Items

The company incurred the following individually significant expense items:

- Acquisition costs associated with the contemplated acquisition of Pro-Thotics Technology Inc. of \$141,234 – These costs include accounting services, commissions, and legal fees.
- Goodwill impairment \$327,612 – cash flows and business development with the two US subsidiaries, NuCannaCo Systems, Inc. \$268,783 and Spa Essentials \$58,829, have been significantly less than predicted.

- Transaction costs associated with the Initial Public Offering which did not qualify to be offset against the equity raised of \$400,015

6 Trade and other payables

Trade and other payables recognised consist of the following:

	30 June 2017	30 June 2016
	\$	\$
Current:		
Trade payables	332,299	177,970
IPO Success fee payable – refer note 6(a)	391,134	-
Other payables	20,000	-
Total trade and other payables	743,433	177,970

- (a) In accordance with an agreement disclosed in the prospectus a success fee of US\$150,000 each was payable to Mr. K. Goughnour and Mr. J. Renfro.

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

7 Equity

7.1 Share capital

The share capital of NuCannaCo Science Limited consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting

	30 June 2017
	# of shares
Shares issued and fully paid:	
- Total contributed equity at 31 December 2016	45,500,000
- Shares issued for the acquisition of NCI	4,037,175
- Shares issued pursuant to the IPO	2,619,940
Total shares on issue	52,157,115
	30 June 2017
	# of options
Option shares issued:	
- A Class options at \$0.40 (expire 30 June 2021)	8,480,000
- B Class options at \$0.60 (expire 30 June 2021)	8,480,000
- C Class options at \$0.25 (expire 30 June 2021)	10,000,000
Total option shares on issue	26,960,000

8 Dividends

No dividends have been paid during the financial period.

9 Interests in subsidiaries

Name of Entity	Country of incorporation	30 June 2017
Ultimate Holding Company:		
NuCannaCo Science Limited	Australia	-
Subsidiaries of NuCannaCo Science Limited:		
NuCannaCo Systems, Inc.	USA	100%
Subsidiary of NuCannaCo Systems Inc.:		
Ashford Energy, LLC	USA	100%
Subsidiary of Ashford Energy, LLC:		
Ashford Colorado, LLC	USA	100%

10 Operating Segments

The Company has one single operating segment conducted through its wholly owned subsidiary, NuCannaCo Systems, Inc. (NSI). At this time, NCI has one single product, NuOxy CBD Complex, that is being sold through the Company's eCommerce website as well as direct sales from Company's management team.

11 Business combination

Acquisition of NuCannaCo Systems, Inc.

By Agreement in writing dated 19 August 2016, as amended, the US Investors (under the US Private Placement) agreed to assign their respective entitlements to shares in the Common Stock of NuCannaCo Systems, Inc (NCI). to NuCannaCo Science Limited in return for NuCannaCo Science Limited issuing 4,037,175 Shares to the US Investors in the proportion specified in the Exchange Agreement. On February 24, 2017, NuCannaCo Science Limited was listed on the NSX.

As this was the final condition outstanding as specified in the Exchange Agreement to be satisfied, effective February 24, 2017, the US Investors' entitlement to shares in the Common Stock of NCI was assigned to NuCannaCo Science Limited.

For the period from acquisition to 30 June 2017, NCI contributed revenue of \$9,162 and a loss of \$1,046,603 to the Group's results.

Fair value of consideration transferred for the acquisition of NCI

4,037,175 shares of NuCannaCo Science Limited	\$807,435
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The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

Cash	\$568,156
Trade and other receivables	\$2,4273
Trade and other payables	(\$53,777)
Net identifiable assets acquired	\$538,652
Goodwill	\$268,783

Goodwill recognised on acquisition has subsequently been impaired and expensed in the current period.

12 Significant Events

Issue of C Class Options

David Frankens as trustee of the IGWT Trust, an investor under the US Private Placement (Trustee) who has applied for 1,000,000 Series A Convertible Preferred Stock in the capital of NCI, (and entered into the Promissory Note to secure the monies payable in connection with that application) agreed to assign that entitlement to NuCannaCo Science Limited in return for NuCannaCo Science Limited granting him in his capacity as Trustee of the IGWT Trust, 10,000,000 C Class Options.

The Trustee agreed to vary the former condition of his application for Series A Convertible Preferred Stock requiring that NCI be admitted to the Official List of NSX and that the former condition be replaced by a new condition that NuCannaCo Science Limited be admitted to the Official List of the NSX.

By a Supplementary Agreement dated 22 August 2016 between the Company and the Trustee, the parties agreed that in connection with the assignment of the 1,000,000 Series A Convertible Preferred Stock referred to in the Exchange Agreement, upon completion of the assignment by the Trustee to the Company of the 1,000,000 Series A Convertible Preferred Stock; completion of the assignment by the US Investors to the Company of Common Stock of NCI; completion of an assignment of the benefit of the Promissory Note from NCI to the Company; and the admission of the Company to the Official List of NSX the Company will cancel the Promissory Note.

NCI the USA subsidiary also has the following conditional contracts:

Acquisition of Spa Essentials

Spa Essentials and Erika Gavina are brand names of two lines of skin, bath and beauty cosmetic products sold in the US through direct sales to spas, retailers, and online. These lines are not companies per se but they are D/B/A or "doing business as" businesses owned by Ms. Lujenna Shumaker. Through a Purchase and Sale Agreement, as amended, by and between NuCannaCo Systems, Inc. and Ms. Lujenna Shumaker, NCI purchased 75% ownership of the Spa Essentials and Erika Gavina businesses for U\$66,000.

In April 2017, Ms. Shumaker received U\$33,000 as the first of two payments to consummate the transaction. The second and final payment of U\$33,000, due 30 days later, has not been made. This remaining payment is expected to be made in the 4th quarter 2017. Nevertheless, the tangible aspects of the deal have been completed as the Company has ownership of all inventory, access to and control of the eCommerce website, ownership of formulations for 10 beauty products, and the related customer database.

13 Contingent liability

Under the terms of the Financial Intermediary Engagement Agreement by and between the Company and MMVX LLC dated 10 January 2017, for services rendered in connection with the acquisition of Pro-Thotics Technology Inc., a success fee in the amount of USD\$150,000 shall be paid within 30 days following the date of closing of the acquisition.

14 Subsequent events

Promissory Note - Pro-Thotics Technology, Inc.

A \$820,000 Promissory Note by and between Pro-Thotics Technology Inc. and NCS for the purchase of 4.1 million shares of NCS at A\$0.20 per share was executed on 3 July 2017. Payment of the principal in six equal payments plus accrued interest will be made beginning seven months from the date of execution of the note.

Directors' Declaration

1. In the opinion of the Directors of NuCannaCo Science Limited:
 - a The consolidated financial statements and notes of NuCannaCo Science Limited are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the financial period ended on that date; and
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - b There are reasonable grounds to believe that NuCannaCo Science Limited will be able to pay its debts as and when they become due and payable.
2. The consolidated financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Director

David Lindh

Dated the 18th day of September 2017

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To the Members of NuCannaco Science Limited

Report on the Review of the Financial Report

Conclusion

We have reviewed the accompanying 30 June 2017 financial report of NuCannaco Science Limited (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the period ended on that date, a description of accounting policies, other selected explanatory notes, and the directors declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the 30 June 2017 financial report NuCannaco Science Limited does not give a true and fair view of the financial position of the Group as at 30 June 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the Corporations Act 2001, including complying with Accounting Standard AASB 128 *Interim Financial reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.17 in the half year financial statements, which indicate that the consolidated entity incurred a net loss of \$1,469,990 for the half year ended 30 June 2017 and incurred a net cash outflow of \$936,603 from operating activities. The consolidated entity continues to be reliant upon the completion of the acquisition of Pro-Thotics Technology Inc, and the Company's ability to raise cash from new investors, should the need arise. As stated in Note 3.17, these events or conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Directors Responsibility for the Half Year Financial Report

The directors of NuCannaco Science Limited are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial reporting is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2017 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. As the auditor of NuCannaco Science Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 18 September 2017