

NuCannaCo Science Limited

(ACN 607 640 503)

Financial Statements

For the period ended 31 December 2016



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Directors' Report

The Directors of NuCannaCo Science Limited ("NuCannaCo") present their report together with the financial statements of the Company for the period from registration on 13 August 2015 until 31 December 2016 and the Independent Audit Report thereon.

Director Details

The following persons were Directors of NuCannaCo Science Limited during or since the end of the financial 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, Pawnee 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. He has significant experience with initial public offerings. 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.

Committee memberships - Audit and Risk

Kenneth David Goughnour CA, MBA -Managing Director

Mr. Goughnour, who is generally referred to as "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 cannabidoil product NuOxylate, to be produced from hemp. Mr. Goughnour is a US citizen and is aged 63 years.

James Robert Renfro BS. Chemical Engineering (University of Kentucky) MBA – Finance Specialization (University of Chicago) -Executive Director-President.

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 57 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 78 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 will 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.

Committee memberships - Audit and Risk

Neville Martin, LLB, (University of Adelaide) -Non-Executive Director resigned 22 July 2016

Mr. Martin is a consultant with the law firm Minter Ellison and has over 40 years' experience in corporate and commercial law. He is a former director of Stuart Petroleum Limited and Austin Exploration Limited (both listed at the time on the ASX), and was also Chairman of Adelaide Energy Limited (was ASX listed) from September 2005 to November 2011. He is currently a non-executive director of ASX listed companies Sundance Energy Australia Limited, Pawnee Energy Ltd and he is also a director of several unlisted public companies. Mr Martin is an Australian citizen and aged 67 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 appointed 23 July 2016

Jonathan 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 also serves as company secretary of various listed and unlisted private and public companies. Mr Lindh is an Australian citizen and aged 35 years and is the son of the company's Chairman Mr David Lindh.

Principal activities

During the period the company had not traded.

Pursuant to a prospectus dated 23 November 2016 the Company has raised capital to enter into the businesses detailed in the prospectus. This business will predominately operate in the USA via the Company's wholly owned subsidiary NuCannaCo Systems Inc, the purchase of which became unconditional on the 20 February 2017 when the company was admitted for listing on the National Stock Exchange (NSX).

Review of operations and financial results

The Company has not traded during the period. The Company has incurred costs in the establishment of the business and liabilities associated with the issue of a Prospectus to raise a minimum of \$500,000 and list on the National Stock Exchange (NSX).

Pursuant to certain agreements entered into and disclosed in the Prospectus, the Company has entered into contracts to acquire NuCannaCo Systems Inc, a USA company, subject to a NSX listing. This company will commence trading in the cannabidoil (CBD), nutritional products and CBD infused body care products. These contracts have since been concluded – refer Events arising since reporting period.

Significant changes in the state of affairs

To facilitate the issue of the prospectus and the entry into the business of marketing and selling cannabidiol (CBD) nutritional products and CBD infused body care products the Company has issued the following shares:

- 18 November 2016 the issue of 43,599,997 shares to Founders for a consideration of \$1,755,675 representing preliminary costs of establishing NuCannaCo Systems Inc. the wholly owned US subsidiary.
- 18 November 2016 the issue of 1,900,000 shares for a consideration of \$185,000 to seed capitalists.

The company has issued options as detailed elsewhere in this Report.

Dividends

No Dividend were paid or proposed during the period.

Events arising since the end of the reporting period

As discussed above, subsequent to 31 December the Company has:

- Issued 2,619,940 to raise \$523,988 pursuant to an initial public offering;
- Been advised by the National Stock Exchange (NSX) that it has been accepted for listing;
- Exercised various agreements to purchase NuCannaCo Systems Inc (the Exchange Agreement) and Spa Essentials for which listing on the NSX was a contract condition;
- Issued 4,037,175 shares and 10,000,000 C class options pursuant to the Exchange Agreement to acquire NuCannaCo Systems, Inc; and
- Incurred various costs associated with the above activities.

Likely developments

The Company will execute its business plan as detailed in the Prospectus.

Directors' meetings

The number of meetings of Directors (including meetings of Committees of Directors) held during the period and the number of meetings attended by each Director is as follows:

Board Member	Board Meetings		Audit and Risk Committee	
	A	B	A	B
David Lindh 1	5	5	-	-
David Goughnour #1	5	5	-	-
James Renfro #1	5	5	-	-
Robert Hughes #3	1	1	-	-
David Frankens #3	1	1	-	-
Simon Gray #2	3	3	-	-
Neville Martin #1,4	1	1	-	-

Where Column A: is the number of meetings the Director was entitled to attend and Column B is the number of meetings the Director attended:

- #1 appointed 13 August 2015
- #2 appointed 22 July 2016
- #3 appointed 26 August 2016
- #4 resigned 22 July 2016

Unissued shares under option

Unissued ordinary shares of NuCannaCo Science Limited under option at the date of this report are:

Date options granted	Exercise price of shares (\$)	Number under option
18 November 2016 A class	0.40	8,480,000
18 November 2016 B class	0.60	8,480,000
20 February 2017 C class	0.25	10,000,000
Total under option		26,960,000

All options expire on the 30 June 2021. Options do not entitle the holder to participate in any share issue of the Company.

Shares issued during or since the end of the year as a result of exercise

No Options have been exercised during or since the end of the financial year.

Environmental legislation

NuCannaCo Science Limited operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Events subsequent to reporting date

On 20 February 2017 the Company Issued 2,619,940 to raise \$523,988 pursuant to the Prospectus dated 23 November 2016 and the Company was listed on the National Stock Exchange (NSX).

As a consequence, the following agreements became unconditional:

Acquisition of NCI

By Agreement in writing dated 19 August 2016, the US Investors (under the US Private Placement) agreed to assign their respective entitlements to shares in the Common Stock of NuCannaCo Sciences, 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.

The US Investors agreed to vary the former condition of their applications for shares of Common Stock in NCI requiring that NCI be admitted to the Official List of ASX and that the former condition be replaced by a new condition that NuCannaCo Science Limited be admitted to the Official List of NSX and its Shares be admitted to quotation on the NSX.

Issue of C Class Options

David Frankens as trustee of the IGWT Trust, an investor under the US Private Placement (Trustee) who had 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 company also has the following conditional contracts

Purchase of Spa Essentials

By an agreement dated 21 September 2016 between Spa Essentials, a sole proprietorship owned by Ms. Lujenna Shumaker (SPA), and NCI, SPA agreed to sell 100% ownership to NCI of all assets of SPA as it relates to Spa Essentials and Erika Gavina skin and body care products for the purchase price of USD\$100,000. Ownership of the assets will include the business and product names, existing inventory, website, formulations for the skin and body care products, and any other related assets.

The agreement was subject to customary terms applicable to a business purchase in the US and provided for the execution of a non-competition agreement by Ms. Shumaker at Closing. NCI agreed to employ the services of Ms. Shumaker as a part time consultant for a term of six months from Closing at an hourly wage of US\$150 with a minimum engagement of four hours a week.

Executive employment agreements

David Goughnour - Upon Listing, and in recognition of efforts of the CEO in the organisation, planning, designing and Listing of the Company, and for reimbursement of expenses incurred in the course of those undertakings, the CEO is entitled to receive a cash bonus of USD\$150,000 payable in equal monthly instalments over a period of six months from the date of Listing.

James Renfo -Upon Listing, and in recognition of efforts of the President in the organisation, planning, designing, and Listing of the Company, and for reimbursement of expenses incurred in the course of those undertakings, the President is entitled to receive a cash bonus of USD\$150,000 payable in equal monthly instalments over a period of six months from the date of Listing.

Other than discussed above no adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Remuneration Report (Audited)

Remuneration Report Remuneration policy

The remuneration policy of NuCannaCo Science Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering other incentives based on performance in achieving key objectives as approved by the Board. The Board of NuCannaCo Science Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The Company's policy for determining the nature and amounts of emoluments of Board members and other key management personnel of the Company is as follows.

Remuneration and Nomination

The Board oversees remuneration matters and sets Remuneration policy, fees and remuneration packages for Non-Executive directors and senior executives.

The Company's Constitution specifies that the total amount of remuneration of Non-Executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of Non-Executive Directors has been set at \$500,000 per annum. Directors may apportion any amount up to this maximum amount amongst the Non-Executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The fees paid to Non-Executive Directors are not incentive or performance based but are fixed amounts that are determined by reference to the nature of the role, responsibility and time commitment required for the performance of the role including membership of board committees.

Non-Executive Director remuneration is by way of fees and statutory superannuation contributions. Non-Executive Directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

Executive Remuneration Policies

The remuneration of the Managing Director is determined by the Non-Executive Directors and approved by the Board as part of the terms and conditions of his employment which are subject to review from time to time.

The remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board. The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company.

The remuneration structure and packages offered to executives are summarised below:

David Goughnour

David Goughnour entered into an Employment Agreement on 13 February 2016 with NuCannaCo Systems Inc (“NCI”) (a company registered in the USA that became a subsidiary of NuCannaCo on 20 February 2017). The Employment Agreement has effect from the date NuCannaCo lists on the NSX and expires on 31 December 2018 (“Initial Term”), and shall automatically renew for successive one year periods of the employment unless terminated by written notice ninety days prior to the end of the Initial Term or extended term (“Employment Period”). Under the CEO Employment Agreement, the Company must pay David Goughnour a base salary of USD\$225,000 per annum (“Base Salary”) together with such increases in the Base Salary as may be agreed by the Company during the Employment Period. The remuneration of David Goughnour, under the CEO Employment Agreement represents his total remuneration from the Company and its subsidiaries and will not be supplemented by any fees payable in his capacity as a Director of the Company. Upon Listing, and in recognition of efforts of the CEO in the organisation, planning, designing and listing of the Company, and for reimbursement of expenses incurred in the course of those undertakings, the CEO is entitled to receive a cash bonus of USD\$150,000 payable in equal monthly instalments over a period of six months from the date of listing. This bonus will be recognised as an expense in the 2017 financial year. In the event of serious misconduct or other specific circumstances that warrant summary dismissal, NuCannaCo Systems Inc may terminate the CEO Employment Agreement and David Goughnour’s employment immediately without prior notice. Upon termination of David Goughnour’s employment, he will be subject to a restraint of trade and confidentiality obligation for a period equal to the maximum period permitted by law.

James Renfro

NuCannaCo Systems Inc and James Renfro entered into an Employment Agreement on 13 February 2016. The Employment Agreement has effect from the date NuCannaCo lists on the NSX and expires on 31 December 2018 (“Initial Term”) and shall automatically renew for successive one year periods of the employment unless terminated by written notice ninety days prior to the end of the Initial Term or extended term (“Employment Period”). Under the Employment Agreement, NuCannaCo Systems Inc must pay James Renfro a base salary of USD\$200,000 per annum (“Base Salary”) together with such increases in the Base Salary as may be agreed by NCI during the Employment Period. The remuneration of James Renfro, under the Employment Agreement represents his total remuneration from the Company and its subsidiaries will not be supplemented by any fees payable in his capacity as a Director of the Company.

Upon Listing, and in recognition of efforts of the President in the organisation, planning, designing, and Listing of the Company, and for reimbursement of expenses incurred in the course of those undertakings, is entitled to receive a cash bonus of USD\$150,000 payable in equal monthly instalments over a period of six months from the date of Listing. This bonus will be recognised as an expense in the 2017 financial year. In the event of serious misconduct or other specific circumstances that warrant summary dismissal, NuCannaCo Systems Inc may terminate the Employment Agreement and James Renfro’s employment immediately without prior notice upon termination of James Renfro’s employment, he will be subject to a restraint of trade and confidentiality obligation for a period equal to the maximum period permitted by law.

Senior Executive Remuneration

Executive Vice-Presidents of NCI, Mr Matthew Harrison and Mr Michael Long, have Employment Agreement similar to those above with salaries of USD\$130,000.

NuCannaCo's other management personnel are employed under individual service agreements. These establish total compensation, inclusive of base salary and superannuation contribution; eligibility to participate in NuCannaCo's Employee Share Ownership Plan ("ESOP"); notice and termination provisions (typically 1 month), or without notice by NuCannaCo in the case of serious misconduct by the employee; restraint and confidentiality provisions; and leave entitlements.

Remuneration Consultants

The Company did not use any remuneration consultants during the year.

Shares issued on exercise of remuneration options

No shares were issued to Directors or key management as a result of the exercise of remuneration options during the financial period.

Remuneration of Directors and key management personnel

This report details the nature and amount of remuneration for each key management personnel of the company.

The remuneration structure and packages offered to executives are summarised below:

Fixed remuneration

- Short-term incentive - The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators. However, the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.
- Long-term incentive – equity grants, which may be granted annually at the discretion of the Board. From time to time, the Company may grant retention options or rights as considered appropriate as a long-term incentive for key management personnel.

These instruments are subject to shareholder approval at the Annual General Meeting in the year of grant. The intention of this remuneration is to facilitate the retention of key management personnel in order that the goals of the business and shareholders can be met. Under the terms of the issue of the retention rights, the rights will vest over a period of time, with a proportion of the rights vesting each year.

The Company's Employee Share Option Plan which was approved by shareholders will enable the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options for ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan.

The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long-term performance of the Company.

At this time, there is no relationship between remuneration of Key Management Personnel and the Company's financial performance.

No shares were issued to Directors as a result of the exercise of remuneration options during the financial year.

Directors and key management personnel

The names and positions held by Directors and key management personnel of the Company during the whole of the financial year are:

Name	Date appointed	Position
David Lindh	13 August 2015	Chairman
David Goughnour	13 August 2015	Managing Director
James Renfro	13 August 2015	President
Robert Hughes	26 August 2016	Non-Executive Director
David Frankens	26 August 2016	Non-Executive Director
Simon Gray	22 July 2016	Non-Executive Director
Matthew Harrison	13 February 2016	Executive Vice President
Michael Long	13 February 2016	Executive Vice President
Jonathan Lindh	23 July 2016	Company Secretary

Details received by way of remuneration

	Salaries & fees	Share based remuneration - Options	Super-annuation	Termination Benefits	Total	Share based of total	Performance related
	\$	\$	\$	\$	\$	%	%
David Lindh	-	109,850	-	-	109,850	100%	-
David Goughnour	16,000	403,989	-	-	419,989	96%	-
James Renfro	-	346,529	-	-	346,529	100%	-
Robert Hughes	-	86,190	-	-	86,190	100%	-
David Frankens	-	86,190	-	-	86,190	100%	-
Simon Gray	-	59,150	-	-	59,150	100%	-
Matthew Harrison	-	172,380	-	-	172,380	100%	-
Michael Long	-	172,380	-	-	172,380	100%	-
Jonathon Lindh	12,501	-	-	-	12,501	-	-
Total	28,501	1,436,658	-	-	1,465,159		

As the Company has not traded from the period of incorporation to the date of this report no remuneration has been paid to Directors or management other than as detailed in this report. Contracts with Messer's Goughnour, Renfro, Harrison and Long are active on listing of NuCannaCo Science Limited on the NSX (20 February 2017).

Options issued to Directors and key executives on the 18 November 2016 are as follows:

Board Member	Options		Fair Value		Total
	#		\$		
	A Class	B Class	A Class	B Class	
David Lindh	650,000	650,000	60,450	49,400	109,850
David Goughnour	2,380,000	2,380,000	221,340	182,469	403,989
James Renfro	2,040,000	2,040,000	189,720	156,609	346,529
Robert Hughes	510,000	510,000	47,430	38,760	86,190
David Frankens	510,000	510,000	47,430	38,760	86,190
Simon Gray	350,000	350,000	32,550	26,600	59,150
Matthew Harrison	1,020,000	1,020,000	94,860	77,520	172,380
Michael Long	1,020,000	1,020,000	94,860	77,520	172,380
Total	8,480,000	8,480,000	788,640	648,018	1,436,658

The value of options has been calculated using the Black-Scholes options pricing model based on the following assumptions:

	A Class	B Class
Fair Value per option	\$0.093	\$0.076
Exercise Price	\$0.40	\$0.60
Expiry Date	30 June 2021	30 June 2021
Risk free interest rate	2.08%	2.08%
Volatility	75%	75%
Vesting date	On issue	On issue

	A Class options		B Class options	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
At registration				
Granted 18 November 2016	8,480,000	\$0.40	8,480,000	\$0.60
Forfeited	-	-		
Exercised	-	-		
Expired	-	-		
Outstanding at 31 December 2016	8,480,000	\$0.40	8,480,000	\$0.60
Exercisable at 31 December 2016	8,480,000	\$0.40	8,480,000	\$0.60

Directors and key management personnel equity remuneration, holdings and transactions

The number of shares in the company held during the Financial Period by each director of NuCannaCo Science Limited and other key management personnel of the Company, including their personal related parties, are set out below.

Name	Balance on registration	Received as remuneration	Options Exercised	Net Change Other #1	Balance	Escrowed
David Lindh	1	-	-		1	1
David Goughnour	1	-	-	4,759,998	4,759,999	4,759,999
James Renfro	1	-	-	4,079,999	4,080,000	4,080,000
Robert Hughes	-	-	-	2,955,000	2,955,000	2,955,000
David Franks #2	-	-	-	5,070,000	5,070,000	3,855,000
Simon Gray	-	-	-	-	-	-
Mathew Harrison	-	-	-	2,577,000	2,577,000	2,563,500
Michael Long	-	-	-	5,250,000	5,250,000	4,575,000

#1 Share issues to Founders as disclosed in the Prospectus dated 23 November 2016

#2 Includes 4,050,000 shares held as trustee for the IGWT Trust.

Transactions with key management personnel

Key management of the Company, detailed remuneration disclosure and equity holdings, are detailed in the Remuneration report contained in the Directors report.

During period, the Company used the legal services of Minter Ellison of which David Lindh and Neville Martin are consultants. The amounts billed related to this legal service amounted to \$259,450, based on normal market rates. \$197,151 was owed at reporting date.

END OF REMUNERATION REPORT

Indemnities given to, and insurance premiums paid for, auditors and officers

Insurance of officers

During the period, NuCannaCo Science Limited did not pay a premium to insure officers of the Company. The directors continue to investigate insurance options at the date of this report.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer.

Indemnity of auditors

The Company has agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, to the extent permitted by law, against any claim by a third party arising from the Company's breach of its agreement. The indemnity requires the Group to meet the full amount of any such liabilities including a reasonable amount of legal costs.

Proceedings of behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

During the year, Grant Thornton Audit Pty Ltd, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Directors to ensure they do not impact upon the impartiality and objectivity of the auditor
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards

Details of the amounts paid to the auditors of the Company, Grant Thornton Audit Pty Ltd, and its related practices for audit and non-audit services provided during the year are set out in Note 16 to the financial statements.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s.307C of the Corporations Act 2001 is included in page X of this financial report and forms part of this Director's Report.

Signed in accordance with a resolution of the Directors



David Lindh
Chairman

16 March 2017

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**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 audit of NuCannaCo Science Limited for the period ended 31 December 2016, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J.L. Humphrey
Partner – Audit & Assurance

Adelaide, 16 March 2017

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Statement of Profit or Loss and Other Comprehensive Income

For the period from registration to 31 December 2016

	Notes	2016 \$
Revenue		-
Fair value of options issued to key management	6 and 12	(1,436,658)
Public offer costs		(276,526)
Professional fees		(24,544)
Audit and accounting	16	(28,000)
Preliminary costs	6 and 12	(1,755,675)
Directors fees		(16,000)
Sundry		(878)
Travel and accommodation		(74,516)
Company secretarial		(12,501)
Profit (loss) before income tax		(3,625,298)
Income tax expense	7	-
Profit (loss) for the period		(3,625,298)
Other comprehensive income		-
Total comprehensive income (loss)		(3,625,298)

Earnings per share (cents per share)

Basic	20	36.2c
Diluted	20	36.2c

This statement should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

As of 31 December 2016

	Notes	2016 \$
Assets		
Current		
Cash and cash equivalents	8	778
Other assets	9	121,548
Total assets		122,326
Liabilities		
Current		
Trade and other payables	11	370,291
Total liabilities		370,291
Net assets(liabilities)		(247,965)
Equity		
Share capital	13	1,940,675
Share option reserve		1,436,658
Accumulated losses		(3,625,298)
Total equity/(deficit)		(247,965)

This statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

For the period from registration to 31 December 2016

	Notes	Share capital	Share option reserve	Accumulated losses	Total equity
Balance at 13 August 2015		-	-	-	-
Profit (loss) for the period		-	-	(3,625,298)	(3,625,298)
Other comprehensive income		-	-	-	-
Total comprehensive income				(3,625,298)	(3,625,298)
Fair value of share-based payment		-	1,436,658	-	1,436,658
Other transaction with owners					
Issue of share capital		1,940,675	-	-	1,940,675
Balance at 31 December 2016		1,940,675	1,436,658	(3,625,298)	(247,965)

Share option reserve

The share option reserve is used to recognize the value of equity-settled share-based payments provided to employees and consultants, including key management personnel, as part of their remuneration.

Statement of Cash Flows

For the period from registration to 31 December 2016

Operating activities	Notes	2016 \$
Receipts from customers		-
Payments to suppliers and employees		(308,813)
Income taxes paid		-
Net cash from operating activities	15	(308,813)
Investing activities		-
Net cash used in investing activities		-
Financing activities		
Proceeds from related party loans		124,591
Proceeds from issue of share capital		185,000
Net cash from / (used in) financing activities		309,591
Net change in cash and cash equivalents		778
Cash and cash equivalents, beginning of period		-
Cash and cash equivalents, end of period	8	778

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

For the period from registration to 31 December 2016

1 Nature of operations

NuCannaCo Science Limited was registered in Australia on the 13 August 2015 to commence certain businesses in the United States of America and fund these business by raising equity via a Prospectus and listing in the National Stock Exchange (NSX).

The principal activities to be conducted in the USA can be grouped into the following service lines:

- 1) Market and sell NuCannaCo cannabidiol (CBD) products;
- 2) Market and sell NuCannaCo CBD infused premium organic skin and body care products;
- 3) Market and sell Erika Gavina line of skin, body and bath products; and
- 4) Continue research and development of NuCannaCo's proprietary products.

NuCannaCo Systems Inc the American wholly owned subsidiary through which the business will be conducted was acquired on 20 February 2017. Refer Note 22.

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 a Public Company registered and domiciled in Australia. The address of its registered office and its principal place of business is Level 4 22 Grenfell Street Adelaide SA 5000 Australia.

The financial statements for the period from registration to 31 December 2016 were approved and authorised for issue by the Board of Directors on 14 March 2017. As the financial statements are from registration they do not include comparatives.

3 Changes in accounting policies

3.1 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 2016. Information on the more significant standard(s) is presented below.

AASB - 4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

AASB 2015-4 amends AASB 128 *Investments in Associates and Joint Ventures* to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 *Consolidated Financial Statements* for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 January 2015.

The adoption of this amendment has not had a material impact on the company.

3.2 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. The main changes are:

- Financial assets that are debt instruments will be classified based on:
 - the objective of the entity’s business model for managing the financial assets; and
 - the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Introduces a ‘fair value through other comprehensive income’ measurement category for particular simple debt instruments.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI);
 - the remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: classification and measurement of financial liabilities; and
 - derecognition requirements for financial assets and liabilities. AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

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 licencing)
- 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

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

4 Summary of accounting policies

4.1 Overall consideration's

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.

4.2 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. Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

4.3 Operating expenses

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

4.4 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at Fair Value Through Profit or Loss (FVTPL)
- Held-to-Maturity (HTM) investments
- Available-for-Sale (AFS) financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity. The Company currently holds listed bonds designated into this category.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows.

Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.5 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.

4.6 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.

4.7 Equity, reserves and dividend payments

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 include all current and prior period retained profits.
- Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a General Meeting prior to the reporting date.

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

4.8 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.

4.9 Share-based employee remuneration

The Company operates equity-settled share-based remuneration plan for its employees. The plan does not feature any options for cash settlement.

4.10 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 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.

4.11 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.

4.12 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.

4.13 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 Company has issued shares to a group of Investors who had formed a limited partnership ('Partnership') in the US raising AUD\$1,755,675 for the purpose of furthering research into the benefits of hemp based products and with the ultimate aim of commercialising the results of the research by securing a listing on an Australian stock exchange. During this 18 month process, the Partnership investigated many botanical and hemp based products consistent with the Partnership's mission to deliver the best scientifically produced CBD products to the marketplace. A strategy was developed to provide near term revenues while it continues to research and develop its proprietary CBD products from hemp. This strategy includes marketing and selling Company branded CBD products produced by third parties.

The purchase of this business strategy through the issue of founder shares and the assignment of the Intellectual property of NuOxylation process from Mr Goughnour have not been capitalised as the benefits cannot be reliably measured. The costs associated with this acquisition have been expensed as 'preliminary expenses'.

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.

3. Share based payments

Management uses valuation techniques to determine the fair value of share options and other share based payments. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available.

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.

5 Revenue

As disclosed at the date of this report the company has not traded in the period from registration to 31 December 2016.

6 Significant Expense Items.

The company incurred the following individual significant expense items.

- Share option expense of \$1,466,358 – the cost of options issued to Directors and key executives as disclosed in the remuneration report in the Directors Report. Refer note 18.
- Preliminary expenses \$1,755,675 – the value of the shares issued to initial US investors for the developed business strategy. Refer to note 4.13.

7 Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of NuCannaCo Science Limited at 31 December 2016 and the reported tax expense in profit or loss are as follows:

	2016
	\$
Profit (loss) before tax	(3,625,298)
Domestic tax rate	30%
Expected tax expense/ (benefit)	(1,087,589)
Adjustment for non-deductible expenses:	
Preliminary costs	526,703
Option costs	430,997
Actual tax expense / (benefit)	(129,889)
Tax expense comprises:	
Tax losses not recognised	129,889
Tax expense	-

Deferred tax assets of \$129,889 have not been recognised as at the 31 December 2016 it is not probable that sufficient taxable profits will be generated in Australia for the foreseeable future.

8 Cash and cash equivalents

Cash and cash equivalents consists the following:

	2016
	\$
Cash at bank and in hand:	
Australian Dollar (\$AUD)	778
Cash and cash equivalents	778

9 Other assets

	2016
	\$
Prepaid IPO costs	121,548

Costs were incurred to 31 December 2016 in relation to the preparation of the IPO prospectus.

10 Financial assets and liabilities

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- cash and cash equivalents
- trade and other payables

11 Trade and other payables

Trade and other payables recognised consist of the following:

	2016
	\$
Current	
Other payables	245,700
Loan related parties	124,591
Total trade and other payables	370,291

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

Related party loans consist of a loan from NuCannaCo Systems, Inc (NCI) of \$124,591. NCI became a wholly owned subsidiary on 20 February 2017. Refer Note 22. The loan is repayable on demand.

12 Share-based payments

12.1 Remuneration

During the period the company issued share options to key management personnel in recognition of services rendered.

Share options and weighted average exercise prices are as follows for the reporting period presented:

	A Class options		B Class options	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
At registration				
Granted	8,480,000	\$0.40	8,480,000	\$0.60
Forfeited	-	-		
Exercised	-	-		
Expired	-	-		
Outstanding at 31 December 2016	8,480,000	\$0.40	8,480,000	\$0.60
Exercisable at 31 December 2016	8,480,000	\$0.40	8,480,000	\$0.60

The value of options has been calculated using the Black-Scholes options pricing model based on the following assumptions:

	A Class	B Class
Fair Value per option	\$0.093	\$0.076
Exercise Price	\$0.40	\$0.60
Expiry Date	30 June 2021	30 June 2021
Risk free interest rate	2.08%	2.08%
Volatility	75%	75%
Vesting date	On issue	On issue

The underlying expected volatility was determined by reference to historical data of similar listed companies over a period of time. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, \$1,436,658 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to share option reserve.

12.2 Preliminary expenses

During the period the Company issued 43,599,997 shares to a group of US Investors who had formed a limited partnership (“Partnership”) in the USA and raised AUD\$1,755,675 for the purpose of furthering research into the benefits of hemp based products and with the ultimate aim of commercialising the results of the research by securing a listing on an Australian stock exchange. During the 18 month life of the partnership, it investigated many botanical and hemp based products consistent with it’s mission to deliver the best scientifically produced CBD products to the marketplace. A strategy was developed to provide near term revenues while it continues to research and develop its proprietary CBD products from hemp. This strategy includes marketing and selling Company branded CBD products produced by third parties.

The purchase of this business strategy through the issue of founder shares and the assignment of the Intellectual property of NuOxylation process from Mr Goughnour have not been capitalised as the benefits cannot be reliably measured. The costs associated with this acquisition were based on the amounts raised over time in the partnership and have been expensed as ‘preliminary expenses’.

13 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

	No #	\$
Shares issued and fully paid:		
• On registration	3	3
• Share issues US investors	43,499,997	1,755,675
• Share issue	1,900,000	185,000
Total contributed equity at 31 December	45,500,000	1,940,675

The Company issued 43,499,997 shares on 18 November 2016. Each share has the same right to receive dividend and the repayment of capital and represents one vote at the Shareholders’ Meeting of NuCannaCo Science Limited. The shares were issued to US investors for their work to date (refer Section 1.19 of the Company’s Prospectus dated 25 November 2016). A further 1,900,000 shares were issued to seed investors to raise \$185,000.

14 Dividends

No dividends have been paid during the financial period.

Franking credits

Franking credits and debits for the reporting period are detailed below.

	2016 \$
The amount of the franking credits available for subsequent reporting periods are:	nil

15 Reconciliation of cash flows from operating activities

Details of the reconciliation of cash flows from operating activities are listed in the following table:

	2016 \$
Cash flows from operating activities	
(loss) for the period	(3,625,298)
Adjustments for:	
• Share based payments (non-cash)	1,755,675
• Share options (no cash)	1,436,658
Changes in assets and liabilities:	
• Change in trade and other payables – increase in	245,700
• Change in prepayments – (increase in)	(121,548)
Net cash from operating activities	(308,813)

16 Auditor remuneration

Auditor remuneration details are as follows:

	2016 \$
Audit and review of financial statements	
Auditors of NuCannaCo Science Limited – Grant Thornton Audit Pty Ltd	10,000
Remuneration from audit and review of financial statements	10,000
Other services	
Auditors of NuCannaCo Science Limited – Grant Thornton Audit Pty Ltd:	
• Independent Accountants Report	18,000
Total other service remuneration	18,000
Total auditor's remuneration	28,000

17 Related party transactions

Remuneration for key management personnel for the period was:

	2016 \$
Short-term employee benefits	28,501
Share based payments	1,436,658
Termination benefits	-
Post-employment benefits	-
Total compensation	1,465,159

Detailed remuneration disclosures have been included in the remuneration report within the director's report.

The Company's related parties include its associates and key management, as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with key management personnel

Key management of the Company, detailed remuneration disclosure and equity holdings, are detailed in the Remuneration report contained in the Directors report.

During period, the Company used the legal services of Minter Ellison of which David Lindh and Neville Martin are consultants. The amounts billed related to this legal service amounted to \$259,450, based on normal market rates. \$197,151 was owed at reporting date.

18 Interests in subsidiaries

As at 31 December 2016 the company did not have control of any entities. On 20 February 2017 pursuant to an agreement dated 19 and 22nd of August 2016 the company acquired NCI as the conditions precedent were fulfilled. The agreement was satisfied by a share swap (refer post reporting date events note)

19 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

Capital is monitored on the basis of the carrying amount of equity. Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issue

20 Earnings per share

The earnings per share of the company are calculated using the following inputs:

	2016
• weighted average number of shares used in basic earnings per share	10,004,229

The EPS excludes 16,960,000 potential shares from conversion of options because these are anti-dilutive

21 Operating Segments

As the Company has not traded during the period, the Directors are of the view that there are no distinguishable operating segments which require disclosure.

22 Post-reporting date events

On 20 February 2017 the Company Issued 2,619,940 to raise \$523,988 pursuant to the Prospectus dated 23 November 2016 and the Company was listed on the National Stock Exchange (NSX).

As a consequence, the following agreements became unconditional:

Acquisition of NCI

By Agreement in writing dated 19 August 2016, the US Investors (under the US Private Placement) agreed to assign their respective entitlements to shares in the Common Stock of NuCannaCo Sciences, 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.

The US Investors agreed to vary the former condition of their applications for shares of Common Stock in NCI requiring that NCI be admitted to the Official List of ASX and that the former condition be replaced by a new condition that NuCannaCo Science Limited be admitted to the Official List of NSX and its Shares be admitted to quotation on the NSX.

Issue of C Class Options

David Frankens as trustee of the IGWT Trust, an investor under the US Private Placement (Trustee) who had 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 Company also has the following conditional contracts

Purchase of Spa Essentials

By an agreement dated 21 September 2016 between Spa Essentials, a sole proprietorship owned by Ms. Lujenna Shumaker (SPA), and NCI, SPA agreed to sell 100% ownership to NCI of all assets of SPA as it relates to Spa Essentials and Erika Gavina skin and body care products for the purchase price of USD\$100,000. Ownership of the assets will include the business and product names, existing inventory, website, formulations for the skin and body care products, and any other related assets.

The agreement was subject to customary terms applicable to a business purchase in the US and provided for the execution of a non-competition agreement by Ms. Shumaker at Closing. NCI agreed to employ the services of Ms. Shumaker as a part time consultant for a term of six months from Closing at an hourly wage of US\$150 with a minimum engagement of four hours a week.

Executive employment agreements

David Goughnour - Upon Listing, and in recognition of efforts of the CEO in the organisation, planning, designing and Listing of the Company, and for reimbursement of expenses incurred in the course of those undertakings, the CEO is entitled to receive a cash bonus of USD\$150,000 payable in equal monthly instalments over a period of six months from the date of Listing.

James Renfo - Upon Listing, and in recognition of efforts of the President in the organisation, planning, designing, and Listing of the Company, and for reimbursement of expenses incurred in the course of those undertakings, the President is entitled to receive a cash bonus of USD\$150,000 payable in equal monthly instalments over a period of six months from the date of Listing.

Other than discussed above no adjusting or significant non-adjusting events has occurred between the reporting date and the date of authorisation.

24 Operating commitments

At the reporting date the company had commitments for expenditure in relation to IPO costs (brokerage) which become payable on listing. The total commitments for expenditure are \$127,600.

25 Contingent liabilities

The are no contingent liabilities as at the date of this report.

Directors' Declaration

In accordance with a resolution of the directors of NuCannaco Science Limited, I state that:

In the opinion of the directors:

- a) The financial statements and notes of NuCannaco Science Limited for the period 31 December 2016 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the period ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations 2001;
- b) the financial statements and notes also comply with International Financial Reporting Standards; and
- c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the Managing Director and the Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the period ended 31 December 2016.

On behalf of the board



Director
David Lindh

Dated the 16th day of March 2017

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF NUCANNACO SCIENCE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of NuCannaCo Science Limited (the Company), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of NuCannaCo Science Limited, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the period ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Share-based payments Note 4.10, 4.13 and 12</p> <p>During the year, the Company issued the following share based payments:</p> <ul style="list-style-type: none"> - 43,599,997 ordinary shares were issued to a group of US investors who had invested \$1,755,675 in a limited liability partnership to formulate the business plan and conduct other preliminary works. - 8,480,000 A and B class share options to key management personnel for historical services rendered. The options have a 40 and 60 cent exercise price respectively and expire on 30 June 2020. The total fair value of the options issued pursuant to calculations performed in accordance with the Black Scholes methodology was \$1,436,648. <p>Whilst the valuations for both the shares and options are not complex the fair value of the equity instruments included significant management estimation. It is due to the total value and level of estimation involved in the valuations which has led to the share based payments being considered a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Agreeing the issue of shares and options to relevant company registers; • Reviewing the assumptions applied by management for reasonableness with relevant market data; • Consultation with auditor experts relating to the volatility inputs utilised in the option valuation model; • Agreeing other key inputs to the relevant terms within the share option agreements; • Verifying the mathematical accuracy of the share option valuation provided by management using the Black-Scholes option pricing model; and • Assessing the adequacy of the Company's disclosures in respect to share-based payments.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information in the Company's annual report for the period ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our auditor's report.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the period ended 31 December 2016.

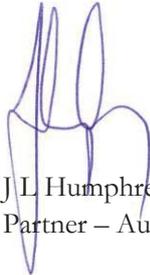
In our opinion, the Remuneration Report of NuCannaCo Science Limited, for the period ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J.L. Humphrey
Partner – Audit & Assurance

Adelaide, 16 March 2017