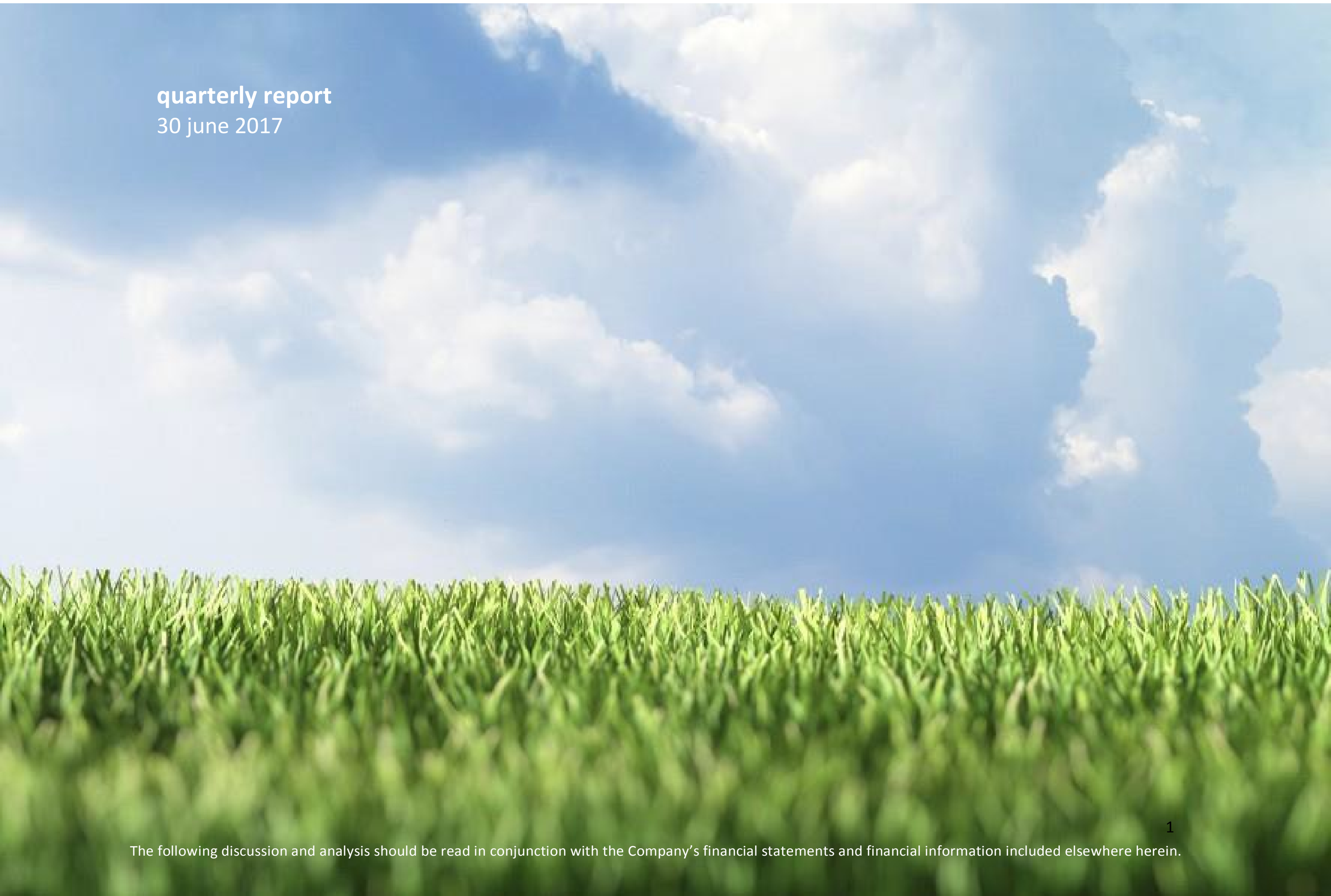
protect the freshness™



quarterly report
30 june 2017

The following discussion and analysis should be read in conjunction with the Company's financial statements and financial information included elsewhere herein.

contents

management's discussion and analysis

the company and its mission

International Dispensing Corporation ("IDC" or the "Company") is incorporated in the state of Delaware and its core product, The Answer® tap, was patented in 2002. A flexible packaging R&D company targeting the food and beverage industry, the Company continues to pursue the original vision on which it was founded: to create and market a cost-effective dispensing system that can keep aseptic liquid contents fresh and uncontaminated (shelf-stable) through the entire dispensing cycle (days, weeks, or months, depending on the product) without recourse to refrigeration or preservatives. In recent years, the Company has broadened its scope over the supply chain and expanded its intellectual property in an effort to offer a complete packaging solution to customers. Its official mission statement reads: "To supply our customers innovative, cost effective, environmentally responsible dispensing solutions while delivering value to our shareholders."

message from the chairman

"I am pleased to report that Pack Expo was a tremendous success. Georgia Pacific generously gave us almost half its booth to showcase The Answer® technology. The Answer® dispensed dairy coffee creamers without refrigeration and juice from IDC's BID™ system, while our video laying out The Answer®'s value proposition played continuously. Besides making a powerful innovation statement, we strengthened our relationship with strategic industrial partners visiting the show from all over the world, connected with several new customer prospects (some of whom are customers of Georgia Pacific), and deepened our continuing bond with our hosts. A leading global bag manufacturer in a neighboring booth featured The Answer® very prominently, underscoring the progress IDC is making all over the world."

Greg Abbott

IDC founder & chairman

the global opportunity

vision

To develop and commercialize the world's preeminent aseptic tap for large-format food & beverage packaging and become "the Tetra Pak of Foodservice."

execution & historical company timeline

With the aseptic packaging industry projected to exceed $62 billion by 2020 (Infiniti Research), and with more people consuming food and beverages away from home, a large-format aseptic package for foodservice represents a significant global opportunity, but one that comes with an exceedingly high technical bar. Some major companies tried in vain to design an aseptic tap. Several industry experts with PhD's told us that creating a true aseptic tap defied the laws of physics and was "impossible". Against this backdrop of inertia, and with most packaging companies cutting or eliminating R&D, IDC enlisted some very talented freelance engineers to create a workable design. Ever since, IDC has been committed to perfecting its IP, protecting its trade secrets, and setting the highest possible standards – erecting formidable barriers to entry. Obtaining a U.S. patent in 2002 was just the beginning.

Each of the tap's five parts underwent several refinements and costly tooling modifications before becoming "The Answer®" – which we believe is the only aseptic tap in the world today. The actuator started as a spring and evolved into a snap-action "inverted umbrella" robust enough to withstand the high doses of radiation required in aseptic dairy packaging. The body underwent numerous adjustments to enhance flow and function. The silicone seal, the "brains" of the tap, went through three design and tooling iterations in the U.S. before Austrian-based Starlim-Sterner, the world's preeminent manufacturer of silicone medical parts, improved the strength and suppleness of the seal to robust new levels with a proprietary design and high-cavity tooling.

Design alone does not give you an aseptic tap. The manufacturing process must incorporate sophisticated quality control checks to detect microscopic flaws – the aseptic industry, especially the major global brands, will accept nothing less. In 2005, IDC convinced Hoffer Plastics, an injection molding and assembly company supplying several Fortune 500 companies, to be its manufacturer. IDC collaborated with Hoffer to design a state-of-the-art, fully automated assembly machine specifically for The Answer®, which resulted in cutting unit costs in half and obtaining in-plant regulatory approvals from NSF and FDA.

In 2006, IDC commissioned the Institute of Environmental Health (IEH), a leading FDA processing authority, to conduct rigorous sterility protocols. Inoculating spouts with abnormally high concentrations of harmful bacteria, creating a condition that can only exist with sabotage, IEH dispensed volatile growth- promoting liquids to determine if any of the bacteria would migrate into the bags. The process was repeated for 35 days, and just one breach of the 800 bags tested would doom the entire test to failure. Not only did The Answer® pass this stringent protocol, but the IEH test findings were published in the peer-reviewed *Journal of Food Protection* (2008).

Although it was premature, IDC worked in a parallel path on market development. While aseptic was widely accepted and the predominant form of processing overseas, North America remained its smallest market due to an established cold chain; there was no urgency for companies to adopt and plenty of skepticism. Even though The Answer® was ahead of its time and still in the process of being proven, IDC managed to garner strong interest from Hershey's, Coffeecol, and Steuben Foods – all of whom issued press releases, which bolstered IDC's industry exposure. Hershey's used The Answer® to dispense flavored milk at its Chocolate World theme park and at major trade shows; Coffeecol dispensed its dairy- based Juan Valdez coffee beverages from Coca-Cola trade show booths; Steuben Foods featured its own dairy-based coffee beverages at industry events. Lack of suitable manufacturing infrastructure ultimately killed these projects. Bag-in-box (BIB) filling speeds were dramatically slower than other packaging formats. No BIB filler in the U.S. could run The Answer® as a single fitment, and a double fitment bag was cost prohibitive. It was difficult even for Hershey's to get manufacturers to invest time and money in something unproven. Costco agreed to carry orange juice with The Answer® packed by Country Pure Foods, but when Hurricane Katrina wiped out the orange juice crop the project was cancelled. Despite these false starts, clear interest had been demonstrated. Cold Star became a customer in 2009 and has remained one ever since.

Meanwhile, awareness continued to build: In 2007, Jane Goodall endorsed The Answer® for its ability to deliver nutrition in bulk to every needy corner of the world without requiring refrigeration; in 2008, Allied Development released its independent Life Cycle Analysis scientifically proving that a BIB package with The Answer® consumed dramatically less energy, green-house gases, and landfill than other mainstream packaging formats, including aseptic cartons.

In 2009, PepsiCo launched a BIB package in the U.S. using its own tap and experienced widespread sterility breaches; every package had to be recalled. The debacle prompted PepsiCo to conduct a formal global search for an aseptic tap, which found that The Answer® was the world's only bona fide solution. PepsiCo sent several delegations to Hoffer; PepsiCo China ran successful sterility and market tests in numerous foodservice venues and with IDC's guidance procured a filling machine; and in 2012 PepsiCo International signed a global supply agreement with IDC. A mere two weeks later, PepsiCo China announced a sweeping joint venture with Taiwan-based Tingyi, who became its bottler, causing all new projects to be put on hold while the two companies underwent a government approval process followed by a long and complex integration. Despite doing no business, PepsiCo renewed its contract with IDC in early 2015, and in February 2016 PepsiCo began to resurrect the project (see sales & marketing).

Concurrently, IDC was busy addressing infrastructure issues and the handicap stemming from offering a component part rather than a total packaging system. In 2010, IDC partnered with Sealed Air and Alfa-Laval to co-develop the world's fastest BIB billing machine for high volume users. Recently, the Company worked out an arrangement with Elpo, a leading Italian equipment manufacturer, to offer more affordable fillers for business development, and signed bag supply agreements with Sealed Air and Goglio. These and other on-going initiatives have enabled IDC to leverage the sales forces of other companies and negotiate new revenue streams on the package and manufacturing components; but even more significantly, these alliances have bolstered IDC's go-to-market strategy. In a broader sense, IDC's relentless marketing efforts have transformed its industry. Virtually every BIB filling machine made today is faster and capable of running The Answer® as a single fitment, and for older machines conversion kits to run The Answer® are now readily available. Any manufacturer who runs Tetra Pak or SIG Combibloc aseptic cartons is a potential candidate for IDC, and the Company is now in a position to offer them a turnkey solution: bag, filler, and of course The Answer®, which is what makes the large-format aseptic packaging possible.

With the forming of its Industry Advisory Board in 2013, and eyes opened by its exposure to China via PepsiCo, IDC made the decision to pivot its sales focus largely toward the developing world, which besides having less refrigeration and rapid growth is accustomed to aseptic products and more open to adapting new technology with greater speed to market.

Bolstering this global initiative, IDC's sales and business development personnel continues to evolve. Joining Bo Thörn and Li Xin on the IDC team are two senior ex-Tetra Pak executives with a combined 40+ years Tetra Pak experience and universal industry respect. Between them, IDC now has high-level entree to the leading aseptic players in Europe, Russia, Turkey, Pakistan, India, the Middle East and Africa. These individuals have agreed largely to success-based compensation, reflecting their belief in The Answer® and IDC's mission. IDC now has a presence in New York, Paris, Dubai and Shanghai.

sales& marketing

IDC is commercial in the USA (Cold Star), China (Döhler), Germany (Naarmann & Qiagen), and Pakistan (ZAP Logistics). Cold Star's business is up over 100% over 2016, and the success at Döhler China has spurred Döhler Turkey and Döhler Americas to embrace The Answer®. The addition of just one major customer will likely make IDC cash flow positive, and the Company is in serious discussions with numerous such prospects who are progressing proactively toward commercialization. As the Company's volume grows, it's fixed expenses should remain virtually the same, reflecting the beauty of IDC's B-to-B business model. Below are the most imminent customer prospects:

china

With 24 months of successful commercialization under its belt – with high-end Not-From-Concentrate (NFC) orange, apple, and mango juice, and coconut water – Döhler continues to gain customers and sign up distributors through trade shows, conferences, and one-on-one customer meetings. This success has sparked interest with major Chinese national brands, including The Yili Group (China's largest dairy), Vitasoy, Master Kong (Tingyi), and Want-Want. The implementation of just one of these brands is likely to propel IDC beyond cash flow positive.

IDC & Döhler's BIB package with The Answer® has won the Marking Award, a global packaging competition sponsored by the Food & Beverage Innovation Forum (FBIF) in Shanghai. Out of several hundred package design entries originally submitted from all over the world, Marking Awards were granted in six categories. IDC and Döhler's entry won the Marking Award for Highest Mark in Practicality. Joining Tetra Pak, Coca- Cola, and Mengniu on the winner's podium to accept their awards were Greg Abbott, Döhler Asia Pacific CEO Roman Kupper, and IDC Director Li Xin. Brands in attendance included Coca-Cola, PepsiCo, Hershey's, The Yili Group, Danone, Starbucks, Unilever, Campbell's, Carlsberg, Tetra Pak, Vita Coco, McDonald's, Mondelez, and Master Kong (Tingyi).

mexico & latin america

In August 2017, IDC shipped a small commercial order to FEMSA, Coca Cola's largest global bottler, based in Mexico City. With approximately $19.5 billion in revenues, FEMSA is moving at a steady big company pace. It has qualified virtually all its non-carbonated products with The Answer® and just informed us that it is planning its commercial launch for Q1 2018. A FEMSA product launch is likely to have major global implications for IDC. IDC management is planning a trip to Merico in November to drill down on the details, but FEMSA has always maintained that its launch will involve multiple products in multiple countries.

Grupo LaLa, the largest dairy in Mexico and largest aseptic producer in the Americas, continues to explore the opportunity in serious fashion. IDC has responded to its numerous requests for aseptic milk samples and housing/chilling units for foodservice. As with FEMSA, commercial acceptance by Grupo LaLa is certain to have global implications.

pakistan

As this is being written, milk from Naaramn (the leading aseptic foodservice dairy in Germany) is en route to Pakistan. IDC's first Pakistan customer, Zap Logistics (comprised of Pakistan's preeminent marketing company and highly experienced senior dairy executives, all of whom have carefully evaluated the opportunity) into various venues to determine where best to focus its efforts going forward. Ramp-up is expected to occur quickly. The appearance of The Answer® in the marketplace is likely to spur action from local dairy processors, who have already expressed interest in setting up its own production. In addition, IDC is in negotiation with a leading dairy entrepreneur in Pakistan, who plans to order a BIB filler and dedicate it solely to The Answer®.

Pakistan (as well as India, Turkey, and Bangladesh) represents a unique opportunity for a safe, unadulterated aseptic dairy package – a closed system that cannot be tampered with that offers pure aseptic product. While Pakistan is the world's fourth largest dairy consuming country, only 10% of the market is packaged. Virtually all the rest is in the form of "loose milk" sold in shops around the country. Raw, unprocessed milk in open, exposed tubs and loaded with bacteria is ladled into plastic bags; merchants typically dilute the milk with flood water, as well as with glue-like chemicals to give it a white appearance. The consumer takes the bags of milk, home to boil the contents. The Answer® is uniquely suited to transform "loose milk" into a safe, dependable product.

Between "loose milk" and home delivery, the overall target market for The Answer® in Pakistan alone is estimated to be 30 billion liters per year.

turkey & the middle east

Mr. Abbott will be meeting with the principals of Döhler Turkey at the Gulfood Show in Dubai (November 1). In June 2017, IDC management visited Döhler Turkey, in Istanbul and at its aseptic plant in Karaman, Turkey. Product was run through Döhler's filler during the visit. Döhler plans to launch juice and tea products with The Answer® in Q4 2017, starting with Turkey but then expanding throughout the Middle East and Pakistan. Döhler Turkey is Döhler's most profitable region, and as such has been given expanded territory. The personal relationship between the principals of the two companiesis outstanding.

europe

The Company has entered into a strategic sales-and-marketing alliance with Privatmolkerei Naarmann GmbH, the leading ultra-high temperature (UHT) dairy in Germany specializing in foodservice. A 113-year-old fourth-generation family business known for its high quality and exclusive focus on foodservice, Naarmann will work in concert with IDC to promote Naarmann branded BIB dairy products with The Answer® across Europe and in Pakistan (see above). Other potential markets include India, Bangladesh, Nigeria, China, Mongolia, Malaysia, Vietnam, and Indonesia. After conducting rigorous tests, Naarmann is willing to guarantee 10 days of unrefrigerated dairy dispensing. Its actual tests kept the milk shelf stable for a considerably longer period, but 10 days, while wisely conservative, represents an unprecedented milestone and a commercial homerun.

In July 2017, the Company visited Arla Food Industries in Denmark, the world's fourth largest diary by milk volumes. Arla had reached out to the Company as a result of the news about Naarmann and is in the early stages of exploring the opportunity.

As a result of the Naarmann news, The Company has been approached by BIBP, a leading bag-in-box producer in Poland. BIBP is interested in presenting IDC's solution to various dairy clients in Eastern Europe.

On a completely unrelated end-use front, Qiagen, a German biotech company with revenues of $1.4 billion, is using The Answer® on 5-liter bags to dispense nuclease-free water for molecular DNA and RNA research. Such research is used for finding cures for diseases, including cancer. Any imperfections in the water's sterility will sabotage such testing, and this is the world's only BIB application for nuclease-free water – and a thunderous proof of concept for The Answer®.

africa

At the Gulfood Show in Dubai (October 31-Novemever 3) Mr. Abbott and Pär Söderlund will meet with the CEO of House of Chi Ltd., Africa's largest aseptic beverage producer (and a division of the Dutch-owned TGI conglomerate). The Coca-Cola Company has purchased a 40% stake in House of Chi. House of Chi, has expressed interest in running various products with The Answer® for foodservice, and also possibly expanding its reach into Southeast Asia. At Gulfood the Company expects to re-energize the relationship now that Naarmann has tested The Answer on dairy products and is now commercial.

india

The Company is planning a visit to Jain, the world's largest grower of mangoes, to re-kindle their Coca-Cola project.

asia pacific

Two major aseptic players in Malaysia, MDI (Malaysia Dairy Industries) and Yeo Hiap Seng, have expressed renewed interest based on the success IDC is having elsewhere. IDC plans to reach out to leading aseptic companies in Indonesia and Vietnam, though it expects success to come in 2018.

usa

As explained in Mr. Abbott's opening quotation, Georgia-Pacific (GP) and IDC have taken their exploratory collaboration a step further: GP (an independently operated subsidiary of Koch Industries) invited IDC to showcase its technology at its booth at Pack Expo and the show proved to be successful by all measurements. GP plans to co-present The Answer® with IDC to its network of foodservice customers around the world.

Döhler Americas has put together a foodservice team to drive sales of juice, tea, and coffee with The Answer® in the USA and Latin America. Döhler has made considerable capital investments in its Cartersville, GA plant. Since Pack Expo, Döhler Americas has garnered the interest of a major multinational beverage brand that wants to test-market The Answer® immediately for an ambitious coffee program.

On the dairy side, Tru Aspetics (Wisconsin) has demonstrated similar interest as Döhler, embracing The Answer® for a number of potential projects. Its newly acquired high-speed BIB filler is equipped to run The Answer®.

A major distributor that supplies 20% of the colleges and universities in the USA has requested a meeting with IDC.

overhead & personnel

By making some key personnel decisions, IDC has managed to reduce overhead *and* enhance its global reach, thus lowering the threshold for profitability. With this increased operational leverage, the Company believes that the addition of just one new significant customer will result in IDC becoming cash flow positive. One success is likely to trigger many more successes; the interest generated from the Döhler launch is already evidence of this, and we believe it is likely to intensify as more customers deploy The Answer®. IDC believes that its fixed expenses will increase only marginally even as the Company's growth spikes and reaches its global promise.

Greg Abbott, IDC's founder, chairman, and CEO, continues to dedicate his full time to IDC without salary.

Bo Thörn, a 25-year industry veteran with 15 of those years spent in senior positions at Tetra Pak, has had a powerful impact on the Company's business development, management, and organization. As Managing Director of Tetra Pak China, Mr. Thörn was largely responsible for building that business into the world's largest market. He is based on the East Coast in close proximity to New York City and works closely with Mr. Abbott to oversee IDC's business globally.

Prior to joining IDC, Li Xin managed the Cryovac food packaging business for the Asia region and built a large green-field investment in Shanghai before ascending to the Presidency of Sealed Air China. A Chinese national experienced in market entry, strategy, sales/profit growth, food safety, and sustainability, Mr. Xin is responsible for securing IDC's Döhler relationship, managing PepsiCo China, and developing other accounts within China. He is based in Shanghai.

Joining Bo Thörn and Li Xin on the IDC team are the two ex-Tetra Pak senior executives mentioned above, both of whom have agreed to be compensated primarily based on success. IDC believes that this core group is world-class, highly respected at all levels throughout the industry, and will accelerate the pace of implementation in their respective regions.

The Company has upgraded its controller function into a CFO position with the hiring of Christopher Westwood. Mr. Westwood has 20+ years' experience in finance and investment banking at UBS, Lehman Brothers, and HSBC.

the answer & industry trends

Food safety, food waste, contamination outbreaks, nutrition, the adverse health effects of preservatives, and sustainability are all recurring issues that The Answer® squarely addresses. In its independent and comprehensive Life Cycle Analysis (2008), Allied Development concluded that the IDC solution expended "significantly less energy and greenhouse gases" and dramatically less landfill than other mainstream packaging formats. Based on these findings, IDC has reason to believe that its packaging solution maybe, arguably, the most sustainable package in the marketplace.

intellectual property & trade secrets

The Answer® received initial U.S. patent protection in 2002, and additional U.S. patent protection in 2004. Currently, The Answer® has patent protection in Australia, Brazil, Canada, China, Eurasia (consisting of nine countries including Russia), Europe (UK, France, Italy, Germany, Spain, and The Netherlands), Hong Kong, Mexico, New Zealand, South Africa, and Japan. A patent application is currently pending in India.

Strong as these global patents are, IDC believes that its trade secrets constitute at least as much IP protection. Years of refining its various components and the assembly process, and the stringent sterility tests it has successfully conducted, have set an extremely very high technical bar that any other competitor must attain in order to lay claim to having an "aseptic tap". There is absolutely no guarantee – in fact, it is highly unlikely – that even a direct knock-off of The Answer® will produce the consistency demanded by the aseptic industry. Any knock-off will be regarded a separate part, and no reputable food & beverage company will risk product recalls on a tap that hasn't been as thoroughly vetted as The Answer®. There are no short-cuts around the years of tooling, re-tooling, inoculated testing, regulatory approvals, and validation that are now in IDC's rear-view mirror. PepsiCo sent three delegations to Hoffer Plastics with the idea of manufacturing in China, only to abandon the notion when they saw the complexity of IDC's assembly process. IDC went through three U.S. silicone manufacturers before Austrian-based Starlim-Sterner designed the definitive seal, one that is proprietary to IDC.

The Company believes that between its patents and trade secrets, the barriers to entry are considerable. The technical standards IDC has set are high enough, and the process expensive enough, to discourage competition.

public relations

IDC has created a new comprehensive video on the virtues and value proposition of The Answer®, which will play continuously at Pack Expo at the Georgia-Pacific booth, and will thereafter be on IDC's website. The Company is in the process of updating its sales materials and website to reflect a shift from proving The Answer® efficacy – which has now been firmly established by micro testing, Naarmann's decision to guarantee 10 days of ambient dairy dispensing, and commercial success – to highlighting its value proposition: lower cost per serving, less handling, no waste, bigger branding surface, and low carbon footprint. This shift represents a major turning point in the Company's marketing thrust and enables the Company to approach more high-level decision makers rather than R&D gate-keepers.

IDC has trademarked the acronym BID™ (Bag-in-Dispenser). While BIB (Bag-in-Box) is the accepted industry terminology, BID™ refers to bags with The Answer® tap that can be loaded like flexible cartridges into a variety of free-standing housing units. BID™ saves the cost of a printed box and arguably makes a large-format bag with The Answer® tap the most economical means of delivering beverages.

results of operations

Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

Revenue: For the six months ended June 30, 2017, the Company had net revenues from The Answer® of $238,740 compared to the $257,040 of net revenues generated for the six months ended June 30, 2016, a decrease of $18,300 or 7%. This decrease in net revenues is due to timing of orders from customers. One customer increased the unit size of its orders in Q1 but the frequency of orders slowed in Q2.

Gross Profit: For the six months ended June 30, 2017, the Company had a gross profit of $38,845 compared to a gross profit of $47,474 for the six months ended June 30, 2016, a decrease of $8,629 or 18%. The decrease is due to two orders on consignment where IDC bears the cost of production and freight but doesn't invoice the customer until the product is consumed.

Operating Expenses: For the six months ended June 30, 2017, the Company had total operating expenses of $768,050 representing an increase of $90,977 or 13%, compared to the Company's total operating expenses of $677,073 for the six months ended June 30, 2016. Increases in non-cash compensation was the primary driver of the increase in operating expenses for the six months ended June 30, 2017.

Loss from Operations: For the six months ended June 30, 2017, the Company had a loss from operations of $(729,205) representing an increase in loss from operations of $99,606 or 16% compared to the $(629,599) operating loss for the six months ended June 30, 2016. This increase in loss from operations was driven by increased non-cash compensation mentioned in operating expenses.

Interest Expense: Interest expense for the six months ended June 30, 2017 was $21,623 compared to $45,103 for the six months ended June 30, 2016. The decrease in interest expense for 2017 is due primarily to the repayment of promissory notes in the first six months of 2017.

Change of Fair Value of Warrant Liability: Change of Fair Value of Warrant Liability for the six months ended June 30, 2017 was $(57,584) compared to $(237,118) for the six months ended June 30, 2016. The improvement is due to lower volatility of the Company's share price.

Net Loss: For the six months ended June 30, 2017, the Company had a net loss of $(838,412) compared to a net loss of $(1,666,793) for the six months ended June 30, 2016, representing a decrease in net loss of $828,381 or 50%. The majority of the improvement in net loss is due to the end of the accretion of the preferred stock discount compared to a charge of $724,973 in the first six months of 2016.

Three Months Ended June 30, 2017 compared to Three Months Ended June 30, 2016

Revenue: For the three months ended June 30, 2017, the Company had net revenues from The Answer® of $102,344 compared to the $154,872 of net revenues generated for the three months ended June 30, 2016, a decrease of $52,528 or 34%. The decrease in net revenues is due to three fewer orders from one customer in Q2 2017 compared to Q2 2016.

Gross Profit: For the three months ended June 30, 2017, the Company had a gross profit of $12,780 compared to a gross profit of $31,367 for the three months ended June 30, 2016, a decrease of $18,587 or 59%. The decrease is due to three fewer orders noted above and to a doubling of freight charges compared to Q2 2016.

Operating Expenses: For the three months ended June 30, 2017, the Company had total operating expenses of $372,020 representing an increase of $54,054 or 17%, compared to the Company's total operating expenses of $317,966 for the three months ended June 30, 2016. Increases in non-cash compensation were the primary driver of the increase in operating expenses.

Loss from Operations: For the three months ended June 30, 2017, the Company had a loss from operations of $(359,240) representing an increase in loss from operations of $72,641 or 25% compared to the $(286,599) loss from operations for the three months ended June 30, 2016. This increase in loss from operations was primarily driven by increased non-cash compensation as previously noted.

Net Interest Expense: Net Interest expense for the three months ended June 30, 2017 was $10,081 compared to $20,266 for the three months ended June 30, 2016. The decrease in interest expense for 2017 is due to the repayment of promissory notes as previously noted.

Change of Fair Value of Warrant Liability: Change of Fair Value of Warrant Liability for the three months ended June 30, 2017 was $(15,099) compared to $(125,451) for the three months ended June 30, 2016. The improvement is due to the impact of lower volatility of the Company's share price on the Black-Scholes model used to calculate the warrant liability.

Net Loss: For the three months ended June 30, 2017, the Company had a net loss of $(399,420) compared to a net loss of $(809,803) for the three months ended June 30, 2016, representing a decrease in net loss of $410,383 or 51%. The decrease in net loss is due to the end of the accretion of the preferred stock discount as previously noted.

financial condition & liquidity

As reflected in the Company's financial statements, the Company has experienced continuing net losses and negative cash flows from operations through June 30, 2017. The Company's continuing existence is dependent upon its ability to obtain additional financing, to generate sufficient cash flows to meet its obligations on a timely basis and to achieve and maintain profitable operations. The Company is attempting to obtain additional contracts to bolster sales of The Answer®. The Company is also seeking equity and/or debt financing. However, there can be no assurance that the Company will be successful in this regard.

In 2014, affiliates of IDC's Chairman extended an aggregate of $300,000 in loans to the Company. Promissory notes were issued for these loans at an interest rate of 10% per annum and are due on demand.

During the third quarter of 2015 the Company entered into agreements for bank lines of credit totaling $600,000. A line of credit in the amount of $350,000 is due on demand with an interest rate of prime plus 1%. The remaining $250,000 line of credit was issued at an interest rate of prime plus .75% with a term of 36 – 84 months. The lines of credit balance as of June 30, 2017, is $301,433.

During the first six months of 2017, several individuals purchased a total of 1,547,620 shares of the Company's stock for an aggregate purchase price of $649,980 ($0.42 per share).

The Company believes that it has sufficient capital and access to funding to continue operations for a reasonable period of time defined as one year from the date the financial statements are available to be issued. However, there is no assurance that the Company will raise sufficient capital or otherwise generate sufficient cash flows to enable the Company to continue as a going concern beyond such time. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

INTERNATIONAL DISPENSING CORPORATION

BALANCE SHEETS (unaudited)

JUNE 30, 2017 AND DECEMBER 31, 2016

	June 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash	$ 449,058	$ 416,298
Accounts receivable trade	115,390	38,181
Prepaid expenses	9,637	19,934
Total current assets	574,085	474,413
PROPERTY & EQUIPMENT		
Office equipment	95,351	95,351
Production equipment	3,391,317	3,336,268
	3,486,668	3,431,619
Less accumulated depreciation	(3,285,890)	(3,230,799)
Total property and equipment	200,778	200,820
Restricted cash	250,717	250,468
TOTAL ASSETS	$ 1,025,580	$ 925,701
LIABILITIES & STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$ 194,089	$ 113,512
Accrued expenses	150,017	147,131
Note payable to Stockholders	300,000	581,056
Line of credit	301,433	92,997
Other liabilities warrants, at fair value	1,189,144	1,131,560
Total current liabilities	2,134,683	2,066,256
Convertible, redeemable preferred stock, $0.001 par value; 1,700,000 shares authorized; 1,500,000 shares issued and outstanding as of June 30, 2017 and December 31, 2016	1,500,000	1,500,000
STOCKHOLDERS' DEFICIT		
Common stock, $0.001 par value; 125,000,000 shares authorized; 87,107,110 and 85,559,490 shares issued and outstanding as of June 30, 2017 and December 31, 2016 respectively	87,107	85,559
Additional paid-in capital	40,463,107	39,594,792
Accumulated deficit	(43,159,317)	(42,320,905)
Total stockholders' deficit	(2,609,103)	(2,640,555)
TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT	$ 1,025,580	$ 925,701

The information in the notes is an integral part of these financial statements

INTERNATIONAL DISPENSING CORPORATION

STATEMENTS OF OPERATIONS (unaudited)

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2017 AND 2016

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
REVENUES	$ 102,344	$ 154,872	$ 238,740	$ 257,040
COST OF GOODS SOLD	89,564	123,505	199,895	209,566
GROSS PROFIT	12,780	31,367	38,845	47,474
OPERATING EXPENSES				
Engineering expenses	10,211	59	39,648	28,368
General & administrative expenses	4,761	6,555	11,192	16,188
Operational expenses	276,731	239,129	564,144	478,890
Selling expenses	54,920	42,279	97,974	92,933
Depreciation	25,397	29,944	55,092	60,694
Total operating expenses	372,020	317,966	768,050	677,073
LOSS FROM OPERATIONS	(359,240)	(286,599)	(729,205)	(629,599)
NET INTEREST EXPENSE	(10,081)	(20,266)	(21,623)	(45,103)
CHANGE IN FAIR VALUE OF WARRANT LIABILITY	(15,099)	(125,451)	(57,584)	(237,118)
NET LOSS	(384,420)	(432,316)	(808,412)	(911,820)
Preferred stock dividends and discount accretion	(15,000)	(377,487)	(30,000)	(754,973)
Net loss available to common stockholders	$ (399,420)	$ (809,803)	$ (838,412)	$ (1,666,793)
NET LOSS PER COMMON SHARE BASIC & DILUTED	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
BASIC & DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	86,968,410	83,283,425	86,968,410	83,283,425

The information in the notes is an integral part of these financial statements

INTERNATIONAL DISPENSING CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(unaudited)
FOR THE SIX MONTHS ENDED JUNE 30, 2017

	Common shares outstanding	Common stock	Additional paid-in capital	Retained earnings	Total stockholders' (deficit)/equity
Balance - December 31, 2016	85,559,490	$ 85,559	$ 39,594,792	$ (42,320,905)	$ (2,640,554)
Additional shares issued for cash	1,547,620	1,548	648,432		649,980
Stock Based Compensation			219,883		219,883
Dividends payable				(30,000)	(30,000)
Net loss				(808,412)	(808,412)
Balance - June 30, 2017	87,107,110	$ 87,107	$ 40,463,107	$ (43,159,317)	$ (2,609,103)

The Information in the notes is an integral part of these financial statements

INTERNATIONAL DISPENSING CORPORATION

STATEMENTS OF CASH FLOWS (unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017	June 30 , 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (838,412)	$ (911,820)
Non-cash items		
Depreciation	55,092	60,694
Stock-based compensation	219,883	95,864
Change in fair value of warrant liability	57,584	237,118
Net changes in		
Accounts receivable	(77,209)	(5,682)
Prepaid expenses	10,297	29,748
Accounts payable	80,577	(69,124)
Accrued expenses	2,886	(6,790)
Net cash used in operating activities	(489,302)	(569,992)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(55,049)	-
Net cash used in investing activities	(55,049)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable to stockholders	(281,056)	(50,000)
Net borrowings on/(repayment of) line of credit	208,436	(247,867)
Proceeds from issuance of common stock	649,980	410,000
Net cash provided by financing activities	577,360	112,133
NET INCREASE/(DECREASE) IN CASH	33,009	(457,859)
CASH AT BEGINNING OF PERIOD	666,766	485,432
CASH AT END OF PERIOD	$ 699,775	$ 27,573
Supplemental disclosure of cash flow information		
Cash paid for interest	$ -	$ 10,484

The information in the notes is an integral part of these financial statements

1. the company & organization

International Dispensing Corporation ("IDC" or the "Company") was incorporated in the State of Delaware in October 1995. The Company designs and manufactures proprietary packaging and dispensing solutions for the flowable food, beverage, medical, pharmaceutical and chemical industries. IDC's business model offers companies proven market solutions that offer higher levels of product safety and product performance.

IDC's single focus is on the development of market solutions whose value may be optimized through a joint venture alliance, license agreement or sale of the technology. IDC's business plan is organized on five platforms.

I. Identify emerging packaging and dispensing market trends in the flowable foods, beverages, medical, pharmaceutical and chemical industries.

II. Design and incubate new packaging and dispensing technologies that delivers measurable improvements in product safety and product performance.

III. Demonstrate that the new technology can be mass marketed and mass produced.

IV. Deliver each new technology with the necessary patent and regulatory certifications completed.

V. Partner with leading flexible packaging companies in joint venture alliances, license agreements or sale of the technology to maximize shareholder value.

The Company continued to be subject to a number of on-going risks through June 30, 2017, which risks are continuing. For example, the Company is subject to risks related to the availability of sufficient financing to meet its future cash requirements and the uncertainty of future product development, regulatory approval, and market acceptance of existing and proposed products. Additionally, other significant risk factors such as loss of key personnel, lack of manufacturing capabilities, difficulty in establishing new intellectual property rights and preserving and enforcing existing intellectual property rights, as well as product obsolescence due to the development of competing technologies could impact the future results of the Company.

The interim financial statements for the six months ended June 30, 2017 and 2016 are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of financial position and results of operations for those periods. The results of operations for the six months ended June 30, 2017 are not necessarily indicative of the results that will be achieved for the entire year or any future interim period.

2. going concern

The Company's financial statements have been presented on the basis that it will continue as a going concern. The Company's activities have resulted in an accumulated deficit from inception to June 30, 2017, of over $43 million. Losses are continuing as efforts to market the Company's products continue to develop. The Company's primary source of funds since inception has been from the sales of its common and preferred stock and to a lesser extent from the issuance of debt. Several loans have been repaid by the Company.

The Company's ability to continue as a going concern is dependent on its ability to obtain additional financing, to generate sufficient cash flows to meet its obligations on a timely basis, and ultimately to attain profitability.

As of June 30, 2017, the Company had negative net working capital of $1,560,598. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

3. significant accounting policies

Cash

Cash consists of cash in banks.

Restricted cash

Restricted cash consists of cash collateral for the Lines of Credit with the Company's banks. The cash is segregated from checking and savings accounts and certain officers of the Company are guarantors of the collateral. In the event the Company chooses to unwind the Line of Credit facility it takes the Banks 4 to 5 business days to close the cash collateral account and return any cash balance after the Company's borrowings from the banks have been settled.

Accounts Receivable

The Company's accounts receivable consist of amounts due from customers operating in the food and beverage industry throughout the United States. Collateral is generally not required. The Company does not have a history of significant uncollectible accounts. For the periods reported, the Company has performed a detailed review of the current status of the existing receivables and determined that an allowance for doubtful accounts is not necessary.

Property and Equipment

Office equipment and productive equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives, generally five years.

Impairment of Long-Lived Assets

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the future net undiscounted cash flows that the asset is expected to generate. If such asset is considered to be impaired, the impairment to be recognized is the amount by which the carryingamount of the asset, if any, exceeds its fair value determined using a discounted cash flow model.

Revenue Recognition

Revenue is recognized upon shipment of the product to the customer.

Income Taxes

The Company uses the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying financial statements. Any interest and penalties related to income tax matters is recognized as a component of operating expense. The Company's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

Net Loss per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted loss per share is determined using the weighted-average number of shares of common stock outstanding during the period adjusted for the dilutive effect of common stock equivalents related to preferred stock, outstanding stock options and deferred contingent common stock awards. Such incremental shares were antidilutive for the periods presented.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

Stock-Based Compensation

Compensation cost for all stock-based awards is measured at fair value on date of grant and recognized over the service period for awards expected to vest. Such value is recognized as expense over the service period, net of estimated forfeitures. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. Management considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience.

Fair Value of Financial Instruments

The Company’s financial instruments consist primarily of accounts receivable, accounts payable and accrued expenses, bank term loan, and notes payable to stockholders. In management’s opinion, the carrying amounts of these financial instruments approximated their fair value at June 30, 2017 and 2016.

Business Segments

The Company has determined that its current business and operations consist of one business segment.

Advertising

The Company expenses advertising costs as incurred. Advertising expenses totaled $0 for the three and six months ended June 30, 2017 and 2016.

Recently Issued Accounting Announcements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". The topic of revenue recognition had become broad with several other regulatory agencies issuing standards, which lacked cohesion. The new guidance established a "comprehensive framework" and "reduces the number of requirements to which an entity must consider in recognizing revenue" and yet provides improved disclosures to assist stakeholders reviewing financial statements. Management is currently evaluating the impact of adopting the new guidance on the Company's financial statements.

In February 2016, FASB issued ASU-2016-02, "Leases (Topic 842)." The guidance requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right of use asset representing its right to use the underlying asset for the lease term. For finance leases: the right-of-use asset and a lease liability will be initially measured at the present value of the lease payments, in the statement of financial position; interest on the lease liability will be recognized separately from amortization of the right-of-use asset in the statement of comprehensive income; and repayments of the principal portion of the lease liability will be classified within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows. For operating leases: the right-of-use asset and a lease liability will be initially measured at the present value of the lease payments, in the statement of financial position; a single lease cost will be recognized, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and all cash payments will be classified within operating activities in the statement of cash flows. Under Topic 842 the accounting applied by a lessor is largely unchanged from that applied under previous GAAP. Management is currently evaluating the impact of adopting the new guidance on the Company's financial statements.

4. private placements of stock

During the third quarter of 2015 one individual purchased 1,500,000 shares of the Company's Series E Preferred Stock for a total purchase price of $1,500,000 ($1.00 per share). These shares are redeemable after one year and can be converted to 5,000,000 shares of the Company's Common Stock after one year. The purchase agreement allows for a 4% dividend payable either in cash or in additional shares of Series E Preferred Stock. This agreement also allows for redemption of 5,000,000 warrants after a one-year time period. The warrant redemption period expires after five years.

As the preferred stock contains a redeemable provision at the shareholder's option, the item is not included with permanent equity, but a component of mezzanine equity and included in the balance sheet as a single line item between liabilities and stockholders' deficit.

In addition, the convertible provision was evaluated to determine if it was subject to a beneficial conversion feature ("BCF"). A BCF was concluded since the effective conversion price was below the per share fair value of the underlying stock into which it is convertible at the issue date. As a result, the Company recognized an asset discount from the BCF and a related credit to additional paid-in capital in the amount of $724,973, which was amortized as a deemed dividend over one year, the redeemable period and is netted against the convertible, redeemable preferred stock in the balance sheet.

In connection with the preferred stock issuance, the Company also issued warrants to purchase an additional 5,000,000 shares of common stock. The warrants are deemed a derivative liability and are measured at fair value at each reporting period. As a result, the Company recognized an asset discount for the warrants and a related credit to warrant liability in the original amount of $724,973. The discount was amortized as a deemed dividend over one year, the redeemable period, and is netted against the convertible, redeemable preferred stock in the balance sheet. The warrants are measured at fair value at each reporting period with changes in fair value recorded in the income statement. In the first six months of 2017, a loss of $57,584 was recorded under "Change in Fair Value of Warrant Liability" in the statements of operations.

During the first six months of 2017 several individuals purchased 1,547,620 shares of common stock at an average value of $0.42 per share.

5. related party transactions

During the second quarter of 2014, affiliates of the CEO extended an aggregate of $300,000 in loans to the Company. Promissory notes were issued for these loans at an interest rate of 10% per annum. These loans are due on demand.

During the first six months of 2017, $281,056 in principal loan repayments were made to reduce debt to the CEO and his affiliates to $300,000.

6. income taxes

The Company's federal statutory income tax rate is approximately 34%. The Company is also subject to applicable state income taxes. As a result of operating losses at June 30, 2017 and losses incurred since inception, and due to uncertainties surrounding the ability of the Company to realize the tax benefits associated with these losses, there is no provision or benefit for income taxes in the accompanying financial statements. As of June 30, 2017, the Company had a net operating loss carryforward of over $28 million, which expire in 2018 through 2034. The Company has established a full valuation allowance against its net deferred tax assets (which consists primarily of net operating losses carryforward) as the Company's ability, to realize such assets, is predicated upon the Company achieving profitability. In addition, the use of net operating loss carryforwards may be limited as a result of ownership changes resulting from stock issuances.

7. stock-based compensation

Stock-Based Compensation Expense

The fair values of stock options granted were estimated at the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model was originally developed for use in estimating the fair value of traded options, which have different characteristics from the Company's employee stock options. The model is also sensitive to changes in assumptions, which can materially affect the fair value estimate.

Total compensation cost charged related to stock based compensation amounted to $219,883 and $95,864 for the six months ended June 30, 2017 and 2016 respectively, and $103,676 and $46,989 for the three months ended June 30, 2017 and 2016 respectively. No compensation cost related to share-based payment arrangements was capitalized as part of the cost of any asset at June 30, 2017 and December 31, 2016.

50,000 options were granted in the six months ended June 30, 2017. The weighted average exercise price of all options granted from inception to date was $0.3450 for the period ended June 30, 2017.

Stock Options Granted to Non-Employees

The Company accounts for its stock-based awards issued to non-employees in return for services using the fair value method. The fair value of the award is measured using the Black-Scholes option valuation model on the date that the services have been completed or on the performance commitment date, whichever is earlier (the “measurement date”). The fair value of the award is estimated on the date of grant and the measurement date and is recognized as an expense in the accompanying statements of operations over the vesting period.

Stock Options

The Company has two stock option plans (the “Plans”). The 1998 Stock Option Plan (the “Participant Plan”) provides for the granting of stock options to key employees, consultants or other persons (“Participants”). The objective of the Plans includes attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the Company by providing Participants the opportunity to acquire common stock.

The Plans provide for the granting of both options that will qualify as “incentive stock options” and options that are non-qualified stock options. The objectives of the second plan, the Director Option Plan (“the Director Plan”) is to attract and retain the best available personnel for service as outside directors of the Company, as well as to provide additional incentive to the outside directors of the Company to serve as directors and to encourage their continued service on the Board.

On June 18, 1999, the Board of Directors approved an increase in shares reserved for grant under the Participant Plan and Director Plan up to 850,000 and 450,000 shares, respectively. On September 11, 2000, the Board of Directors approved an increase in the number of shares reserved for grant under the Participant Plan to 2,500,000 and on December 5, 2001 the Board of Directors approved an increase in the number of shares reserved for grant under the Participant Plan to 5,000,000.

The stockholders at the June 7, 2002 stockholders’ meeting approved the increase in the Plan. Options expire on such date as the Board of Directors or the Committee may determine. The term of director stock options issued after January 1, 1998 and scheduled to expire before December 31, 2015 have been extended to expire on December 31, 2021.

In December 2016, 2,864,500 options and 2,021,427 warrants due to expire between December 2016 and May 2017 were extended to expire on December 31, 2021. These expiration dates extensions are reflected in the calculations below.

The following table summarizes stock option activity for the Company for the six months ended June 30, 2017:

	Number of Shares	Weighted Average Exercise Price	Intrinsic Value
Outstanding at December 31, 2016	8,059,502	0.338	$ 1,043,188
Granted	50,000	0.450	
Exercised	-	0.000	
Cancelled	(20,000)	1.010	
Outstanding at June 30, 2017	8,089,502	0.345	$ 754,887

The following table summarizes information about stock options outstanding at June 30, 2017:

	Options Outstanding			Options Exercisable		
Exercise Price Range	Number Outstanding	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price
.20 - .30	4,236,667	3.47	0.2261	4,170,000	3.49	0.2265
.312 - .58	3,421,168	4.51	0.4172	3,347,837	4.49	0.4185
.64 - 1.00	231,667	2.32	0.7727	231,667	2.32	0.7727
1.01 - 2.10	200,000	3.10	1.1340	200,000	3.10	1.1340
	8,089,502	3.87	0.3450	7,949,504	3.87	0.3461

As of June 30, 2017, warrants to purchase 8,109,502 shares of the Company's stock were outstanding at prices ranging from $0.20 to over $1.00 per share. The weighted average warrant price as of June 30, 2017 was $0.346. As of June 30, 2017, there was unrecognized compensation expense of $2,306,145 remaining to be amortized through 2020 relating to all unvested stock awards.

8. concentration of credit risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and trade receivables. The deposits at a financial institution are guaranteed by the Federal Deposit Insurance Company (FDIC) up to $250,000. At various times during the year, the Company had deposits in excess of the FDIC limit. The Company had accounts receivable balances of $115,390 and $38,181 as of June 30, 2017 and December 31, 2016, respectively the majority of which are to a single customer. Sales for the six months ended June 30, 2017 and the year ended December 31, 2016 includes sales to one major customer, who accounts for 90% of the total sales of the Company for each of the respective periods.

9. notes payable

Notes payable at June 30, 2017 consist of the following:

During the second quarter of 2014, affiliates of the CEO extended an aggregate of $300,000 in loans to the Company. Promissory notes were issued for these loans at an interest rate of 10% per annum. These loans are due on demand.

During the third quarter of 2015 the Company entered into agreements for bank lines of credit totaling $600,000. A line of credit in the amount of $350,000 is due on demand with an interest rate of prime plus 1%. The remaining $250,000 line of credit was issued at an interest rate of prime plus 0.75% with a term of 36 – 84 months. Subject to the lines of credit, the Company has pledged certain cash amounts as collateral with balances totaling $600,000 as of June 30, 2017. The balance of the lines of credit accounts is $301,433 as of June 30, 2017 and $92,997 as of December 31, 2016.

Interest expense on the above notes payable and all other obligations of the Company was $21,623 and $45,103 for the six months ended June 30, 2017 and 2016 respectively, and $10,081 and $20,266 for the three months ended June 30, 2017 and 2016, respectively.

10. fair value measurements

Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. In addition, ASC Topic 820 establishes a hierarchical disclosure framework which prioritizes and ranks the level of observability of inputs used in measuring fair value. These tiers include:

- Level 1—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- Level 2—Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities.

- Level 3—Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In connection with the issuance of convertible, redeemable preferred stock during the third quarter of 2015, the Company issued warrants to purchase an additional 5,000,000 shares of common stock. In accordance with ASC Topic 815, Derivatives and Hedging, the warrants are deemed a derivative liability and are measured at fair value on a recurring basis using the Black Scholes option pricing model, which is considered a Level 2 fair value measurement. This consideration is determined given that inputs used in the calculation, including common stock market value, exercise price, risk free interest rate and volatility are considered observable inputs. The change in the fair value of the warrants of $57,584 for the period ended June 30, 2017, is reflected as Change of Fair Value of Warrant Liability in the accompanying statements of operations.

The Company has no financial assets and liabilities measured at fair value on a nonrecurring basis.

11. commitments & contingencies

From time to time, the Company is involved in legal proceedings arising in the ordinary course of business. We believe there is no litigation pending against the Company that could have a material adverse effect on the Company's financial position, results of operations or cash flows.

12. subsequent events

The Company has evaluated subsequent events for potential recognition and/or disclosure through October 18, 2017, the date the financial statements were available to be issued.

protect the freshness™

international dispensing corporation
1020 fifth avenue
new york, ny 10028

www.idcinnovation.com