



ICCLABS

**ICC INTERNATIONAL
CANNABIS CORPORATION**
Annual Information Form for the year ended

December 31, 2016

April 28, 2017



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FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form (“**AIF**”), and in certain documents incorporated by reference in this AIF, constitute “forward-looking information” and “forward-looking statements”. All statements other than statements of historical fact contained in this AIF and in documents incorporated by reference in this AIF, including, without limitation, those regarding the future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments of ICC International Cannabis Corporation (“**ICC**” or the “**Company**”) in the markets where the Company participates or is seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “plan”, “continue”, “will”, “may”, “would”, “anticipate”, “estimate”, “forecast”, “predict”, “project”, “seek”, “should” or similar expressions or the negative thereof, are forward-looking statements.

Forward-looking statements and information include, without limitation, the information concerning possible or assumed future results of operations of ICC set out under “Description of the Business”. These statements are not historical facts but instead represent only the Company’s expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this AIF and in documents incorporated by reference in this AIF are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this AIF and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this AIF and in documents incorporated by reference in this AIF are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding business and operating strategies, and the Company’s ability to operate on a profitable basis. ICC does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report, except as may be required by law.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include

- limited operating history;
- regulatory compliance risks;
- change of cannabis laws, regulations and guidelines;
- reliance on licenses and authorizations;
- regulatory and civil proceedings;
- liability, enforcement, complaints, etc.;
- legal proceedings;
- demand for cannabis and derivative products;

- risks inherent in an agricultural business;
- product liability;
- product recalls;
- seasonality;
- energy prices and supply;
- supply of cannabis seeds;
- retention and acquisition of skilled personnel;
- managing growth;
- changes in corporate structure;
- risks inherent in Uruguayan rural real estate;
- emerging market risks;
- global economy;
- inflation in Uruguay;
- insurance coverage;
- ability to establish and maintain bank accounts;
- operations in Spanish;
- access to capital;
- foreign sales;
- estimates or judgments relating to critical accounting policies;
- tax risks;
- market for the Common Shares;
- no history of payment of cash dividends;
- reporting issuer status;
- significant sales of Common Shares;
- analyst coverage; and
- tax issues.

In addition to the factors set out above and those identified in this AIF under “Risk Factors”, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although ICC has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

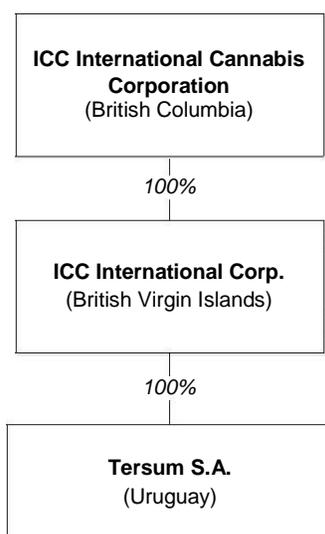
This AIF has been prepared using a number of conventions, which a reader should consider when reading the information contained herein. The term “Company” or “ICC”, is a reference to ICC International Cannabis Corporation itself, or to ICC International Cannabis Corporation and its consolidated subsidiaries, as the context requires.

Unless otherwise indicated, all dollar amounts in this AIF are expressed in Canadian dollars.

CORPORATE STRUCTURE

The Company was incorporated on October 19, 2010 as “Shogun Capital Corp.” pursuant to the filing of articles of incorporation under the *Business Corporations Act* (British Columbia). On November 22, 2016, the Company filed a notice of alteration to change its name to “ICC International Cannabis Corporation” (the “**Name Change**”). The registered office of the Company is located at Suite 700 – 595 Burrard Street, P.O. Box 49290, Vancouver, British Columbia, V7Z 1S8, and its head office is located at Plaza Independencia 737, 4th Floor, Montevideo, Uruguay, 11,000. The Company is currently a reporting issuer in British Columbia and Alberta.

The following chart sets out all of the Company’s subsidiaries as at the date hereof, their jurisdictions of incorporation and the Company’s direct and indirect voting interest in each of these subsidiaries.



GENERAL DEVELOPMENT OF THE BUSINESS

Inception to July 2016

The Company was created as a capital pool company pursuant to the policies of the TSX Venture Exchange (the “**TSXV**”). From its incorporation until the completion of the Qualifying Transaction (as defined below), the principal business of the Company was to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to acceptance by the TSXV.

The Company completed its initial public offering on September 4, 2013, and the common shares in the capital of the Company (the “**Common Shares**”) were listed on the TSXV and began trading on September 5, 2013.

August 2016 to Present

Qualifying Transaction

On August 9, 2016, the Company entered into an agreement with ICC International Corp. (the predecessor company to International Cannabis Corp) (“**ICC BVI**”), a company incorporated in the British Virgin Islands with respect to the acquisition of all of the securities of ICC BVI.

On November 23, 2016, ICC BVI completed a qualifying transaction (the “**Qualifying Transaction**”) with a capital pool company, then named Shogun Capital Corp. (“**Shogun**”), consisting of the acquisition of all the issued and outstanding common shares of ICC BVI by way of a “three-cornered merger” pursuant to the provisions of the BVI Business Companies Act, 2004. In connection with the merger, ICC BVI changed its name from “International Cannabis Corp” to “ICC International Corp.”. Immediately prior to the completion of the Qualifying Transaction, the Company filed a notice of alteration to effect the Name Change. As a result of the Qualifying Transaction, the former shareholders of ICC BVI acquired control of the Company. On November 29, 2016, the Common Shares commenced trading on the TSXV under the symbol “ICC”.

Subscription Receipts Financing

On September 8, 2016, ICC BVI completed a brokered private placement (the “**Private Placement**”) of an aggregate of 32,500,000 subscription receipts (the “**Subscription Receipts**”) at a subscription price of \$0.40 per Subscription Receipt for aggregate gross proceeds of \$13,000,000, with such gross proceeds being deposited into escrow. Following the satisfaction of certain release conditions related to the Qualifying Transaction, the escrowed funds were released to the Company on November 23, 2016, and the subscription receipts were automatically converted into an aggregate of 26,000,000 Common Shares without additional consideration or any further action on the part of the holders thereof.

GMP Securities L.P. acted as lead agent and sole bookrunner together with Mackie Research Capital Corporation in connection with the Private Placement (the “**Agents**”). As part of their commission, in connection with the Private Placement, the Agents received 2,275,000 common share purchase warrants of ICC BVI (each a “**ICC BVI Broker Warrant**”), each being exercisable for one common share of ICC BVI at a price of \$0.40 per share for a period of two years from the date of the listing of the Common Shares following the completion of the Qualifying Transaction. At the effective time of the completion of the Qualifying Transaction, each ICC BVI Broker Warrant was exchanged for 0.8 Common Share purchase warrants (the “**ICC Broker Warrants**”). Each ICC Broker Warrant entitles the holder thereof to subscribe for one Common Share at a price equal to \$0.50 per share for a period of two years from the date of the listing of the Common Shares following the completion of the Qualifying Transaction. On April 12, 2017, 1,456,000 ICC Broker Warrants were exercised.

Significant Acquisitions or Dispositions

The Company has not completed any significant acquisitions or dispositions during the financial year ended December 31, 2016 for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”).

DESCRIPTION OF THE BUSINESS

Summary

The Company, through its subsidiaries, is a licensed and authorized producer, developer and vendor of recreational cannabis, medicinal cannabis extracts and derivatives and industrial hemp in Uruguay.

Recent Developments

New Recreational Cannabis Production Facility

In May 2016, the Company commenced construction of a larger 70,565 square foot state-of-the-art greenhouse (the “**New Facility**”) on government owned land located in Montevideo, Uruguay. Construction of this facility was completed in December 2016, and in February 2017, ICC successfully transitioned its recreational cannabis production facility to the new facility. A total of 5,000 plants and 3,500 cuttings were moved to the new facility as part of the transition. The new facility will allow the Company to produce up to 10 tons of recreational cannabis per year without additional capital investment.

Emblem MOU and Presale Agreement

On February 27, 2017, ICC entered into a memorandum of understanding and presale agreement (the “**MOU and Presale Agreement**”) with Emblem Corp. (“**Emblem**”) who, through a wholly-owned subsidiary, is a licensed producer of medicinal cannabis pursuant to the Access to Cannabis for Medical Purposes Regulations overseen by Health Canada.

Pursuant to the terms of the MOU and Presale Agreement, ICC has agreed to sell 10% of its 2018 cannabidiol (“**CBD**”) production to Emblem at prices to be determined under a definitive agreement, subject to applicable regulatory approvals, including those from the TSXV, the Instituto de Regulación y Control del Cannabis (“**IRCCA**”), the Uruguayan Ministry of Livestock, Agriculture and Fishery and Health Canada.

The MOU and Presale Agreement establishes a cooperative framework under which Emblem will assist ICC with the importation of CBD into Canada and subsequently ensure distribution within Canada. The MOU and Presale Agreement provides for collaboration in the following areas: (i) production activities, including academic, scientific and technical cooperation in cannabis production and other cannabis upstream activities; (ii) exchange of starting materials and genetics, including providing for the assistance in procuring various cannabis genetics and starting materials from national and international sources, pursuant to applicable regulatory requirements; and (iii) exchange of information with respect to best practices in safety and environmental activities.

CBD Seed Acquisition

On April 3, 2017, ICC announced the acquisition of 100 kilograms of “Helena” hemp seeds. The “Helena” CBD strain is a monoecious homozygous variety that contains 0.07% of tetrahydrocannabinol (“**THC**”). It also contains between 10 and 15 tons of stem per hectare that translates into between 3 to 4.5 tons of fibre per hectare, between 7 to 10 kg of scutch per hectare, and between 800 to 1,000 kg of seeds per hectare. These seeds contain an oil content between 28% and 32% and high-level protein content near 25%.

New Cannabis Greenhouse

On April 3, 2017, ICC announced the acquisition of a new 21,528 square foot greenhouse that will be used for production of the Company’s cannabis plants which will be destined for the production of CBD extracts and by-products for medicinal use. The Company estimates that this greenhouse will be finished by the end of April 2017 and be ready for planting by the beginning of May 2017.

As part of the Company’s plan to become the world’s largest and lowest cost producer of CBD, this greenhouse will allow ICC to test different cultivars’ behavior throughout the entire year and increase the production cycle of medicinal cannabis.

Working at its full capacity, the greenhouse is expected to allow the Company to work with 3,000 plants per cycle, having at least three cycles per year resulting in a minimum of 9,000 plants per year for medicinal purposes.

Uruguayan Recreational Market

On April 6, 2017, the Government of Uruguay announced that recreational cannabis users can commence registering with the national registry system on May 2, 2017. The Government of Uruguay also announced that it was expected that sales of recreational cannabis would commence in July, 2017 through registered pharmacies.

Importation Agreement with Avanti

On April 18, 2017, the Company entered into an importation agreement (the “**Importation Agreement**”) with ARA – Avanti Rx Analytics Inc. (“**Avanti**”), a licensed dealer under the *Controlled Drugs and Substances Act* (Canada) and its regulations overseen by Health Canada.

The Importation Agreement establishes a non-exclusive contractual business relationship between ICC and Avanti where Avanti agrees to act as a Canadian importing agent for ICC for its cannabis products and distributor to customers identified by ICC from time to time. Avanti has also agreed to act as a Health Canada GMP approved contract analytical lab in Canada for ICC’s CBD oil. The activities contemplated by the Importation Agreement remain subject to applicable regulatory approvals, including those from the TSXV, IRCCA, the Uruguayan Ministry of Livestock, Agriculture and Fishery and Health Canada.

Business Segments

Recreational Segment

The Company's recreational cannabis business segment operates through the Company's subsidiary, ICC BVI, in accordance with the laws and regulations in Uruguay and the terms of a license (the "**Recreational License**") granted by IRCCA. The Company is one of only two companies in Uruguay which has been granted a license to grow, produce and distribute psychoactive cannabis for dispensing to pharmacies licensed to sell to individuals for recreational use. The Company has been growing recreational cannabis since March 2016 and anticipates selling recreational cannabis to authorized pharmacies in Uruguay commencing July, 2017.

The Uruguayan Government expects recreational cannabis to be distributed through approximately 1,200 pharmacies across all of the 19 departments (i.e. states) of Uruguay. Each pharmacy must be registered and approved by the government to sell recreational cannabis and must be equipped with the appropriate fingerprint identification software to verify the identity of each purchaser and to track the quantities purchased.

Pursuant to the Recreational License, the Company is committed to producing two tons of recreational cannabis during the initial 12 month period. Subject to IRCCA's approval, the Company is expected to increase its production year-over-year according to the demand, once the cannabis demand starts shifting from the illegal to the legal market.

The Recreational License is for a period of five years, expiring on January 14, 2021. IRCCA may suspend or revoke the Recreational License should ICC not comply with the obligations under the Recreational License. The increase of production and the renewal of the Recreational License may be subject to a public tender process similar to the process when the initial Recreational License was granted.

The initial plant cuttings were provided to the Company by IRCCA. The Company multiplied the initial cuttings, which were then planted and harvested. This process ensured that the variety of plant remained consistent and within government approved levels of CBD and THC.

It is expected that recreational cannabis will be sold to authorized pharmacies at a fixed cost of U.S.\$0.90 per gram for the first production year, adjusted annually in accordance with the terms of the Recreational License which include, among other things, an adjustment for Uruguayan inflation. ICC expects the production cost (including applicable licensing fees) for the first year to be approximately U.S.\$0.60 per gram and that the production cost per gram will decrease over time with the increase in the amount of production.

By the end of February 2016 and by mid-March 2016, ICC received from IRCCA a total of 1,600 Alpha strain and 1,000 Beta strain recreational cannabis plants, respectively, in their first week of vegetative stage, so as to enable ICC to start its production of recreational cannabis. As at December 31, 2016, ICC managed approximately 4,922 recreational cannabis plants and had harvested approximately 2,212 recreational cannabis plants.

The first harvest of recreational cannabis took place in June 2016. Recreational cannabis will continue to be harvested on a monthly basis to reach the initial annual production target of two tons. Following completion of the drying process, the recreational cannabis will be packaged

and distribution to pharmacies will be commenced. Excess inventory can be sold for a period of one year from the date of production. As of the date of this AIF, the Company held 270 kg of recreational cannabis in stock.

The Company is required to have sufficient infrastructure to pack cannabis for recreational use. IRCCA strictly regulates the labelling and packaging, including disclosure on the package regarding the expiry date, health and safety risks, and THC and CBD content. No advertising is permitted on the packaging.

As per the Uruguayan cannabis laws, the Company must distribute recreational cannabis from the farm to the pharmacy by truck. There are limits on the amount of product that can be transported in each truck. Security arrangements for transportation are the responsibility of the Company, with IRCCA providing supervisory functions.

On April 6, 2017, the Government of Uruguay announced that recreational cannabis users can commence registering with the national registry system on May 2, 2017. The Government of Uruguay also announced that it was expected that sales of recreational cannabis would commence in July, 2017 through registered pharmacies.

Cannabinoids Extraction Segment

The Company's cannabinoids extraction segment operates through ICC's subsidiary, Tersum S.A., in accordance with Uruguayan laws and regulations and the terms of authorizations granted by the Uruguayan Ministry of Livestock, Agriculture and Fisheries. The cannabinoids extraction segment is intended to largely focus on medicinal cannabis extracts and derivatives from certain cannabis plants regulated by Decree 372/2014 in Uruguay (which constitute "hemp" for the purposes of this AIF), but also is also expected to result in the production of industrial hemp products.

The medicinal cannabis extracts and derivatives portion of the business is expected to involve the extraction from hemp, analysis, production and, where lawful, export, of non-psychoactive CBD, cannabigerol ("**CBG**") and cannabichromene ("**CBC**") to treat certain diseases or minimize specific symptoms.

The industrial hemp portion of the business is expected to involve textile (fiber) and human food components (through oil extraction). Hemp is a high-performance harvest which has a number of industrial uses. Focusing on innovation, ICC is currently developing the retail brand GROW. Initially, the Company will use the surplus hemp not used for medicinal extracts and derivatives for its industrial hemp business. ICC expects to produce and develop products for sale domestically and, where lawful, for export.

ICC expects to sow its first greenhouse crop of Helena seeds in May 2017, to be harvested by August 2017. In September 2017 (being spring in Uruguay), the Company intends to sow its second greenhouse crop and first outdoor crop of hemp, to begin harvesting by the first quarter of 2018, and to commence selling the cannabinoid extracts and derivative products in the second quarter of 2018, subject to obtaining the requisite authorizations.

Licenses and Authorizations

Cannabis Legalization Framework

In June 2012, the Uruguayan Government, under then President Mujica, announced plans to legalize state-controlled sales of cannabis as a way to minimize drug-related crime and health issues.

On December 20, 2013, Uruguayan Law No. 19,172 (the “**Cannabis Law**”) was passed, providing the Government of Uruguay with control over and the capacity to regulate the activities of importing, exporting, planting, cultivation, harvesting, production, acquisition, storage, marketing and distribution of cannabis and its derivatives.

The Cannabis Law also created IRCCA, which has the purpose of regulating and controlling the production, planting, growing, harvesting, processing, storage, distribution and dispensing of cannabis. IRCCA’s main objectives are to increase awareness and reduce risks and health damage associated with the problematic use of cannabis as well as enforcement of regulations included in the Cannabis Law. IRCCA also advises the Presidency of Uruguay on the design of cannabis policies.

Under Uruguayan Decree-Law No. 14,294 (Drugs Law), subject to certain exemptions provided by the Cannabis Law and detailed below, the Uruguayan State has a monopoly over the import and export of drugs. The planting, cultivation, harvesting and commercialization of any plant from which any drugs and other substances that create physical or psychological dependence, including cannabis, are prohibited. The performance of activities involving drugs carried out illegally, or involving goods, products or instruments proceeding from the aforementioned, are considered to be criminal offenses, including money laundry.

In order to regulate the Cannabis Law, three initial decrees (*i.e.* regulations) were issued by the executive branch of the Uruguayan government:

- Decree 120/2014 dated May 6, 2014 concerning psychoactive cannabis for non-medicinal or scientific research use, which includes regulation of the production for dispensing to pharmacies licensed to sell to individuals domestic production for personal or shared consumption at home, and cannabis clubs’ production for the consumption of by their members (recreational cannabis);
- Decree 372/2014 dated December 16, 2014 concerning hemp for industrial use, non-medicinal or scientific research use (non-psychoactive cannabis plants or parts containing less than 1% THC and seeds not exceeding 0.5% THC); and
- Decree 46/2015 dated February 10, 2015 concerning psychoactive and non-psychoactive cannabis to be intended for scientific research or the development of specialties for medicinal use.

Definitions of psychoactive and non-psychoactive cannabis vary in relation to the different activities (considering different cannabis categories, plants, seeds, products or the active principles).

The Cannabis Law lays out three legal methods of accessing recreational cannabis, open to all Uruguayan citizens and permanent residents over the age of 18. These are:

1. Individuals can purchase up to 40 grams of cannabis per month (10 grams per week, according to the regulations) in pharmacies licensed by IRCCA without any prescription, which is to be produced by commercial growers who are specifically licensed by IRCCA. To access cannabis, users must first register with IRCCA.
2. Users can grow up to six female flowering cannabis plants per household for their own consumption, so long as they have first registered their plants with IRCCA. The total annual production of cannabis must not exceed 480 grams.
3. Cannabis enthusiasts can join cooperatives to collectively grow cannabis with others. These “cannabis clubs” must first be authorized by the Executive Branch and IRCCA and other authorities and must have between 15 and 45 members. The clubs may plant up to 99 plants in the same space but cannot dispense more than 480 grams of cannabis to each of their members per year. Any surplus yield must be turned over to IRCCA.

The decrees make these three options mutually exclusive - “acquiring psychoactive cannabis from more than one of the above sources is prohibited”.

Decree 250/2015 was subsequently issued on September 14, 2015 to provide for ownership and anti-money laundering restrictions with respect to the holders of licenses.

Article 5 of the Cannabis Law which replaced Article 3 of the Decree-Law 14,294, expressly provides certain exceptions to the ban on planting, cultivating, harvesting and/or marketing any plant from which narcotics can be extracted, including cannabis. Some of these exceptions are as follows:

- those made for scientific research, or for the development of specialties for medicinal use, previously authorized by IRCCA and/or the Ministry of Public Health in Uruguay as appropriate;
- plantations, cultivation, harvesting, industrialization and dispensing of psychoactive cannabis for other purposes, provided that due prior authorization of IRCCA is obtained;
- plantations, cultivation, harvesting as well as the industrialization and commercialization, of non-psychoactive cannabis (hemp) where previously authorized by the Livestock, Agriculture and Fisheries Ministry; and
- planting, cultivation, collection for purposes of research as well as the industrialization for pharmaceutical use, where previously authorized by IRCCA; and
- retail of psychoactive cannabis under licenses granted to pharmacies by IRCCA.



The law provides that the Executive Branch shall regulate the mechanisms for access to cannabis seeds under the preceding exceptions.

Regulatory Decrees regulate competent authorities in order to perform import or export activities regarding cannabis, or for granting authorizations to such effects.

While the use of cannabis for scientific research or the pharmaceutical use is also specifically provided under authorizations introduced under the Cannabis Law, it has not received as much public attention as the provisions relating to the recreational cannabis market.

Regulations regarding the social acceptance of this recently legalized substance in the market are still being updated and implementations by the competent authorities are still in process. For instance, labor regulations prohibiting on duty smoking as well as working under the influence, labelling conditions for commercialization and hours for commercialization in pharmacies had been subsequently enacted or are in discussion. Traffic regulations are also being changed accordingly. Other medical (different to elaboration of specialties for medicinal use) and particular industrial purposes have not been yet regulated expressly regulated (for instance, food, biological products or medicinal herbs).

Sanctions provided under the Cannabis Law include fines, forfeiture or destruction of goods, suspension in the corresponding register, temporary or permanent disqualification, partial or total, temporary or permanent closing of the establishments of licensees, whether of their own or not. Sanctions may be cumulative. The foregoing is without prejudice to the sanctions that may correspond in accordance with other applicable laws, such as the configuration of criminal offenses under the Drug Law.

Oversight of Uruguayan Cannabis and Hemp Industries

Article 17 of the Cannabis Law created IRCCA, a non-state legal person governed by public laws, which is in charge of: (a) regulating the whole chain from planting to the sale of cannabis; (b) promoting actions to reduce risks and harms associated with the use of cannabis; and (c) monitoring compliance of individuals with the Cannabis Law. IRCCA is responsible for developing processes and taking the necessary steps to carry out the implementation of these standard actions. IRCCA also grants licenses to produce, develop, collect, distribute and sell recreational cannabis.

The Registry of Operators of Cannabis (“**ROC**”) is under the authority of IRCCA and in such Registry all natural or legal persons who wish to operate in various activities related to scientific research, production, processing hemp processing plants or pharmaceutical products for medicinal use, as well as import / export of hemp and derivatives must be registered. Enrollment in the ROC is mandatory for the authorization of projects before the Livestock, Agriculture and Fisheries Ministry and/or the Ministry of Public Health as appropriate.

Regarding rural real estate land authorizations, see “Risk factors – Risk Inherent on Uruguayan Rural Real Estate” below.

Recreational Cannabis Licenses

Only licensed pharmacies in Uruguay may purchase psychoactive cannabis produced from licensed producers according to the respective license. The sale to individuals may only be performed by certain categories of pharmacies, duly authorized by the Uruguayan Ministry of Health, and which would have obtained the corresponding license and registry from IRCCA. Terms and conditions regarding commercialization and dispensing to individuals shall be established in the licenses to be granted to the pharmacies. The granting of licenses to pharmacies is still in process and therefore, the sale of psychoactive cannabis through pharmacies for recreational purposes has not yet implemented as of the date of this AIF.

In all cases, all forms of advertising, direct or indirect promotion or sponsorship of psychoactive cannabis products, by any means of communication, as well as contests or public events promoting cannabis is prohibited. The sale of cannabis is prohibited outside the authorized pharmacies, as well as any other form of sale (e.g. by internet, telephone, home delivery or other).

The license determines the express terms and conditions regarding the following, among others: the site in which it is authorized to produce, the origin of seeds or plants used in the plantation, varietal characteristics of crops to be used, production volumes authorized, security procedures, guarantees, conditions of distribution and dispensing to authorized pharmacies, prohibition to sale products to unauthorized third parties, the appointment of a technical manager of the production process, destination of surplus production and products, packaging and labeling conditions of the product, installation procedures previously authorized by IRCCA, procedures which allow traceability and geo referencing from planting to the dispensing of psychoactive cannabis.

Pursuant to the Recreational License, the Company is committed to producing two tons of recreational cannabis during the initial 12-month period. Subject to IRCCA's approval, the Company is expected to increase its production year-over-year according to the demand, once the cannabis demand starts shifting from the illegal to the legal market.

The Recreational License is for a period of five years, expiring on January 14, 2021. IRCCA may suspend or revoke the Recreational License should ICC not comply with the obligations under the Recreational License. The increase of production and the renewal of the Recreational License may be subject to a public tender process similar to the process when the initial Recreational License was granted.

See "Risk Factors – Reliance on Licenses and Authorizations" below.

Hemp and Extraction Authorizations

In Uruguay, Decree 372/2014 regulates the exception for import, export, plantation, cultivation, harvesting, as well as the industrialization and commercialization of certain cannabis ("hemp" for the purposes of this AIF), which is destined for industrial purposes, subject to the prior authorization of the Uruguayan Ministry of Livestock, Agriculture and Fisheries.

Authorizations determine the express terms and conditions regarding the following, among others: the site where the activity would be performed, the origin of seeds or plants, the varietal

characteristics of crops to be used, the THC content in plant and seeds, security procedures, destination of the production and waste, characteristics of the final product, terms and conditions of the authorization, volumes and conditions for the productions, industrialization or commercialization authorized.

On August 12, 2016, Tersum S.A. was granted specific authorization by the Uruguayan Ministry of Livestock, Agriculture and Fisheries for the extraction of cannabinoids from hemp it was authorized to produce for a term of 360 days.

On December 20, 2016, the Company was granted specific authorization by the Uruguayan Ministry of Livestock, Agriculture and Fisheries to import from the Institute of Field and Vegetables Crops in Serbia, plant and harvest the Helena variety of cannabis sativa for a term of 120 days (the “**December 2016 Authorization**”). The Company is required to notify the Agriculture Services General Directorate, or Direccion General de Servicios Agricolas (“**DGSA**”) of the Uruguayan Ministry of Livestock, Agriculture and Fisheries, of imports of the Helena variety and origin authorized. If changes in origin or variety are desired, the Company must request approval from the DGSA. Pursuant to such authorization, for a period of 360 days commencing December 20, 2016, the Company may also plant in certain agricultural campaigns a maximum of 99 acres of the aforementioned Helena seeds, harvest the grain and inflorescences of the sown variety, condition the product of direct harvest of the crop, and commercialize within Uruguay the harvested grain as propagation material of the cultivated variety, provided that information regarding the invoice, volume, recipient and final destination are provided to the Uruguayan Ministry of Livestock, Agriculture and Fisheries. The December 2016 Authorization also permits the Company to extract hemp fibre and hemp oil.

Initially, the Company will use the surplus hemp not used for medicinal extracts and derivatives for its industrial hemp business.

See “Risk Factors – Reliance on Licenses and Authorizations” below.

Facilities

In March 2016, the Company completed construction of a 10,000 square foot facility for the production and sale of recreational cannabis. The facility is located on government owned land.

In May 2016, the Company commenced construction of a larger 70,565 square foot state-of-the-art greenhouse (the “**New Facility**”) on government owned land located in Uruguay. Construction of this facility was completed in December 2016, and in February 2017, ICC successfully transitioned its recreational cannabis production facility to the new facility. A total of 5,000 plants and 3,500 cuttings were moved to the new facility as part of the transition. The Company expects the new facility to allow it to produce up to 10 tons of recreational cannabis per year without additional capital investment.

Cannabis used for medicinal extracts and derivatives will initially be grown outdoors. On April 3, 2017, ICC announced the acquisition of a new 21,528 square foot greenhouse that will be used for production of the Company’s cannabis plants which will be destined for the production of CBD extracts and by-products for medicinal use. The Company estimates that this greenhouse will be finished by the end of April 2017 and be ready for planting by the beginning of May 2017. Industrial hemp will be grown outdoors.

The Company also has an administrative business office located on the above properties.

In accordance with the Uruguayan Ministry of Public Health requirements and guidelines, the facilities include or will include a sterilization area for processing and packaging, and is temperature and humidity controlled.

Special Skill and Knowledge

The Company is committed to dedicating resources and personnel with the requisite expertise to meet its objectives. The loss of any member of the Company's management team could have a negative impact on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Company's business and operating results. At present and for the near future, the Company will depend upon certain employees to develop, market, sell, grow and support its products. The expansion, marketing and sales of its products will require the Company to find, hire and retain additional capable employees who can understand, explain, market and sell its products. For non-management staff at the Company's operating companies, specialized knowledge is generally not required, other than customary training staff.

Components

Though IRCCA provided the original stock of recreational cannabis plants, the Company expects to rely on internal production of such plants going forward. The Company has imported of 100 kilograms of "Helena" hemp seeds and will arrange for further imports of seeds as required from time-to-time.

Competitive Conditions

There are currently only two companies licensed to grow and sell recreational cannabis in Uruguay and, for the foreseeable future, there are no new potential licensees as IRCCA has closed its tendering process. As a result, and given the estimated demand for recreational cannabis, the Company does not believe that competition in the Uruguayan recreational cannabis market is a significant factor in the short term. Further, given that IRCCA, through its licensing regime, regulates price and the allocation of orders to the licensees, including the Company, the market for recreational cannabis is not considered a competitive market.

The market for extracts and derivatives of cannabis and industrial hemp is characterized by a structural shortage of supply, with few authorized producers. Although competition in the market is growing, management of the Company believes that the Company is competitively positioned to satisfy the demand for extracts and derivative cannabis products and industrial hemp given the Company's experience and knowledge of utilizing Uruguayan countryside for agricultural production.

Intellectual Property

The Company has filed for registration of a mixed (name and logo) trademark for "GROW – original cannabis product" with the Uruguayan Patent Office. From the Company's preliminary searches, it appears that the "GROW" trademark is available. In Uruguay, after the filing for registration of a proposed trademark, third parties are given a period of time to allege a better

right with respect to the trademark; such time period has lapsed without a third party alleging a better right. The full process for registration of a trademark in Uruguay may take up to approximately two years.

Cycles

The Company's business activities are inherently seasonal. Although its recreational cannabis will be grown in indoor greenhouses and can be harvested and sold year-round, the Company expects that production yields will still be impacted by planting, growing and harvesting cycles. For example, in winter months, the Company expects to rely more on indoor lighting than in the summer months when sunlight is more ample. Cannabis used for the extracts and derivative products business will initially be grown outdoors until the facilities for the indoor production of such cannabis are completed. Industrial hemp will be grown outdoors.

There may be variations in the Company's financial results from one quarter to another. In addition, the Company's quarterly results may vary as a result of the effect of fluctuations in production yields and costs.

Economic Dependence

ICC BVI entered into a services and financing agreement dated August 20, 2014 with Union Group International Holdings Limited ("**Union Group**") in respect of the provision by Union Group of certain management, accounting and legal consulting services and the granting by Union Group to ICC BVI of a financing facility in the amount of U.S.\$4,000,000, with each drawdown under such facility bearing interest at a rate of 10% per annum. ICC BVI currently has no amounts drawn down on this facility.

See also "Transactions with Related Parties" in the Company's management's discussion and analysis for the year ended December 31, 2016, which may be viewed on the Company's profile on SEDAR at www.sedar.com.

Employees

As of the date of this AIF, the Company has 18 full-time employees and four consultants hired. ICC is in material compliance with all applicable labor laws. In addition, the Company engages contractors and consultants to work on specific projects and for administrative, legal and other services as required.

Foreign Operations

The Company operations are conducted solely in Uruguay.

Insurance

The Company has received confirmation from the *Banco de Seguros del Estado* (the state-owned insurance company) that they will provide insurance coverage over the Company's production and facilities. The Company is insured against a variety of risks, including losses and damages relating to its plants, equipment and buildings. The Company believes its level of insurance coverage is customary and appropriate for a company of its size and with respect its activities. The Company's insurance currently covers only part of the losses it may incur and does not cover losses on crops due to drought or floods.

Environmental and Social Programs

As part of its environmental, social and sustainability strategy, the Company has initiated the implementation of a strict environmental and social management system, which allows the Company to systematically manage its environmental, social, health and safety matters. This integrated management system addresses:

- the identification and assessment of environmental, social and labor risks and impacts;
- identification and assessment of applicable environmental, social and labor law requirements;
- improving the management of agrochemicals, chemical products and fuels;
- monitoring water and soil quality;
- measurement of greenhouse gases;
- monitoring of water, fuels and electricity consumption;
- monitoring of biodiversity;
- the control and safety and health of workers and the community;
- waste management;
- the management and control of contractor's practices;
- the establishment of performance indicators for monitoring processes;
- the preparation and response to possible emergencies;
- communication with workers and communities; and
- management of complaints, non-conformities, actions and evaluating their effectiveness.

The Company has a training program for members of the Health, Safety and Environmental team, including training in first aid and fire response for all farm workers. The Health, Safety and Environmental team performs internal audits and identifies areas where improvement is needed.

RISK FACTORS

There are a number of risk factors that could impact the Company's ability to successfully execute its key strategies and may materially affect future events, performance or results. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following or other risks occur, ICC's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks. Risk factors relating to ICC include, but are not limited to, the factors set out below.

Business Risks

Limited Operating History

ICC is an early stage company having been founded in 2014 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet future operating and debt service requirements, it will need to be successful in its growing, marketing and sales efforts. Additionally, where ICC experiences increased sales, ICC's current operational infrastructure may require changes to scale ICC's business efficiently and effectively to keep pace with demand and achieve long-term profitability. If ICC's products and services are not accepted by new customers, ICC's operating results may be materially and adversely affected.

Regulatory Compliance Risks

Achievement of ICC's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by applicable governmental authorities and the TSXV and obtaining all regulatory approvals, where necessary, for the sale of its products. ICC may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. ICC cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. To date, ICC has received the Recreational License and the Hemp Authorizations from the Uruguayan government. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of ICC.

ICC will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. ICC may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to ICC's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of ICC.

Change of Cannabis Laws, Regulations and Guidelines

Cannabis laws and regulations, including the TSXV's interpretation thereof, are dynamic and subject to evolving interpretations which could require ICC to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of ICC's businesses. ICC cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on ICC's business. Management expects that the legislative and regulatory environment in the cannabis industry in Uruguay and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on ICC's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

Reliance on Licenses and Authorizations

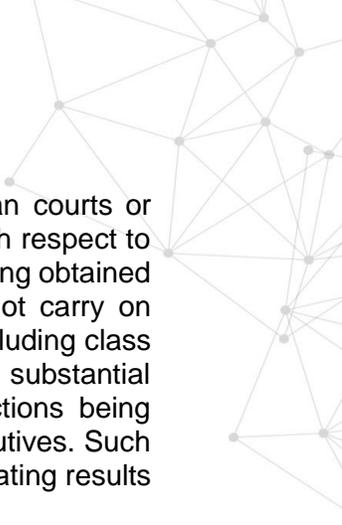
ICC's ability to import, grow, store and sell cannabis and hemp in Uruguay or internationally is dependent on ICC's ability to sustain and/or obtain the necessary licenses and authorizations by certain authorities in Uruguay and/or the importing jurisdiction. The licenses and authorizations are subject to ongoing compliance and reporting requirements and the ability of ICC to obtain, sustain or renew any such licenses and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licenses or authorizations or any failure to maintain the licenses or authorizations would have a material adverse impact on the business, financial condition and operating results of ICC.

Although ICC believes that it will meet the requirements to obtain, sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations. Should the authorities fail to issue the necessary licenses or authorizations, ICC may be curtailed or prohibited from the production and/or distribution of cannabis and hemp or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of ICC may be materially adversely affected.

Canadian Regulatory and Civil Proceedings

The sale and distribution of cannabis products for medicinal use by licensed producers is legal in certain Canadian provinces. Canada has not legalized the recreational use or the sale of cannabis for recreational use although the Canadian federal government publicly announced in March 2017 that it expects to table legislation to legalize marijuana in the summer of 2017.

ICC operates in Uruguay pursuant to licenses and authorizations granted by IRCCA and the Uruguayan Ministry of Livestock, Agriculture and Fisheries. Consequently, certain activities conducted by ICC are permissible under one regulatory regime while not under another. In the past, Canadian courts and regulatory authorities have taken the view that it is not contrary to Canadian federal or provincial law for a person to be engaged in, or for an entity to hold interests in affiliates that are engaged in, certain regulated activities where such activities may be regulated differently than in the home jurisdictions and have enforced extra-territorial laws even where such laws (or regulatory regimes applicable to certain activities or industries) differs



from those in the Canadian jurisdiction. There is a risk however that the Canadian courts or applicable Canadian or other governmental authorities may take a contrary view with respect to the business of ICC and view ICC as having violated their local laws, despite ICC having obtained all applicable Uruguayan licenses or authorizations and despite that ICC does not carry on business in Canada. Therefore, there is a risk that civil and criminal proceedings, including class actions, could be initiated against ICC. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions or other restrictions being imposed upon ICC or its business partners, while diverting the attention of key executives. Such proceedings could have a material adverse effect on ICC's business, revenues, operating results and financial condition as well as impact upon ICC's reputation.

British Virgin Islands Regulatory and Civil Proceedings

The production, sale and distribution of cannabis products have not been legalized in the British Virgin Islands (“**BVI**”). ICC operates in Uruguay pursuant to licenses and authorizations granted by IRCCA and the Uruguayan Ministry of Livestock, Agriculture and Fisheries. Consequently, certain activities conducted by ICC are permissible under one regulatory regime while not under another. There is therefore a risk that BVI courts or applicable BVI or other governmental authorities may take the view that the business of ICC has violated their local laws, despite ICC having obtained all applicable Uruguayan licenses or authorizations and despite that ICC does not carry on business in the BVI. Therefore, there is a risk that civil and criminal proceedings could be initiated against ICC and its directors and officers. Due to the nature of its business activities there is also a risk that the BVI authorities could seek to have ICC wound up on the grounds of public interest and to appoint a liquidator to take possession of ICC's worldwide assets. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions or other restrictions being imposed upon ICC or its business partners, while diverting the attention of key executives. Such proceedings could have a material adverse effect on ICC's business, revenues, operating results and financial condition as well as impact upon ICC's reputation.

Liability, Enforcement, Complaints, etc.

ICC's participation in the cannabis and hemp industries may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against ICC. Litigation, complaints, and enforcement actions involving ICC could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on ICC's future cash flows, earnings, results of operations and financial condition.

Legal Proceedings

From time to time, ICC may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. ICC will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on ICC's financial results.

Demand for Cannabis and Derivate Products

The sale of recreational cannabis in Uruguay is a new industry as a result of recent legal and regulatory changes. Although the Uruguayan Government expects the demand for licensed recreational cannabis to be in excess of the supply being produced by the licensed producers, there is a risk that such demand does not develop as anticipated. Further, there is a risk that the adoption rate by the approximate 1,200 Uruguayan pharmacies to sell recreational cannabis is lower than expected or that such adoption rate may take longer than anticipated. There is also a risk that the implementation of sales through pharmacies will take longer than expected, thereby delaying ICC's ability to commence sales of recreational cannabis. There is also a risk that the export market for CBD, CBG and CBC will not materialize as projected or not be commercially viable. Should any of such events materialize, they may have a material adverse effect on the business, results of operations and financial condition of ICC.

Risks Inherent in an Agricultural Business

ICC's business involves the growing of cannabis and hemp, which are both agricultural products. Although ICC's recreational cannabis is intended to be grown in indoor greenhouses, hemp used as feedstock for medicinal extracts and derivatives will initially be grown outdoors and industrial hemp will be grown outdoors. The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production and may otherwise adversely affect the supply of cannabis and hemp. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce ICC's yields or require ICC to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. In 2008 and 2009, Uruguay suffered one of its worst droughts of the last 70 years. Future droughts could reduce the yield and quality of ICC's cannabis and hemp production, which could materially and adversely affect ICC's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, ICC's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect ICC's operating results and financial condition. Furthermore, if ICC fails to control a given plant disease and the production is threatened, ICC may be unable to supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on any such production.

Product Liability

As a distributor of products designed to be ingested or inhaled by humans, ICC faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have

caused damages, loss or injury. In addition, the sale of ICC's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination.

Adverse reactions resulting from human consumption of ICC's products alone or in combination with other medications or substances could occur. ICC may be subject to various product liability claims, including, among others, that ICC's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against ICC could result in increased costs, could adversely affect ICC's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of ICC. There can be no assurances that ICC will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of ICC's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of ICC's products are recalled due to an alleged product defect or for any other reason, ICC could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. ICC may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although ICC has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if ICC is subject to recall, the image of ICC could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for ICC's products and could have a material adverse effect on the results of operations and financial condition of ICC. Additionally, product recalls may lead to increased scrutiny of ICC's operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses and potential legal fees and other expenses.

Seasonality

ICC's recreational cannabis is intended to be grown in indoor greenhouses. Medicinal cannabis will initially be grown outdoors until construction of facilities for indoor production are completed. Industrial hemp will be grown outdoors. ICC's business is seasonal, based upon the planting, growing and harvesting cycles. For example, in winter months, ICC expects to rely more on indoor lighting than in the summer months when sunlight is more ample. As a result, costs of production are likely to increase and yields are likely to decrease in the winter months. The inherent seasonality of the cannabis and hemp industries could have a material adverse effect on the ICC's business. In addition, quarterly results can vary significantly from one year to the next due primarily to weather-related shifts in planting schedules, production yields, purchase patterns and costs. ICC will incur substantial expenditures for fixed costs throughout the year and substantial expenditures for inventory in advance of the planting season.

Seasonality also relates to the limited windows of opportunity that ICC has to complete required tasks at each stage of cannabis crop cultivation. Should events such as adverse weather or transportation interruptions occur during these seasonal windows, ICC would face reduced revenue without the opportunity to recover until the following season.

Energy Prices and Supply

ICC requires substantial amounts of diesel and electric energy and other resources for its harvest activities and transport of cannabis and hemp. ICC relies upon third parties for its supply of energy resources used in its operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. If energy supply is cut for an extended period of time and ICC is unable to find replacement sources at comparable prices, or at all, ICC's business, financial condition and results of operations would be materially and adversely affected.

Supply of Cannabis Starting Materials

If for any reason the supply of cannabis starting materials (i.e. seeds and cuttings) from the Government of Uruguay or the import of cannabis starting materials is ceased or delayed, and the Company is unable to replenish its supply internally, ICC would have to seek alternate suppliers and obtain all necessary authorization for the new cannabis starting materials. If replacement cannabis starting materials cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, ICC's business, financial condition and results of operations would be materially and adversely affected.

Retention and Acquisition of Skilled Personnel

The loss of any member of the Company's management team, could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Company's business and operating results. At present and for the near future, ICC will depend upon a relatively small number of employees to develop, market, sell and support its products. The expansion of marketing and sales of its products will require ICC to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and ICC may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Company may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Company moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

Managing Growth

In order to manage growth and change in strategy effectively, the Company must (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, ICC expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

Changes in Corporate Structure

Uruguayan Law No. 19,172 and Decree 250/15 provide that once a company is granted a license for cannabis production, hemp production and production of cannabis related products, any modification of the corporate structure, as well as the issuance of shares, or any changes in holders, shall be included in determining “control” as established in article 7 of the Decree. The licensee has an obligation to inform IRCCA of any such share issuance or change in holders, which shall require a report from the National Anti-Money Laundering Secretariat, before expressly granting an authorization. Omission to inform shall result in the immediate suspension of the license granted without any responsibility to IRCCA. IRCCA may at any time require an update regarding the identity of the holders of the license granted, including the equity-interest holders in the case of a corporation, as well as other aspects included in the license. Art. 7 provides for the authority to request information regarding the corporate structure of the applicant for the purpose of adequately identifying the final beneficiaries, as well as the origin of the funds that the applicant proposes to use for the execution of the project, within the scope of the rules in force regarding the prevention of money laundering and the financing of terrorism. IRCCA is permitted to request such information and clarification as it deems pertinent. In this regard, IRCCA shall request the report from the National Anti-Money Laundering Secretariat before granting the respective license or change therefor.

The aforementioned may also be considered applicable regarding the Uruguayan Ministry of Livestock, Agriculture and Fishery in respect to authorizations granted by such authority.

Risks Inherent in Uruguayan Rural Real Estate

Uruguayan Law No. 18,092 (as amended by Uruguayan Law No. 18,172) provides as a general rule, that legal entities shall be entitled to own rural lands or perform agrarian activities, provided they are personal legal entities or corporations included under Uruguayan Law 16,060 (Uruguayan Companies Act), which total capital stock is represented by nominative quotas or shares owned by natural persons. This provision only applies to rural real estate used for agrarian activities,

Different positions have been argued in Uruguay if foreign companies (such as ICC BVI) or Uruguayan companies which shareholders are foreign companies owned by natural persons (such as Tersum S.A.) are entitled or not under the law to own or exploit rural land. If considered not to be entitled, then the companies would have been considered obliged to apply for a prior authorization (either to own or exploit rural land) to the Executive Branch of the Uruguayan Government.

The Recreational License and the Hemp Authorizations were granted to perform the respective activities on rural land and could be considered to be agrarian activities. In this regard, ICC BVI and Tersum S.A. have not requested an authorization from the Executive Branch of the Uruguayan Government to exploit the rural land as the Company believes that they are already entitled to conduct such activities.

Consequences of being in default are not specifically provided under the applicable law (except with respect to a certain transition period which has already expired). Therefore, legal scholars contemplate three possible positions regarding ownership of rural real estate or agricultural exploitation by a person who would not be entitled according to the law, and had not been granted a prior authorization by the Executive Branch of the Uruguayan Government: (i) the

prior authorization is a constituting requirement of validity of legal transactions, and therefore if not obtained would cause the legal transactions to be void or voidable; (ii) the prohibition is directed to specific and concrete subjects of law, instead of legal transactions, and therefore, the acts performed by those persons would be considered non-existent; and (iii) the continued performance of an unlawful or prohibited activity or unlawful acts of such gravity that distorts the corporate purpose, by the company ruled under Uruguayan Corporate law number 16,060, then it would be considered dissolute.

The legal framework of this regime is relevant regarding Tersum S.A.'s interest to acquire the rural land on which hemp exploitation takes place, through a "Promesa de Compraventa". Regarding the real right that the Promesa de Compraventa would grant to Tersum S.A., once registered, the company would not apply for an authorization, considering the opinion that the law limits the right of ownership over rural land, but not the rights derived from a Promesa de Compraventa. The registration of the Promesa de Compraventa by the Registry of Real Property would not have the effect of making the legal transaction valid and binding, if considered to be void, voidable or inexistent according to the above-mentioned interpretations.

The abovementioned general rule has the following exceptions, which are expressly regulated by Decrees Nos. 225/07 and 201/08:

- (a) the public company exception, which is based on specific features of the legal entities, including domestic or foreign corporations whose shares are traded on well-known local or foreign stock exchange markets, domestic or foreign pension funds (the "**Public Company Exception**"); and
- (b) exceptions granted to legal entities (including corporations, branches of foreign companies, trusts and investment funds) with bearer or registered shares not covered by (a) above, including legal entities that develop activities which constitute part of a project considered as a priority for the productive development of Uruguay (the "**Productive Project Exception**", and with the Public Company Exception, each an "**Exception**").

Generally, the process for obtaining governmental authorization for an Exception takes approximately one year but may vary on a case-by-case basis. Once an Exception is authorized, new authorizations relating to the buying, leasing, acquiring or exploiting of additional land become subject to the fast-track process whereby transfers will be automatically authorized in the absence of any formal objection within 30 days of application. As a result, obtaining new authorizations is expected to take approximately 45 days. There is no certainty that an Exception will be granted if ICC BVI or Tersum S.A. make an application to obtain an Exception.

On September 24, 2014, a restriction to foreign ownership of land which only applies to foreign states and foreign sovereign funds was established by Uruguayan Law No. 19,283. As a result of the passing of this law, ownership and use of rural land by foreign states and foreign sovereign funds is restricted with the aim of preserving and protecting the Uruguayan State's sovereignty over its natural resources and, in particular, over its land. In order to achieve this, Uruguayan Law No. 19,283 provides that rural land and agricultural operations may not be owned or held by corporations controlled by foreign states or by foreign sovereign funds. Further, corporations with bearer shares having these characteristics (non-controlling foreign state participation) can own rural land in Uruguay if they previously obtain a productive project exemption, which among others provide evidence that they are carrying out a productive project, using innovative technologies and creating local employment.

Based on the guidelines provided by the Uruguayan Corporations Law, the determination of a controlling stake will take into account if ICC BVI is under the dominant influence of the stakeholder. This means that the application of Uruguayan Law No. 19,283 may not only be made on the basis of stock ownership but may also consider special ties between the shareholder and ICC BVI.

Emerging Market Risks

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

All of ICC's operations are in Uruguay. Uruguay has a history of economic instability or crises (such as inflation or recession). Despite there is no current political instability, and historically there has been no change in laws and regulations, this can be different in the future and could adversely affect ICC's business, financial condition and results of operations.

In particular, fluctuations in the Uruguayan economy and actions adopted by the Government of Uruguay have had and may continue to have a significant impact on companies operating in Uruguay, including ICC. Specifically, ICC may be affected by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and in general, by the political, social and economic scenarios in Uruguay and in other countries that may affect Uruguay.

At the end of 2001 and into 2002, a banking crisis erupted in Uruguay as a result of the financial crisis in neighboring Argentina and the capital controls and deposit freezes imposed in response by the Argentine government. As a result of high levels of exposure to Argentina, banks in Uruguay began facing liquidity problems, causing large waves of deposit withdrawals from the Uruguayan banking sector, severely impacting solvency of banks, lending, liquidity and economic growth. Future banking crises, including those triggered by neighboring countries, could occur in Uruguay, which could materially and adversely affect ICC's business, financial condition and the results of its operations.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Uruguay. Such events could materially and adversely affect ICC's business, financial condition and results of operations.

Global Economy

Financial and securities markets in Uruguay are influenced by the economic and market conditions in other countries, including other South American and emerging market countries and other global markets. Although economic conditions in these countries may differ significantly from economic conditions in Uruguay, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may substantially affect the capital flows into, and the market value of securities of issuers with operations in Uruguay.

An economic downturn or volatility could have a material adverse effect on ICC's business, financial condition and results of operations. The economy of the Uruguay, where ICC's operations are located, has experienced significant economic uncertainty and volatility during recent years. A weakening of economic conditions could lead to reductions in demand for ICC's products. For example, its revenues can be adversely affected by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income customers are able to spend on ICC's products. In addition, as a result of

volatile or uncertain economic conditions, ICC may experience the negative effects of increased financial pressures on its clients. For instance, ICC's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure, which could result in ICC incurring increased bad debt expense. If ICC is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

A crisis in other emerging market countries could dampen investor enthusiasm for securities of issuers with South American operations, including the Common Shares. For example, in 2002, Uruguay experienced its steepest economic and financial crisis in recent history, resulting mostly from external factors. Devaluation in neighboring Brazil in 1999 made Uruguayan goods less competitive. Starting in late 2001, an economic crisis in Argentina also undermined Uruguay's economy. In mid-2002, Argentine withdrawals from Uruguayan banks started a bank run which was overcome only by massive borrowing from international financial institutions, leading in turn to serious debt sustainability problems. Financial conditions in Argentina, Brazil or other emerging market countries could negatively impact Uruguay's economy in the future. If such fluctuations were to occur, ICC's business, financial condition and results of operations could be materially and adversely affected.

Inflation in Uruguay

In the past, high levels of inflation have adversely affected Uruguay's economy and financial markets, and the ability of its government to create conditions that stimulate or maintain economic growth. Moreover, governmental measures to curb inflation and speculation about possible future governmental measures have contributed to the negative economic impact of inflation and have created general economic uncertainty. According to the World Bank, inflation in Uruguay reached a high of 112.5% in 1990 and has remained relatively high at 8.1% in 2016, 9.4% in 2015 and 8.9% in 2014. A portion of ICC's operating costs are denominated in Uruguayan pesos. Inflation in Uruguay, without a corresponding peso devaluation could result in an increase in ICC's operating costs without a commensurate increase in ICC's revenues, which could adversely affect ICC's financial condition and its ability to pay its foreign denominated obligations.

Uruguay may continue to experience relatively high levels of inflation in the future, which may impact domestic demand for ICC's products. Inflationary pressures may also weaken investor confidence in Uruguay, curtail ICC's ability to access foreign financial markets and lead to further government intervention in the economy, including interest rate increases, restrictions on tariff adjustments to offset inflation, intervention in foreign exchange markets and actions to adjust or fix currency values, which may trigger or exacerbate increases in inflation, and consequently have an adverse impact on ICC. In an inflationary environment, the value of uncollected accounts receivable, as well as of unpaid accounts payable, declines rapidly. If Uruguay experiences high levels of inflation in the future and price controls are imposed, ICC may not be able to adjust the rates ICC charges its customers to fully offset the impact of inflation on ICC's cost structures, which could adversely affect its business, financial condition and results of operations.

Depreciations of the peso relative to the U.S. dollar or the Euro may also create additional inflationary pressures in Uruguay that may negatively affect ICC. Depreciations generally curtail access to foreign financial markets and may prompt government intervention, including recessionary governmental policies. Depreciations also reduce the U.S. dollar or Euro value of dividends and other distributions on the Common Shares and the U.S. dollar or Euro equivalent of the market price of the Common Shares. Any of the foregoing could materially and adversely

affect the ICC's business, operating results, and cash flows, as well as the market price of the Common Shares.

Conversely, in the short-term, a significant increase in the value of the peso against the U.S. dollar would adversely affect the Uruguayan government's income from exports. This could have a negative effect on gross domestic product, or GDP, growth and employment and could also reduce the public sector's revenues in the country by reducing tax collection in real terms, as a portion of public sector revenues are derived from the collection of export taxes.

Insurance Coverage

ICC's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labor disputes, changes in the legal and regulatory framework applicable to ICC and environmental contingencies.

ICC has received confirmation from the *Banco de Seguros del Estado* (the state-owned insurance company) that they will provide insurance coverage over ICC's production and facilities. ICC is insured against a variety of risks, including losses and damages relating to its plants, equipment and buildings. ICC's insurance currently covers only part of the losses it may incur and does not cover losses on crops due to drought or floods. Furthermore, certain types of risks may not be covered by the policies that ICC holds. Additionally, any claims to be paid by an insurer due to the occurrence of a casualty covered by ICC's policies may not be sufficient to compensate ICC for all of the damages suffered. ICC may not be able to maintain or obtain insurance of the type and amount desired at a reasonable cost. If ICC were to incur significant liability for which it was not fully insured, it could have a materially adverse effect on ICC's business, financial condition and results of operations.

Ability to Establish and Maintain Bank Accounts

There is a risk that banking institutions in countries where ICC operates will not accept payments related to the cannabis industry. Such risks could increase costs for ICC. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that ICC may be required to seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in crypto currency ICC would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. ICC's inability to manage such risks may adversely affect ICC's operations and financial performance.

Operations in Spanish

As a result of ICC conducting its operations in Uruguay, the books and records of ICC, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Spanish language and English translations may not exist or be readily available.

Financial and Accounting Risks

Access to Capital

In executing its business plan, ICC makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, ICC has financed these expenditures through offerings of its equity securities and debt financing. ICC will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. ICC may incur major unanticipated liabilities or expenses. ICC can provide no assurance that it will be able to obtain financing to meet the growth needs of ICC.

Foreign Sales

ICC's functional currency is denominated in U.S. dollars. ICC currently expects that sales will be denominated in Uruguayan pesos and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, ICC incurs the majority of its operating expenses in U.S. dollars. In the future, the proportion of ICC's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. ICC has not previously engaged in foreign currency hedging. If the Company decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide the Company from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. ICC bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the notes accompanying its financial statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. ICC's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause ICC's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

Tax Risks

The Company will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Company's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The Company may have exposure to greater than anticipated tax liabilities or expenses. The Company will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities and the determination of the Company's provision for income taxes and other tax liabilities will require significant judgment.

The Company will be subject to different taxes imposed by the Uruguay government any changes within such tax legal and regulatory framework may have an adverse effect on the Company's financial results. All current tax legislation is a matter of public record and the Company will be unable to predict which additional legislation or amendments may be enacted. There are two bills being analyzed by the Uruguayan legislative branch that if enacted could have a material adverse impact on the Company and cause increases in expenditures and costs, affect the Company's liability to expand or transfer existing operations or share tenancies.

Risks Related to the Common Shares

Market for the Common Shares

There can be no assurance that an active trading market for the Common Shares will be sustained. ICC cannot predict the prices at which the Common Shares will trade. Fluctuations in the market price of the Common Shares could cause an investor to lose all or part of its investment in Common Shares. Factors that could cause fluctuations in the trading price of the Common Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by the Company or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of agriculture companies; (iv) fluctuations in the trading volume of the Common Shares or the size of the Company's public float; (v) actual or anticipated changes or fluctuations in the Company's results of operations; (vi) whether ICC's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Company, its industry, or both; (ix) regulatory developments in the Canada, Uruguay and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Common Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on ICC from any of the other risks cited herein.

No History of Payment of Cash Dividends

ICC has never declared or paid cash dividends on the Common Shares. ICC intends to retain future earnings to finance the operation, development and expansion of the business. ICC does not anticipate paying cash dividends on the Common Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of its board of directors and will depend on the Company's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the board considers relevant.

Reporting Issuer Status

As a reporting issuer, the Company is subject to reporting requirements under applicable securities law and TSXV policies. Compliance with these requirements result in legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources. Among other things, the Company is required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight is required. As a result, management's attention may be diverted from other business concerns, which could harm the Company's business and results of operations. The Company may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses. Management of ICC believes that being a reporting issuer makes it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for the Company to retain qualified directors and executive officers.

Significant Sales of Common Shares

Although Common Shares held by existing shareholders of Common Shares are freely tradable under applicable securities legislation, certain Common Shares held by ICC's directors, executive officers, Control Persons and certain other securityholders of ICC are subject to escrow and seed share resale restrictions pursuant to the policies of the TSXV. Sales of a substantial number of the Common Shares in the public market after the expiry of such restrictions or the perception that these sales could occur, could adversely affect the market price of the Common Shares and may make it more difficult for investors to sell Common Shares at a favorable time and price.

Analyst Coverage

The trading market for the Common Shares will, to some extent, depend on the research and reports that securities or industry analysts publish about the Company or its business. The Company will not have any control over these analysts. If one or more of the analysts who covers the Company should downgrade the Common Shares or change their opinion of the Company's business prospects, the Company's share price would likely decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which could cause the Company's share price or trading volume to decline.

Tax Issues

There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

DIVIDEND RECORD AND POLICY

The Company has never declared nor paid dividends on the Common Shares. Currently, the Company intends to retain its future earnings, if any, to fund the development and growth of its business, and the Company does not anticipate declaring or paying any dividends on the Common Shares in the near future, although it reserves the right to pay dividends if and when it is determined to be advisable by the Company's board of directors. As a result, shareholders will have to rely on capital appreciation, if any, to earn a return on investment in the Common Shares in the foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The Company is authorized to issue an unlimited number of Common Shares of which 112,565,010 Common Shares are issued and outstanding as of the date of this AIF. The holders of Common Shares are entitled to dividends as and when declared by the board of directors of the Company, to receive notice of and one vote per Common Share at meetings of the shareholders of the Company and, upon liquidation, to share equally in such assets of the Company as are distributable to the holders of Common Shares. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the Common Shares.

MARKET FOR SECURITIES

Common Shares

On September 4, 2014, the Common Shares were listed on the TSXV under the symbol "SHO.P". On September 8, 2015, trading in the Common Shares was halted for failure to complete a qualifying transaction within 24 months of listing. On March 17, 2016, the Common Shares were listed on the NEX under the symbol "SHO.H". On May 26, 2016, trading in the Common Shares resumed. On August 9, 2016, trading in the Common Shares was halted in connection with the Qualifying Transaction. On November 29, 2016, subsequent to completion of the Qualifying Transaction, the Common Shares began trading on the TSXV under the symbol "ICC".

The following table sets out trading information for the Common Shares on the TSXV for the periods indicated:

Calendar Period	High	Low	Trading Volume
2016			
January – May 25	N/A	N/A	N/A
May 26 – May 31	0.05	0.05	13,000
June	0.20	0.06	575,500
July	0.25	0.20	253,500
August 1 – November 28	N/A	N/A	N/A
November 29 – November 30	\$1.29	\$0.91	10,522,859
December	\$1.76	\$0.69	37,046,313

Prior Sales

During the year ended December 31, 2016, the following securities of the Company, which are not listed or quoted on a marketplace, were issued:

Date of Issuance	Type of Security	Number of Securities	Exercise Price	Expiry Date
November 23, 2016	Options	6,988,000	\$0.50	November 23, 2026
November 23, 2016	ICC Broker Warrants ⁽¹⁾	1,820,000	\$0.50	November 29, 2018

Note:

(1) Issued to Agents in connection with the Private Placement upon completion of the Qualifying Transaction.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

As of the date of this AIF, 73,260,009 (65.1%) Common Shares are held in escrow or are subject to restriction on transfer. Of such Common Shares: (i) 12,210,001 will be released from escrow or restriction on transfer on each of May 28, 2017, November 28, 2017 and May 28, 2018; and (ii) 12,210,002 of such Common Shares will be released from escrow or restriction on transfer on each of November 28, 2018, May 28, 2019 and May 28, 2019.

DIRECTORS AND EXECUTIVE OFFICERS

The table presented below provides the names of the Company's current directors and executive officers, the offices held by them and the date of their first appointment, as of the date hereof:

Name, Place of Residence and Position with the Company	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Common Shares Beneficially Owned, Controlled or Directed
Guillermo Delmonte Montevideo, Uruguay Chief Executive Officer, Director ⁽¹⁾ ⁽²⁾	Chief Executive Officer, ICC (Nov/16 to present) Relationship manager, BBVA Bank (Apr/12 to Feb/15) Financial Analyst, Techni Group (07/10 to 04/12)	November 23, 2016	N/A
Oscar Alejandro Leon Betancourt Montevideo, Uruguay Chief Financial Officer	Chief Financial Officer, Union Agriculture Group S.A. (Jan/09 to current)	N/A	N/A
Ravi Sood Toronto, Ontario Director ⁽¹⁾ ⁽²⁾ ⁽³⁾	Venture Capitalist and Corporate Director	May 24, 2016	300,000 Common Shares (0.3%)

Name, Place of Residence and Position with the Company	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Common Shares Beneficially Owned, Controlled or Directed
Michael Galego Toronto, Ontario Director ^{(1) (2) (3)}	CEO of Stronach Group, Agricultural Division (02/17 to present), Deputy General Counsel, Pacific Exploration & Production Corp. (June/12 to Dec/16), General Counsel and Director, CGX Energy Inc. (Apr/13 to Dec/16), Director, Woulfe Mining Corp. (Apr/15 to Aug/15)	May 24, 2016 - August 3, 2016; November 23, 2016 - current	300,000 Common Shares ⁽⁴⁾ (0.3%)
Michael Young Palm Beach, Florida Director ⁽³⁾	Partner, Cottingham Capital (Mar/17 to present) Co-Head Trading, GMP Securities (Apr/03 to Mar/17)	March 9, 2017	75,000 (0.0%)

Notes:

- (1) Member of Compensation Committee.
- (2) Member of Corporate Governance and Nominating Committee.
- (3) Member of Audit Committee.
- (4) Common Shares held by a company owned by Mr. Galego.

Shareholdings

As of the date hereof, the Company's directors and executive officers as a group beneficially owned, or controlled or directed, directly or indirectly 675,000 Common Shares, representing approximately 0.6% of the issued and outstanding Common Shares.



CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

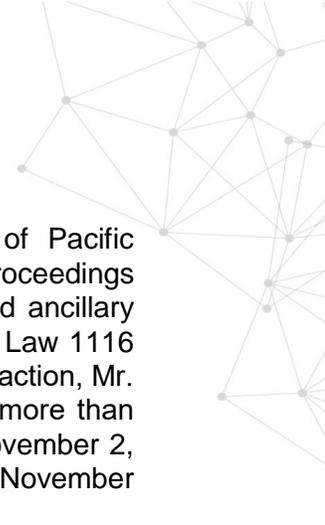
Other than as set out below, no director or executive officer of the Company is, as at the date of this AIF, or has been within the last ten years, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

Ravi Sood was a director of TriNorth Capital Inc. (now Difference Capital Financial Inc.), a reporting issuer that became subject to a cease trade order issued by the Ontario Securities Commission on May 19, 2010 as a result of the failure to file audited annual financial statements for the financial year ended December 31, 2009, the related management’s discussion and analysis and the certification of the foregoing filings when due as required by National Instrument 52-109 - *Certification of Disclosure in Issuers’ Annual and Interim Filings*. The order was revoked on July 6, 2010.

Other than as set out below, no director or executive officer of the Company or any shareholder holding a sufficient number of Common Shares to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the last ten years, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding the Company.



Michael Galego previously served as Deputy General Counsel and Secretary of Pacific Exploration and Production Corp. (“**Pacific**”). On April 27, 2016, Pacific commenced proceedings and obtained court protection under the *Companies’ Creditors Arrangement Act* and ancillary proceedings under Chapter 15 of the United States Bankruptcy Code and Colombia Law 1116 (the “**Pacific Restructuring Transaction**”). As part of the Pacific Restructuring Transaction, Mr. Galego was identified as a key executive and guided the restructuring of Pacific’s more than U.S.\$5.4 billion of indebtedness. The Pacific Restructuring Transaction closed on November 2, 2016 and its common shares were listed for trading on the Toronto Stock Exchange on November 3, 2016 under the ticker symbol “PEN”.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors and executive officers.

CONFLICTS OF INTEREST

To the best of the Company’s knowledge, other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Company and any directors or officers of the Company, except that certain of the directors and officers serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors and officers conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the *Business Corporations Act* (British Columbia) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the directors and officers of the Company, there are no legal proceedings material to the Company to which the Company or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2016, nor are any such proceedings known to be contemplated.

To the knowledge of the directors and officers of the Company, no penalties or sanctions have been imposed against the Company or its subsidiaries by a court or by a regulatory authority during the financial year ended December 31, 2016, no penalties or sanctions have been imposed against the Company by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of the Company, and no settlement agreements have been entered into by the Company before a court relating to securities legislation or with a securities regulatory authority during the Company’s financial year.



INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Company, or persons or companies that beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding Common Shares, or any associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any transactions in which the Company has participated since January 1, 2014, which has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is TSX Trust Company at its principal offices in the city of Toronto, Ontario, Canada.

MATERIAL CONTRACTS

The Company has no material contracts that were entered into either (i) during the year ended December 31, 2016; or (ii) prior to January 1, 2015 that are still in effect, other than contracts entered into in the ordinary course of business.

INTERESTS OF EXPERTS

The Company's financial statements for the year ended December 31, 2016 have been audited by MNP LLP, Chartered Professional Accountants. The Company has been advised that MNP LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

AUDIT COMMITTEE

Audit Committee's Charter

The charter (the “**Charter**”) of the Company's Audit Committee is reproduced as Exhibit “A”.

Composition of Audit Committee

As at the date of this AIF, the Audit Committee is composed of Ravi Sood, Michael Galego and Michael Young, each of whom is a director of the Company.

Except for Mr. Sood, who was an executive officer of Shogun from May 24, 2016 to August 31, 2016, all of the members of the Audit Committee are “independent” as such term is defined in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). The Company is of the opinion that all three members of the Audit Committee are “financially literate” as such term is defined in NI 52-110.

Relevant Education and Experience

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

Ravi Sood – Mr. Sood is a financier and venture capitalist based in Toronto, Ontario, Canada. Mr. Sood has been a founder of and the principal investor in several businesses in emerging markets and currently serves as an Executive Director of Feronia Inc., and a director and Chairman of Galane Gold Ltd. and Transeastern Power Trust. He was the founder and Chief Executive Officer of Navina Asset Management Inc., a global asset management firm headquartered in Toronto, Canada. Mr. Sood led the investment activities of Navina and its predecessor company, Lawrence Asset Management Inc., from its founding in 2001 until he sold the firm in 2010. Mr. Sood was educated at the University of Waterloo (B.Mathematics) where he was a Descartes Fellow and the recipient of numerous national awards.

Michael Galego – Mr. Galego is a lawyer with more than ten years of M&A and corporate finance experience. Mr. Galego serves as Chief Executive Officer of the Stronach Group's Agricultural Division and has previously served as Deputy General Counsel and Secretary of Pacific Exploration & Production Corp. (TSX: PEN) and director, General Counsel and Secretary of CGX Energy Inc. (TSXV: OYL).

In 2015, Mr. Galego was a member of the Board of Directors of Woulfe Mining Corp. (CSE: WOF) and instrumental in its sale to Almonty Industries Inc. (TSXV: AII) by way of plan of arrangement. Mr. Galego is a member of the TSXV's Ontario Advisory Committee providing advice and recommendations to the TSXV on policy, operational and strategic issues likely to have a significant impact on the public venture capital market.

Mr. Galego previously acted as legal counsel to several public and private companies operating in the Latin American resource sector, including Gran Colombia Gold Corp., Pacific Infrastructure Inc. and PetroMagdalena Energy Corp. Mr. Galego began his legal career as an associate in the business law department of Osler, Hoskin & Harcourt LLP. Mr. Galego is a graduate of York University (Hons. B.A.) and the University of Windsor (LL.B).



Michael Young – Mr. Young has extensive senior level executive management and trading experience in the Canadian and U.S. capital markets. Most recently he held the position of Managing Director and Co-Head of Trading for GMP Securities in Toronto. GMP Securities is a leading independent investment dealer headquartered in Toronto, providing investment banking, institutional sales and trading and research to a global client base. Previously he established and ran the Equity Capital Markets desk for GMP Capital in New York City. Mike began his career as an Equities Trader at GMP in 2003. He was quickly promoted to Director and soon after became one of the youngest Managing Directors at the company in the firm's history.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of the Company's external auditors not been adopted by the board of directors.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on exemptions in relation to "*De Minimis Non-audit Services*" or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor.

External Auditor Service Fees (By Category)

Audit Fees – The Company's external auditors billed \$66,888 and \$5,250 for the audit of the financial years ended December 31, 2016 and 2015, respectively.

Audit-Related Fees – The Company's external auditors billed nil for the review of financial statements during the financial years ended December 31, 2016 and 2015.

Tax Fees – The Company's external auditors billed the Company nil and \$525 during the financial years ended December 31, 2016 and 2015, respectively, for services related to tax compliance, tax advice and tax planning.

All Other Fees – The Company's external auditors billed the Company \$2,520 during the financial year ended December 31, 2016 for services including review of a filing statement and the Company's disclosure controls and procedures and internal controls over financial reporting.

Venture Issuer Exemption

The Company is relying upon the exemption in section 6.1 of NI 52-110.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information relating to the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's management information circular for the most recent annual meeting of shareholders.

Additional financial information is provided in the Company's consolidated financial statements and MD&A for the most recently completed year ended December 31, 2016.

EXHIBIT "A"

AUDIT COMMITTEE CHARTER

(Implemented pursuant to National Instrument 52-110 – *Audit Committees*)

National Instrument 52-110 – *Audit Committees* (the "**Instrument**") relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every TSX Venture Exchange ("**TSXV**") listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors. The Corporation, as a TSXV listed company is, however, exempt from certain requirements of the Instrument.

This Charter has been adopted by the board of directors of the Corporation (the "**Board**") in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the Board or the Committee to alter or vary procedures in order to comply more fully with the Instrument or any other such requirement of the TSXV, as applicable from time to time.

PART 1

Purpose:

The purpose of the Committee is to:

- (a) improve the quality of the Corporation's financial reporting;
- (b) assist the Board to properly and fully discharge its responsibilities;
- (c) provide an avenue of enhanced communication between the directors and external auditors;
- (d) enhance the external auditor's independence;
- (e) ensure the credibility and objectivity of financial reports; and

- (f) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

1.1 Definitions

“**accounting principles**” has the meaning ascribed to it in National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

“**Affiliate**” means a Corporation that is a subsidiary of another Corporation or companies that are controlled by the same entity;

“**audit services**” means the professional services rendered by the Corporation's external auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements

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“**Charter**” means this audit committee charter;

“**Committee**” means the Audit Committee established by and among certain members of the Board for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

“**Control Person**” means any individual or company that holds or is one of a combination of individuals or companies that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation;

“**financially literate**” has the meaning set forth in Section 1.2;

“**immediate family member**” means a person's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person's immediate family member) who shares the individual's home;

“**Instrument**” means National Instrument 52-110 – *Audit*

Committees; “**MD&A**” has the meaning ascribed to it in National

Instrument 51-102; “**Member**” means a member of the

Committee;

“**National Instrument 51-102**” means National Instrument 51-102 - *Continuous Disclosure Obligations*; and

“**non-audit services**” means services other than audit services.

1.2 Meaning of Financially Literate

For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

PART 2

2.1 Audit Committee

The Board has hereby established the Committee for, among other purposes, compliance with the Instrument.

2.2 Relationship with External Auditors and Other Parties

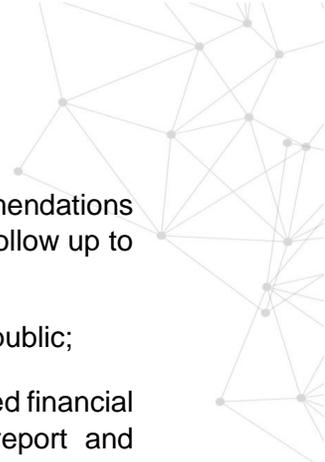
The Corporation will require its external auditor to report directly to the Committee and its Members shall ensure that such is the case.

Each Member shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives information, and the accuracy of the information provided to the Corporation by such other persons or organizations.

2.3 Committee Responsibilities

1. The Committee shall be responsible for making the following recommendations to the Board of directors:
 - (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
 - (b) the compensation of the external auditor.
2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:
 - (a) reviewing the audit plan with management and the external auditor;
 - (b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;
 - (c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
 - (d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - (e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;

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- (f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;
 - (g) reviewing interim unaudited financial statements before release to the public;
 - (h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report and management's discussion and analysis;
 - (i) reviewing the evaluation of internal controls by the external auditor, together with management's response;
 - (j) reviewing the terms of reference of the internal auditor, if any;
 - (k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and
 - (l) reviewing the appointments of the chief financial officer and any key financial executives involved in the financial reporting process, as applicable.
3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.
 4. The Committee shall review the Corporation's financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.

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5. The Committee shall review and discuss the quality of the Corporation's accounting principles, internal controls, and financial statements.
6. The Committee shall review and assess the adequacy of risk management policies, procedures, and processes and review updates on risks.
7. The Committee shall ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and shall periodically assess the adequacy of those procedures.
8. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102, and the planned steps for an orderly transition.
9. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is to be a change of auditor.

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10. The Committee shall, as applicable, establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
 11. As applicable, the Committee shall establish, periodically review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, as applicable.
 12. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.
 13. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations, each of which is the responsibility of management and the Corporation's external auditors.

2.4 De Minimus Non-Audit Services

The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

- (a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent (5%) of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the financial year in which the services are provided;
- (b) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

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- (c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 Delegation of Pre-Approval Function

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).
2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 2.5(1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 Composition

1. The Committee shall be composed of a minimum of three Members.
2. Every Member shall be a director of the issuer.
3. None of the Members shall be employees, Control Persons or officers of the Corporation.
4. Every Member shall be financially literate.
5. At least one Member shall have the following skills: (1) Canadian financial reporting skills; and
(2) experience with audit engagements for public companies.
6. The Board shall appoint or re-appoint the Members after each annual meeting of shareholders of the Corporation.
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PART 4

4.1 Authority

Until the replacement of this Charter, the Committee shall have the authority to:

- (a) engage independent legal counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee;
- (c) communicate directly with the internal and external auditors; and
- (d) recommend the amendment or approval of audited and interim financial statements to the Board.

PART 5

5.1 Disclosure in Information Circular

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If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the Board, the Corporation shall include in its management information circular the disclosure required by Form 52-110F2 (Disclosure by Venture Issuers).

PART 6

6.1 Meetings

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.
2. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.
3. Minutes shall be kept of all meetings of the Committee.
4. The quorum for meetings shall be a majority of the Members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and to hear each other. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present.

6.2 Currency of this Charter

This Charter was last approved by the Board on November 23, 2016.



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