IANTHUS CAPITAL HOLDINGS, INC.

(formerly Genarca Holdings Ltd.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2016 and 2015

(Expressed in U.S. Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of iAnthus Capital Holdings, Inc. (the "Company") for the nine months ended September 30, 2016 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indication that an auditor has not reviewed the condensed interim consolidated financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim financial statements by an entity's auditor.

iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in U.S. Dollars)
(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS	**$**	**$**
Current Assets:		
Cash	1,356,816	211,717
Prepaid expenses	86,649	29,206
Due from related parties (Note 6)	-	206,313
Other receivables	16,691	4,072
Reimbursements receivable from related party (Note 6)	38,160	23,615
Promissory note receivable (Note 6)	2,483,529	39,507
	3,981,845	**514,430**
Non-Current Assets:		
Management fee receivable (Note 6)	73,098	24,345
Promissory note receivable (Note 6)	1,899,983	220,493
Investment at fair value (Note 5)	99,969	99,969
	2,073,050	**344,807**
TOTAL ASSETS	**6,054,895**	**859,237**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	579,650	311,594
Accrued interest payable (Note 6)	10,850	-
Due to related party (Note 6)	236,652	132,930
	827,152	**444,524**
Non-Current Liabilities:		
Convertible promissory note (Note 6)	1,097,143	-
	1,097,143	**-**
Total Current and Non-Current Liabilities	**1,924,295**	**444,524**
Shareholders' Equity:		
Share capital (Note 2 and Note 3)	7,997,621	414,713
Reserves (Note 3)	1,085,540	-
Accumulated other comprehensive loss	(8,990)	-
Accumulated deficit	(4,943,571)	-
Total Shareholders' Equity	**4,130,600**	**414,713**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,054,895**	**859,237**

These condensed interim consolidated financial statements were approved and are authorized for issue by the Board of Directors on November 29, 2016. They are signed on the Company's behalf by:

"Julius Kalcevich" Director *"Hadley Ford"* Director

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

iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.)
Condensed Interim Consolidated Statements of Comprehensive (Loss) Gain
(Expressed in U.S. Dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Operations:				
Management fee income	19,795	12,246	48,754	12,246
Reimbursed expenses	5,834	18,357	25,247	18,357
Interest income	157,315	6,217	235,840	10,036
Total operating income	182,944	36,820	309,841	40,639
Operating expenses:				
Accounting	171,452	4,167	253,235	37,493
Consulting fees	325,134	19,300	873,170	54,768
Insurance	28,346	301	72,394	1,392
Interest expense	26,404	-	53,048	-
Legal and professional fees	274,727	56,594	554,081	174,134
Listing expense (Note 2)	626,105	-	626,105	-
Marketing and promotion	40,073	6,667	76,925	17,500
Share-based compensation	324,938	-	696,124	-
Transfer agent and regulatory fees	19,531	-	19,531	-
Travel, Meals and entertainment	35,308	16,728	91,488	53,180
Office and administrative expenses	77,584	21,685	159,971	64,985
Wages and salaries	38,798	111,916	38,798	245,563
Total operating expenses	(1,988,400)	(237,358)	(3,514,870)	(649,015)
Other items:				
Loss on settlement of debt	(4,294)	-	(4,294)	-
Total other items	(4,294)	-	(4,294)	-
Net income (loss)	**(1,809,750)**	**(200,538)**	**(3,209,323)**	**(608,376)**
Other comprehensive income (loss):				
Unrealized holding gain on available for sale securities	1,080,354	-	1,080,354	-
Total other comprehensive income (loss)	1,080,354	-	1,080,354	-
Comprehensive income (loss)	**(729,396)**	**(200,538)**	**(2,128,969)**	**(608,376)**
Loss per unit – basic and diluted	**(0.21)**	**(0.02)**	**(0.96)**	**(0.05)**
Weighted average number of common shares outstanding - basic and diluted	**8,770,248**	**12,085,249**	**3,343,295**	**11,847,437**

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

iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.)
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in U.S. Dollars)
(Unaudited)

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Shareholders' Equity
		$	$	$	$	$
Balance – December 31, 2014	**10,000,000**	**(77,530)**	**-**	**-**	**(391,238)**	**(468,768)**
Shares issued for private placement	2,204,515	2,204,515	-	-	-	2,204,515
Share issue costs	-	(297,791)	-	-	-	(297,791)
Loss for the period	-	-	-	-	(608,376)	(608,376)
Balance – September 30, 2015	**12,204,515**	**1,829,194**	**-**	**-**	**(999,614)**	**(829,580)**
Balance – December 31, 2015	**12,244,515**	**1,957,393**	**164,306**	**-**	**(1,706,986)**	**414,713**
Issuance of shares for RTO transaction (Note 2)	4,093,550	5,265,987	-	-	-	5,265,987
Consolidation of Genarca Holdings Ltd. (Note 2)	600,001	750,001	-	-	(27,262)	722,739
Issuance of shares as settlement for interest payable (Note 3)	15,956	24,240	-	-	-	24,240
Issuance of warrants (Note 3)	-	-	225,110	-	-	225,110
Share-based compensation (Note 3)	-	-	696,124	-	-	696,124
Other comprehensive income for the period	-	-	-	(8,990)	-	(8,990)
Loss for the period	-	-	-	-	(3,209,323)	(3,209,323)
Balance –September 30, 2016	**16,954,022**	**7,997,621**	**1,085,540**	**(8,990)**	**(4,943,571)**	**4,130,600**

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

iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in U.S. Dollars)
(Unaudited)

	Three Months Ended September 30,	
	2016	**2015**
	$	**$**
Operating activities		
Net loss for the period	(3,209,323)	(608,375)
Adjustments for:		
Share-based compensation	696,124	-
Accretion of discount on convertible promissory notes	22,253	-
Loss on settlement of debt	4,295	-
Foreign exchange	(4,592)	-
Changes in non-cash working capital items:		
Prepaid expenses	(57,443)	(2,500)
Receivables	539,870	(32,867)
Accounts payable and accrued liabilities	262,987	(81,702)
Net cash used in operating activities	**(1,745,829)**	**(725,444)**
Investing activities		
Issuances of promissory notes receivable	(4,123,512)	(200,000)
Net cash used in investing activities	**(4,123,512)**	**(200,000)**
Financing activities		
Capital contribution	5,998,222	2,204,515
Equity financing costs	(88,779)	(297,791)
Net proceeds (repayments) to/from related parties	(310,020)	(270,428)
Borrowings	1,074,890	-
Warrants issued	225,110	-
Net cash generated (used) by financing activities	**6,899,423**	**1,636,296**
Effect of foreign exchange rate changes on cash	**8,124**	**-**
Net change in cash	1,038,206	710,852
Cash, beginning of the period	318,610	-
Cash, end of the period	**1,356,816**	**710,852**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.) ("ICH" or the "Company") was incorporated in British Columbia, Canada, on November 15, 2013. The Company delivers solutions for financing, developing and managing state-licensed cannabis cultivators and dispensaries throughout the United States. The Company's registered and records office is located at 1500-1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada.

On August 15, 2016, the Company completed its acquisition of all issued and outstanding equity interest of iAnthus Capital Management in exchange for the issuance of 16,338,065 common shares of the Company. The Company also changed its name to iAnthus Capital Holdings, Inc. to better reflect its new business. Please see Note 2 for further details.

The Company listed on the Canadian Securities Exchange (the "CSE") and began trading on September 7, 2016 under the ticker symbol "IAN".

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At September 30, 2016, the Company had incurred a net loss of $3,209,323 and had an accumulated deficit of $4,943,571. The Company's financial success is dependent on management's ability to raise adequate financing on reasonable terms and to commence profitable operations in the future. These factors indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these condensed interim consolidated financial statements. These condensed interim consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements for the nine months ended September 30, 2016 and 2015 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, on a basis consistent with the significant accounting policies disclosed in Note 3 of the most recent annual financial statements as at and for the year ended December 31, 2015. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Board of Directors on November 29, 2016.

Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting.

Significant Accounting Estimates and Judgments

The preparation of condensed interim consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The area involving a higher degree of judgment relates to going concern which is disclosed in Note 1.

Foreign Currency Translation

The functional currency of each of the Company's components has been determined to be the local currency of their home jurisdictions. Each component's functional currency is the currency of the primary economic environment in which the component operates. The Company's condensed interim consolidated financial statements are presented in U.S. dollars.

On consolidation, the assets and liabilities of foreign operations are translated into U.S. dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rates for the reporting period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income or loss. On disposal of a foreign operation, the component of other comprehensive income or loss relating to that particular foreign operation is recognized in profit or loss.

New Standards, Interpretations and Amendments

IAS 1 Presentation of Financial Statements
The Company has reviewed and considered the amendments made to IAS 1 effective on January 1, 2016. The Company has concluded that the adoption of such standard has resulted in no impact on the Company's financial statements. The Company will re-evaluate IAS 1 should a transaction occur.

The following are accounting standards anticipated to be effective January 1, 2016 or later:

IFRS 7 Financial instruments: Disclosure
Amended to require additional disclosures on transition from IAS 39 to IFRS 9. Effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact this standard is expected to have on its financial statements.

IFRS 9 Financial Instruments
IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently evaluating the impact this standard is expected to have on its financial statements.

IFRS *15 Revenue from Contracts with Customers*
The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts, and contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on January 1, 2018. The Company is currently evaluating the impact this standard is expected to have on its financial statements.

IFRS *16 Leases*
The new standard will replace IAS 17 Leases and eliminates the classification of leases as either operating or finance leases by the leasee. The treatment of leases by the leasee will require capitalization of all leases resulting accounting treatment similar to finance leases under IAS 17 Leases. Exemptions for leases of very low value or short-term leases will be applicable. The new standard will result in an increase in lease assets and liabilities for the leasee. Under the new standard the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest component recognized for each lease, in line with finance lease accounting under IAS 17 Leases. IFRS 16 will be applied prospectively for annual periods beginning on January 1, 2019. The Company is currently evaluating the impact this standard is expected to have on its financial statements.

2. SHARE EXCHANGE AGREEMENT

On June 30, 2016, the Company signed an amended and restated share exchange agreement (superseding the March 11, 2016 share exchange agreement) with iAnthus Capital Management, LLC ("ICM"), the Founding Members of ICM, iAnthus Transfer Corp. ("iAnthus Transfer"), the Shareholders of iAnthus Transfer, iAnthus Formation Corp. ("iAnthus

(Expressed in U.S. Dollars, unless stated otherwise)

Formation"), and the Shareholders of iAnthus Formation (the "Amended SEA"), in which the consideration for the purchase of 100% of the ICM Purchased Membership Interests and 100% of the Purchased Shares, ICH shall issue from treasury at the time of closing, an aggregate of (i) 11,255,000 ICH Class A Common Shares to the Sellers that are Applicable U.S. Stockholders, and (ii) 5,083,065 ICH Common Shares to the Sellers, (collectively, the "Payment Shares") as follows:

(a) 1,700,815 ICH Common Shares to iAnthus Investor Corp. ("iAnthus Investor"), which is currently owned by iAnthus Investor Shareholders, as defined in the preliminary prospectus, (or as it may otherwise direct);
(b) 1,718,500 ICH Common Shares pro rata to the iAnthus Transfer Shareholders;
(c) 1,598,750 ICH Common Shares pro rata to the iAnthus Formation Shareholders; and
(d) 65,000 ICH Common Shares to Michael Cochrane, an ICM Seller as listed on the SEA.

On August 15, 2016, the Company completed the business transaction and acquired all issued and outstanding equity interest of ICM in exchange for issuance of 11,255,000 Class A common shares and 5,083,065 common shares of the Company. As a result of the transaction, the former shareholders of ICM acquired control of the Company. Therefore, the transaction is considered as a reverse take-over.

In accordance with IFRS 3, the substance of the transaction was a reverse takeover ("RTO") of a non-operating company. The transaction does not constitute a business combination since ICH does not meet the definition of a business under IFRS 3. As a result, the transaction is accounted for as an asset acquisition with ICM being identified as the acquirer (legal subsidiary) and the Company being treated as the accounting subsidiary (legal parent) with the transaction being measured at the fair value of the equity consideration issued to the Company.

The assets acquired and liabilities assumed are at their fair values which are the same as their carrying amounts. The net assets of the Company at fair value on August 15, 2016, are as follows:

	$
iAnthus Capital Management's Identifiable Net Assets	
Cash	106,607
Accounts Receivable	2,594
Accounts Payable and Accrued Liabilities	(69,284)
Identifiable net assets	39,917
Transaction Costs	
Deemed share issue	750,001
	750,001
Listing expense, net of identifiable net assets	710,084

After deducting the Company's deficit of $83,979, the net charge of $626,105 was charged to the statement of comprehensive loss as a listing expense.

3. SHARE CAPITAL

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Authorized: Unlimited common shares, 100,000,000 Class A units and 2,500,000 Class B units without par value.

Prior to the RTO

(Expressed in U.S. Dollars, unless stated otherwise)

On January 22, 2015, ICM amended and restated the limited liability company agreement. The capitalization of ICM was amended to be represented by issued and outstanding units, which may be divided into one or more types, classes or series, with each type of class or series having rights and privileges, including voting rights, if any, as set forth in the agreement. The agreement provides for the issuance of up to 100,000,000 Class A units and 2,500,000 Class B units.

In May 2016, pursuant to an agreement between ICM and iAnthus Formation, ICM repurchased 201,250 founder units, originally granted to iAnthus Formation at no cost, for an agreed upon price of $15. During the nine months ended September 30, 2016, ICM raised additional capital through the issuance of 4,294,800 Class A units yielding proceeds amounting to $5,356,000 less offering costs of $88,779.

After the RTO

Upon completion of the RTO, the Company issued a total of 11,255,000 Class A common shares and 5,083,065 common shares (see Note 2 for more details).

On September 23, 2016, the Company settled $19,945.20 of interest from one of the convertible promissory notes (see Note 6) by issuing 15,956 common shares based on an effective price of US $1.25 per share. A loss on settlement of debt of $4,295 was recorded for the three and nine months ended September 30, 2016.

Stock Options

In November 2015, ICM established the iAnthus Capital Management, LLC 2015 Equity Compensation Plan (the "Plan"). The Plan authorized the issuance of 2,000,000 Class A units. Options granted generally vest over one and a half to two years, and typically have a life of ten years. The option price under the Plan is determined in the sole discretion of ICM's Compensation Committee, but in no case will it be less than 100% of the fair market value of a unit on the grant date. The purpose of the Plan is to allow selected employees and officers of and consultants to ICM and certain of its affiliates to acquire or increase equity ownership in ICM, thereby strengthening their commitment to the success of ICM and stimulating their efforts on behalf of ICM, as well as to promote the long-term retention of ICM's key employees and certain other persons who are in a position to make significant contributions to the success of ICM.

Upon closing of the RTO, the Company adopted a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of each option ("Option") shall not be less than the closing price of the common shares on the trading day immediately preceding the day on which the Option is granted, less any discount permitted by the CSE.

The continuity of stock options is as follows:

	September 30, 2016		**December 31, 2015**	
	Number	Weighted Average Exercise Price ($CAD)	Number	Weighted Average Exercise Price ($CAD)
Balance, beginning of the period	387,500	$ 0.30	-	$ -
Issued	1,313,000	1.24	387,500	0.30
Exercised	-	-	-	-
Cancelled/Forfeited/Expired	(141,250)	(0.30)	-	-
Balance, end of the period	**1,559,250**	**$ 1.24**	**387,500**	**$ 0.30**

The options outstanding and exercisable at September 30, 2016 are as follows:

(Expressed in U.S. Dollars, unless stated otherwise)

Outstanding Options				**Exercisable Options**		
Number Outstanding		Weighted Average Exercise Price ($CAD)	Weighted Average Remaining Contractual Life	Number Exercisable		Weighted Average Exercise Price ($CAD)
345,000		0.30	9.15	249,563		0.46
145,000		0.15	9.44	108,750		0.25
21,250		0.02	9.56	21,250		0.05
50,000		0.05	9.59	12,500		0.03
360,000		0.37	9.62	180,000		0.40
200,000		0.21	9.63	57,500		0.13
100,000		0.11	9.64	32,500		0.07
273,000		0.27	9.95	45,800		0.10
65,000		0.07	10.01	14,000		0.03
1,559,250	**$**	**1.54**	**9.56**	**721,863**	**$**	**1.52**

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following weighted average assumptions:

	2016	**2015**
Risk-free interest rate	0.74% - 0.96%	0.88%
Dividend yield	-	-
Expected volatility	97.01% - 154.54%	154.54%
Expected option life	9.15 years – 10 years	10 years
Forfeitures	-	-

Option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rates based upon historical data from comparable companies commensurate with the expected term. Changes in the underlying assumptions can materially affect the fair value estimates.

The Company obtained a third party valuation which concluded that as the RTO expected to close shortly after the valuation date and was an arms-length transaction, the price derived from that transaction could be relied upon in calculating the fair value of the Company's Class A units.

The related compensation expense for the three months and nine months ended September 30, 2016 were $312,136 and $696,124, respectively.

Warrants

The continuity of warrants is as follows:

	September 30, 2016			**December 31, 2015**		
	Number		Weighted Average Exercise Price ($CAD)	Number		Weighted Average Exercise Price ($CAD)
Balance, beginning of the period	-	$	-	-	$	-
Expired	-		-	-		-
Granted	325,758		2.18	-		-

(Expressed in U.S. Dollars, unless stated otherwise)

Exercised	-	-	-	-
Balance, end of the period	**325,758**	**$ 2.18**	**-**	**$ -**

During the period ended September 30, 2016, the Company issued 275,758 warrants pursuant to the convertible promissory notes (see Note 6 below) and an additional 50,000 warrants to ProActive Capital Resources Group (see Note 8 below).

Full share equivalent warrants outstanding and exercisable at of September 30, 2016:

Expiry Date	Price Per Share ($CAD)	Warrants Outstanding
February 10, 2019	2.26	106,061
February 24, 2019	2.26	169,697
February 8, 2021	1.74	50,000
		325,758

4. FINANCIAL INSTRUMENTS

Fair Value

Cash, receivables, due to/from related parties and accounts payable and accrued liabilities, approximate their fair values because of the short-term maturities of these financial instruments. The fair values of the promissory notes approximate their carrying values. Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 in a hierarchy that is based on the degree to which the fair value is observable. The levels in the hierarchy are as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment valuation: On April 20, 2015, ICM issued a convertible promissory note in the amount of $100,000 to 4Front Ventures, Inc. The principal amount and any unpaid accrued interest was payable upon the maturity date of February 27, 2018. The note bears interest at a rate of 5% payable annually on the first day of each calendar year with the balance due payable on the maturity date. ICM had the right, but not the obligation, to convert the entire unpaid principal into Series B preferred stock, but not the accrued interest (i) in the event of a type 1 funding event and/or a type 2 funding event, as defined or (ii) if this note has not been previously converted into Series B preferred stock or paid in full on February 27, 2018. On November 19, 2015, ICM was notified by 4Front Ventures, Inc. that a "type 1 funding event" was entered into. On December 22, 2015, ICM exercised its conversion option to convert the principal balance of the note into units of 4Front Ventures, Inc. Series B preferred stock. The $100,000 principal was converted to 627 units of Series B preferred stock for approximately $159 per unit. The investment in 4Front Ventures, Inc. is carried at fair value as determined by the management of 4Front Ventures, Inc. at the date of the conversion.

There were no changes in valuation techniques during the periods.

Financial Assets

Financial assets are classified based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Losses and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company's loans and receivables are comprised of cash.

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets. No impairment losses have been required for the three and nine months ended September 30, 2016.

The Company is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments.

This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

Management has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objectives of management are to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's borrowings are non-interest bearing. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with financial institutions in the United States of America. The Company considers this risk to be immaterial.

Equity price risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company holds no such assets and is thus not exposed to equity price risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments, which are potentially subject to credit risk for the Company, consist primarily of cash and promissory notes receivable. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

Liquidity and funding risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts and is available on demand. Funding risk is the risk that the Company may not be able to raise appropriate financing in a timely manner and on terms acceptable to management. There are no assurances that such financing will be available when, and if, the Company requires additional equity financing.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at September 30, 2016:

	Within one year	Between one and five years	More than five years
Accounts payables and accrued liabilities	$ 579,650	$ -	$ -
Due to related parties	$ 236,652	$ -	$ -
Accrued interest payable	$ 10,850	$ -	$ -

Currency risk
The Company has operations in Canada and the United States and is subject to foreign currency fluctuations. The Company’s operating expenses are incurred in Canadian and U.S. dollars, and the fluctuation of the Canadian dollar in relation to these other currencies will have an impact upon the profitability of the Company and may also affect the value of the Company’s assets and the amount of shareholders’ equity. The Company’s exposure to foreign currency risk arises primarily on fluctuations between the Canadian and U.S. dollars.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

(Expressed in U.S. Dollars, unless stated otherwise)

At September 30, 2016, and December 31, 2015, the Company's Canadian dollar-denominated monetary assets and monetary liabilities are as follows:

Canadian Monetary assets ($CAD)		September 30, 2016		December 31, 2015
Cash and cash equivalents	$	266,524	$	-
Accounts payable and accrued liabilities	$	184,612	$	-

The exposure to foreign exchange rate risk is as follows:

Canadian Monetary assets		CAD		10% Fluctuation Impact (CAD)		USD
Cash and cash equivalents	$	266,524	$	26,652	$	20,320
Accounts payable and accrued liabilities	$	184,612	$	18,461	$	14,075

5. INVESTMENT AT FAIR VALUE

As of September 30, 2016, the Company holds 627 units of Series B preferred stock of 4Front Ventures, Inc. which is classified as a Level 3 investment. These units were acquired via conversion of a promissory note receivable on December 22, 2015 (see Note 6). The reconciliation of Level 3 investment for the nine months ended September 30, 2016 is as follows:

	September 30, 2016
Balance at January 1, 2016	$ 99,969
Change in fair value	-
Balance at September 30, 2016	**$ 99,969**

6. RELATED PARTY TRANSACTIONS

Related Party Balances

The Company utilizes the services and office space of Last Dance Ventures, LLC ("LDV"), a related party owned by managers Hadley Ford and Randy Maslow. Such services are allocated based upon management's estimate. The rental costs are $26,651 and $79,466 for the three months and nine months ended September 30, 2016, respectively.

On June 23, 2015, ICM entered into an agreement to provide management services to FWR Inc. ("FWR"), a related party through a family relationship with one of the officers, Hadley Ford. The management fees which are based on 10% of the fiscal year gross revenue of FWR and an additional 1% of the fiscal year gross revenues for each $50,000 by which the aggregate amount drawn by FWR under the loan exceeds $500,000, commenced on July 1, 2015. Management fee income amounted to $19,795 and $48,754 for the three months and nine months ended September 30, 2016, respectively. As of September 30, 2016, the management fee receivable from FWR is $73,098 and is not expected to be collected within 12 months, and therefore is classified as non-current. The agreement also provides for the reimbursement by FWR of certain expenses incurred by the Company on behalf of FWR which amounted to $5,834 and $25,247 for the three months and nine months ended September 30, 2016, respectively. As of September 30, 2016, the reimbursement receivable from FWR is $38,160 and is expected to be repaid within 12 months, and therefore is classified as current.

On October 1, 2015, ICM entered into an administrative services agreement with LDV. LDV provides full time equivalent staff to perform certain accounting, business development, recordkeeping, tax filing and other operating functions. The agreement provides for a monthly fee. For the three months and nine months ended September 30, 2016, the Company incurred administrative management fees of $210,000 and $630,000, respectively. As of September 30, 2016, the amount due to LDV is $236,652 and is expected to be repaid within 12 months, and therefore classified as current.

Promissory Notes Receivable

On July 1, 2016, ICM entered into an agreement with Mayflower Medicinals, Inc. ("Mayflower"), a not-for-profit entity controlled by ICM management, for a secured promissory note for an amount not to exceed $1,300,000 for payment of Massachusetts license application fees and expenses. The total amount of the secured promissory note includes previously advanced amount of $929,579 including accrued interest as of July 1, 2016 at an interest rate of 2%. As of September 30, 2016, the total amount advanced under the promissory notes amounted to $1,490,572 including accrued interest. Starting July 1, 2016, the note bears interest at a rate of 16%, compounded daily and payable on a quarterly basis, starting one year after Mayflower commences sales of licensed products to patients (the "First Payment Date"). The maturity date is 7 years after the First Payment Date, and therefore is classified as non-current. The parties are in the process of amending the secured promissory note limit to reflect the latest advances. Interest income on the note amounted to $48,577 and $53,482 for the three and nine months ended September 30, 2016, respectively.

On June 23, 2015, ICM issued a secured promissory note to FWR for an amount not to exceed $915,000. The note bears interest at a rate of 20%, compounded and payable on a monthly basis. The principal payments for the note begin on July 15, 2016 and end on June 15, 2020. On July 15, 2016, ICM entered into a temporary forbearance agreement with FWR whereby both parties agreed to postpone the principal payments until October 15, 2016. As of September 30, 2016, the total amount advanced under the secured was $500,000 of which $90,589 is classified as current and $409,411 is classified as non-current. Interest income on the note amounted to $22,444 and $59,111 for the three and nine months ended September 30, 2016, respectively.

ICM loaned Reynold, Greenleaf and Associates LLC ("RGA"), a related party through a family relationship with one of the officer's, Hadley Ford, $50,000 on January 21, 2016 and entered into allonges for $350,000 on March 10, 2016, for $20,000 on April 7, 2016, for $50,000 on April 23, 2016, for $450,000 on May 26, 2016, for $400,000 on July 1, 2016, for $400,000 on July 29, 2016 and for $550,000 on September 8, 2016. These loans bear interest at a rate of 20% and are payable at the maturity date, which is the earlier of (a) closing of an investment in the Maker by the Note holder or its affiliate in excess of $1,000,000 or (b) the one-year anniversary of the date of the loan or (c) an event of default occurs. As of September 30, 2016, the total amount outstanding is $2,392,940 including accrued interest and is classified as current. Interest income on the note amounted $86,022 and $122,940 for the three and nine months ended September 30, 2016, respectively.

Convertible Promissory Notes

In February 2016, iAnthus Investor, LLC ("iAnthus Investor"), a U.S. investment vehicle for ICM, issued two unsecured convertible promissory notes (the Notes) for a total principal amount of $1,300,000. $500,000 of that amount has been loaned to ICM on the same terms as the Notes and $800,000 initially was being held in escrow subject to the public filing of ICM and other certain milestones. The Notes are convertible at conversion prices ranging from $1.00 to $1.65 per unit contingent on certain company milestones being met, bear interest at 8.0% per annum and have maturities of one to three years. The Notes do not have redemption, retraction, purchase for cancellation, surrender, or sinking or purchase fund provisions.

In conjunction with issuance of the Notes, iAnthus Investor has issued 275,758 three-year warrants (consisting of 106,061 warrants currently issued and 169,697 warrants initially held in escrow subject to the public filing of the Company and other certain milestones). Each warrant gives the holder the right to purchase one Class A unit of the Company for an exercise price of $1.75. The carrying value of the warrants was determined using the proportional value allocation method. This is based upon the issuance date fair value of the warrants determined using the Black Scholes method of $104,640 for the 106,061 warrants initially issued. The allocation at issuance was $413,450 for the note and $86,550 for the warrants. At September 30, 2016, the $500,000 convertible note is carried at $431,854. The convertible note is stated at a discount that will be accreted to interest expense using the effective interest method. For the three and nine months ended September 30, 2016, $7,213 and $18,404 of interest was accreted, respectively.

On September 1, 2016, the $500,000 was released from escrow of which $160,000 was loaned to Mayflower and $340,000 was loaned to ICH. On September 19, 2016, the remaining $300,000 was released from escrow and was loaned to ICH. In conjunction with the release of the Notes, the 169,697 warrants held in escrow were released. The carrying value of the warrants was determined using the proportional value allocation method. This is based upon the issuance date fair value of the warrants determined using the Black Scholes method of $167,543. As such, $661,440 was allocated to the note and $138,560 to the warrants. At September 30, 2016, the $800,000 convertible note is carried at $665,289. The convertible note is stated at a discount that will be accreted to interest expense using the effective interest method. For the three and nine months ended September 30, 2016, $3,849 of interest was accreted.

The Notes have a covenant requiring that as long as the Notes remain outstanding and less than 80% of the original principal amount of the Notes have been converted by the payee, the Company shall maintain a minimum cash balance of $500,000. As of September 30, 2016, the Company was in compliance with this covenant.

Key Management Compensation

No compensation was paid or payable to key management for the three and nine months ended September 30, 2016.

7. CAPITAL MANAGEMENT

The Company monitors its cash, common units and debt obligations as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and, at the same time, preserve investors' confidence required to sustain future development and production of the business. The Company is not exposed to any externally imposed capital requirements.

8. COMMITMENTS

ICM entered into an agreement with ProActive Capital Resources Group (“PCG”) on February 8, 2016 to provide strategic advisory, communications and market access services. Pursuant to the services agreement, ICM retained PCG on a 12-month term and to pay PCG a monthly cash fee of $5,000 and all reasonable out-of-pocket expenses related to the services. Either party can terminate the agreement without any reason by providing 30 days written notice to the other party of the termination thereof.

ICM entered into an agreement with Baron Global Financial Canada Ltd. (“Baron”) on February 4, 2016 to provide advisory services. Pursuant to the advisory services agreement, ICM retained Baron on a 12-month term upon listing on the Canadian Stock Exchange (“CSE”) to be its exclusive corporate advisor. Pursuant to the advisory services agreement, the Company agreed to pay Baron a one-time fee of CAD$50,000 and a monthly cash fee of CAD$12,000 plus applicable tax upon listing on CSE and the Company is responsible for all reasonable out-of-pocket expenses related to the services.

Either party can terminate the agreement without any reason by providing 30 days written notice to the other party of the termination thereof. In addition, the Company granted 100,000 stock options to Baron (see Note 3).

9. RISK AND UNCERTAINTIES

The Company operates in the rapidly growing U. S. regulated cannabis market. There is a high level of risk and uncertainty associated with regulatory conditions within this market. Such uncertainty is mitigated by the gradual path the United States is taking to legalize cannabis through state-by-state reform initiatives. Due to the high level of risk and uncertainty associated with the regulatory conditions within the industry, it is at least reasonably possible that the Company can face material adverse effects if regulations are established to prohibit the cultivation and sale of cannabis products nationally or if the state-by-state reform initiatives allowing for the sale and cultivation of cannabis products do not pass or are reversed in the near term.

10. EVENTS AFTER THE REPORTING PERIOD

On October 13, 2016, the Company converted its $2.3 million loan facility into preferred equity in Reynolds Greenleaf & Associates, a related party. Following the conversion of the loan facility, the Company owns 23% of RGA on a fully diluted basis.

On October 26, 2016, FWR and the Company extended the forbearance of the principal payments until January 15, 2017.

On November 18, 2016, the Company announced closing a CAD $20,002,500 bought deal offering and a CAD $1,502,592 non-brokered private placement through the issuance of 9,525,000 units and 715,520 units, respectively, at CAD $2.10 per unit. Each unit consisted of a common share and half a warrant. Each full warrant is convertible into one (1) common share at an exercise price of CAD $3.00. The warrants are subject to a 30-day forced exercise provision if the Company's daily volume weighted average share price is greater than CAD $4.00 for 15 consecutive trading days. Finder's fees of 7% of the gross proceeds raised plus broker warrants to purchase up to an additional 7% of the number of units sold in the offering were paid to Canaccord Genuity Corp.