IANTHUS CAPITAL HOLDINGS, INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2017 and 2016

(Unaudited)

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

	Note	June 30, 2017	December 31, 2016
ASSETS			
Current Assets:			
Cash		$ 8,464,606	$ 9,413,953
Receivables and prepaid expenses		263,191	171,811
Due from related parties	16	174,621	108,297
Receivable related to business combination	6	275,175	275,175
Promissory notes receivable	10	8,011,149	99,647
		17,188,742	**10,068,883**
Non-current Assets:			
Promissory notes receivable	10	659,965	450,353
Loans receivable	9	3,498,577	2,131,432
Due from related parties	16	3,675,498	409,531
Property, plant and equipment	7	2,534,533	1,961,131
Investment in associate	8	2,530,354	2,407,388
Other investments	11	99,969	99,969
Intangible assets	6, 7	307,618	430,000
Goodwill	6	1,998,311	1,998,311
TOTAL ASSETS		**$ 32,493,567**	**$ 19,956,998**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable and accrued liabilities		$ 1,040,944	$ 506,678
Due to related parties	16	-	318,194
Derivative liability	12	951,269	889,992
		1,992,213	**1,714,864**
Non-current Liabilities:			
Long term debt	12	13,942,524	735,324
Interest payable	12	411,300	-
Total Liabilities		**16,346,037**	**2,450,188**
Shareholders' Equity:			
Share capital	15	20,289,771	19,494,534
Reserves		7,070,783	4,702,933
Accumulated deficit		(11,206,009)	(6,762,718)
Accumulated other comprehensive income (loss)		(7,015)	72,061
Total Shareholders' Equity		**16,147,530**	**17,506,810**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 32,493,567**	**$ 19,956,998**

Going concern (Note 2)
Commitments (Note 17)

Approved on behalf of the Board:

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

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

iAnthus Capital Holdings, Inc.
Condensed Interim Consolidated Statements of Loss and Other Comprehensive Loss
(Expressed in U.S. Dollars, except share amounts)
(Unaudited)

		Three months ended		*Six months ended*	
	Note	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Revenues:					
Management fee income		$ 34,337	$ 16,651	$ 58,710	$ 28,959
Investment income		68,057	-	133,874	-
Interest income		453,073	55,948	693,232	78,524
Total revenues		**555,467**	**72,599**	**885,816**	**107,483**
Operating expenses:					
Depreciation and amortization	**7**	86,212	-	183,626	-
Administrative and other expenses		467,467	163,632	923,269	281,836
Wages and salaries		395,441	-	760,026	-
Share-based compensation	**15**	522,411	280,342	850,455	371,186
Legal and professional fees		442,648	166,779	701,831	279,354
Consulting fees		389,943	304,669	807,196	548,036
Total operating expenses		**2,304,122**	**915,422**	**4,226,403**	**1,480,412**
Other items:					
Interest expense	**12**	(326,879)	(9,973)	(453,247)	(15,452)
Profits from investment in associate	**8**	99,064	-	122,966	-
Accretion expense	**12**	(388,365)	(78,511)	(552,239)	(78,511)
Change in fair value of derivative liability	**12**	(28,109)	36,879	(61,277)	36,879
Foreign exchange loss		(158,678)	-	(158,907)	-
Total other items		**(802,967)**	**(51,605)**	**(1,102,704)**	**(57,084)**
Net loss		**$ (2,551,622)**	**$ (894,428)**	**$ (4,443,291)**	**$ (1,430,013)**
Other comprehensive loss					
Foreign exchange gain on translation		(93,892)	-	(79,076)	-
Comprehensive loss		**$ (2,645,514)**	**$ (894,428)**	**$ (4,522,367)**	**$ (1,430,013)**
Loss per share - basic and diluted		**$ (0.10)**	**$ (0.06)**	**$ (0.17)**	**$ (0.10)**
Weighted average number of common shares outstanding - basic and diluted		**27,367,115**	**15,209,174**	**27,269,147**	**13,922,647**

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

iAnthus Capital Holdings, Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in U.S. Dollars, except share amounts)

(Unaudited)

	Number of Shares (Common)	Number of Shares (Class A)	Share Capital	Option Reserves	Warrant Reserves	Convertible Debentures Reserves	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Shareholders' Equity
Balance – January 1, 2016	**-**	**12,244,515**	**$ 1,957,393**	**$ 164,306**	**$ -**	**$ -**	**$ -**	**$ (1,706,986)**	**$ 414,713**
Private placement **(Note 5)**	-	4,294,800	5,356,000	-	-	-	-	-	5,356,000
Repurchase of units **(Note 5)**	-	(201,250)	(15)	-	-	-	-	-	(15)
Share issuance costs **(Note 5)**	-	-	(88,779)	-	-	-	-	-	(88,779)
Share-based compensation **(Note 15)**	-	-	-	371,186	-	-	-	-	371,186
Warrants issued on notes **(Note 12)**	-	-	-	-	86,550	-	-	-	86,550
Loss for the period	-	-	-	-	-	-	-	(1,430,013)	(1,430,013)
Balance – June 30, 2016	**-**	**16,338,065**	**$ 7,224,599**	**$ 535,492**	**$ 86,550**	**$ -**	**$ -**	**$ (3,136,999)**	**$ 4,709,642**
Balance – January 1, 2017	**15,976,269**	**11,255,000**	**$ 19,494,534**	**$ 1,202,353**	**$ 3,500,580**	**$ -**	**$ 72,061**	**$ (6,762,718)**	**$ 17,506,810**
Exercise of warrants **(Note 15)**	259,955	-	648,428	-	(252,192)	-	-	-	396,236
Share-based compensation **(Note 15)**	-	-	-	850,455	-	-	-	-	850,455
Warrants issued to consultants **(Note 15)**	-	-	-	-	5,058	-	-	-	5,058
Convertible debentures financing **(Note 12)**	-	-	-	-	-	1,880,093	-	-	1,880,093
Financing fees **(Note 12)**	-	-	-	-	-	(102,230)	-	-	(102,230)
Issuance of shares as settlement for interest payable **(Note 12)**	9,845	-	20,165	-	-	-	-	-	20,165
Conversion of debentures **(Note 12)**	48,387	-	126,644	-	-	(13,334)	-	-	113,310
Other comprehensive loss for the period	-	-	-	-	-	-	(79,076)	-	(79,076)
Loss for the period	-	-	-	-	-	-	-	(4,443,291)	(4,443,291)
Balance – June 30, 2017	**16,294,456**	**11,255,000**	**$ 20,289,771**	**$ 2,052,808**	**$ 3,253,446**	**$ 1,764,529**	**$ (7,015)**	**$ (11,206,009)**	**$ 16,147,530**

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

		Six months ended		
		June 30, 2017		**June 30, 2016**
Operating activities				
Net loss for the period	$	(4,443,291)	$	(1,430,013)
Adjustments for:				
Depreciation and amortization		183,626		-
Share-based compensation		850,455		355,734
Warrants issued to consultants		5,058		-
Management fee income		(58,710)		-
Interest income		(693,232)		-
Interest expense		453,247		15,452
Accretion on financial liabilities		552,239		78,511
Fair value movement on derivative		61,277		(36,879)
Profit from investment in associate		(122,966)		-
Changes in non-cash working capital items:				
Receivables and prepaid expenses		(91,380)		(88,867)
Accounts payable and accrued liabilities		534,266		(105,158)
Related party balances		(65,358)		(856,196)
Net cash used in operating activities		**(2,834,769)**		**(2,067,416)**
Investing activities				
Purchase of property, plant and equipment		(634,646)		-
Issuance of promissory notes receivable		(7,725,000)		(1,080,000)
Investments in related parties		(1,117,453)		-
Loan drawdowns		(3,528,965)		-
Interest received		62,341		-
Net cash used in investing activities		**(12,943,723)**		**(1,080,000)**
Financing activities				
Proceeds from issue of share capital		396,236		5,356,000
Proceeds from issue of warrants on promissory notes		-		86,550
Proceeds from issue of long term debt		15,096,000		413,450
Issuance costs		(820,845)		(88,779)
Interest paid		(54,921)		-
Net cash generated from financing activities		**14,616,470**		**5,767,221**
Net increase (decrease) in cash		**(1,162,022)**		**2,619,805**
Cash, beginning of the period		9,413,953		211,717
Effect of movements in exchange rates on cash held		212,675		-
Cash, end of the period	**$**	**8,464,606**	**$**	**2,831,522**

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

1. NATURE OF OPERATIONS

iAnthus Capital Holdings, Inc. ("ICH" or the "Company") was incorporated in British Columbia, Canada, on November 15, 2013. On August 15, 2016, the Company completed the acquisition of all issued and outstanding equity interests of a private company, iAnthus Capital Management, LLC ("ICM"), through a reverse takeover arrangement ("the RTO"). Upon completion of the RTO, the shareholders of ICM obtained control of the consolidated entity. Under the purchase method of accounting, ICM was identified as the acquirer and, accordingly, the entity is considered to be a continuation of ICM with the net assets of the Company at the date of the RTO deemed to have been acquired by ICM (Note 5). The comparative figures in the condensed interim consolidated financial statements include the results of operations of ICM prior to the RTO date of August 15, 2016.

Following the RTO the Company's principal activity is to provide investors diversified exposure to best-in-class licensed cannabis cultivators, processors and dispensaries throughout the United States.

The Company listed on the Canadian Securities Exchange (the "CSE") and began trading on September 7, 2016 under the ticker symbol "IAN". The Company is also listed for trading on the OTCQB, part of the OTC Markets Group, under ticker symbol "ITHUF".

The Company's registered office is located at 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, V6E 4N7, Canada.

2. BASIS OF PREPARATION AND GOING CONCERN

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee, effective for the Company's reporting for the period ended June 30, 2017.

The condensed interim consolidated financial statements for the three and six months ending June 30, 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2016.

Going concern

These condensed interim consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue in the normal course of operations is dependent on its ability to raise financing sufficient to maintain operations and there are no assurances that the Company will be successful in achieving this goal. For the six months ended June 30, 2017, the Company reports a net loss of $4,443,291, operating cash outflows of $2,834,769 and, as of that date, an accumulated deficit amounting to $11,206,009. These circumstances cast substantial doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of the accounting principles applicable to a going concern. These condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION AND GOING CONCERN (cont.)

Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are stated at their fair value.

Functional and presentation currency

The condensed interim consolidated financial statements are presented in U.S. dollars. The functional currency of the standalone ICH entity is the Canadian dollar and the functional currency of all the Company's other subsidiaries is the U.S. dollar.

Basis of consolidation

The accounts of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated. The Company's principal material subsidiaries are as follows:

Name	Place of Incorporation	Ownership Percentage
iAnthus Capital Management, LLC	Delaware, USA	100%
iAnthus Formation Corp.	Delaware, USA	100%
iAnthus Transfer Corp.	Delaware, USA	100%
Scarlet Globemallow, LLC	Colorado, USA	100%
Bergamot Properties, LLC	Colorado, USA	100%

Estimates and critical judgments by management

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Refer to Note 4.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 25, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's annual consolidated financial statements as at December 31, 2016 have been applied consistently in the preparation of these condensed interim consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

New Standards, Interpretations and Amendments

No new standards have been implemented during the period and all significant accounting policies are consistent with those at year end.

IFRS 7 Financial instruments: Disclosure
Amended to require additional disclosures on transition from IAS 39 *Financial Instruments: Recognition and Measurement* to IFRS 9 *Financial Instruments* ("IFRS 9"). This amendment is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company does not expect significant impact on its financial statements from the adoption of this new standard.

IFRS 9 Financial Instruments
IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 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 expects this standard to have a significant effect on financial reporting and is currently assessing the extent of the impact of this new standard.

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 expects greater impact of this standard as the Company enters into new revenue arrangements.

IFRS 16 Leases
The new standard will replace IAS 17 *Leases* ("IAS 17") 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. 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. IFRS 16 will be applied prospectively for annual periods beginning on January 1, 2019. Based on the Company's current leasing arrangements, this standard is expected to have an effect on the financial reporting and the Company is currently assessing the implications of the new standard.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim consolidated financial statements requires management to apply judgment and make 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 with regards to future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates.

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (cont.)

The significant accounting estimates and judgments as disclosed in the Company's annual consolidated financial statements as at December 31, 2016 have been applied consistently in the preparation of these condensed interim consolidated financial statements except as described below

Significant Accounting Estimates

Convertible Debentures
The Company's convertible debentures have a host liability and an embedded equity conversion feature. The fair value of the liability component is determined first by using a present value calculation and the equity component is then assigned the residual amount. Present value is calculated by discounting the contractual stream of future cash flows at the rate of interest that would apply to an identical financial instrument without the conversion option. As there are limited peer companies, no such instruments have been identified, and thus judgement has been applied in estimating the appropriate market interest rate for a similar instrument.

5. REVERSE TAKEOVER TRANSACTION

On June 30, 2016, Genarca Holdings Ltd. signed an amended and restated Share Exchange Agreement with ICM, iAnthus Transfer Corp., iAnthus Formation Corp. and their respective shareholders (together "the Sellers"), whereby Genarca Holdings Ltd. would acquire all of the issued and outstanding shares of the Sellers, in exchange for shares in the resulting entity.

On August 4, 2016, Genarca Holdings Ltd was renamed iAnthus Capital Holdings, Inc. and on August 15, 2016 the Company completed the acquisition of ICM in exchange for the issuance of 11,255,000 Class A Common Shares and 5,083,065 Common Shares of the Company.

In accordance with IFRS 3 *Business Combinations* ("IFRS 3"), the substance of the transaction was a reverse takeover ("RTO") of a non-operating company. The transaction did not constitute a business combination since ICH did not meet the definition of a business under IFRS 3. As a result, the transaction was 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 ICH.

The assets acquired and liabilities assumed are stated at their fair values. The net assets of the Company at their fair values on August 15, 2016, were as follows:

Identifiable net assets		
Cash	$	106,607
Accounts receivable		2,594
Accounts payable and accrued liabilities		(69,284)
Identifiable net assets		39,917
Consideration		
600,001 shares issued at $1.25 per share		750,001
		750,001
Fair value of consideration paid in excess of net assets acquired		710,084
Transaction costs related to the acquisition		102,071
Charge related to public company listing	$	**812,155**

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

6. BUSINESS COMBINATION

On December 5, 2016, the Company, through its wholly-owned subsidiary, ICM, closed an agreement to acquire certain assets of Organix, LLC ("Organix"), the owner and operator of a Colorado medical and adult-use marijuana operation with a cultivation facility in Denver and a fully integrated medical and adult-use dispensary located in the town of Breckenridge. ICM formed Scarlet Globemallow, LLC ("Scarlet") and Bergamot Properties, LLC ("Bergamot"), two wholly-owned subsidiaries to hold the assets acquired from Organix. The transaction was accounted for as a business combination in accordance with IFRS 3.

The total cash paid to the owners of Organix amounted to $4,670,175. In accordance with the terms of the agreement, the consideration payable will be adjusted for profits or losses generated by Organix from December 5, 2016 to the date the state of Colorado's Marijuana Enforcement Division ("MED") approves the transfer of the cultivation and selling license from the previous owners of Organix to a third party. On a preliminary basis, the Company has estimated that profits of $275,175 will be generated by Organix during this period and, accordingly, total preliminary consideration amounts to $4,395,000. At the date of issuing these financial statements, the MED has not approved the transfer.

The consideration transferred has been allocated on a preliminary basis to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Due to the timing of the acquisition, the fair values assigned to the net assets acquired are preliminary and may be revised by the Company as additional information is received.

The Company used various valuation techniques to estimate the fair value of the identifiable intangible assets acquired including income based approaches, which involve estimating the future net cash flows and applying the appropriate discount rate to those future cash flows.

Goodwill has been primarily recognized as a result of the expectation to enter into a series of contracts, post MED approval, which will provide the Company the right to future cash flows generated from Organix. A right to residual cash flows of $430,000 was recognized as a separately identifiable intangible asset as the Company has entered into certain contracts that are in force prior to MED approval.

The Company has allocated the purchase price on a preliminary basis as follows:

Land and building	$	1,500,000
Equipment and leaseholds		466,689
Rights to residual cash flows		430,000
Goodwill		1,998,311
Total purchase consideration	**$**	**4,395,000**

The Company incurred closing costs of $5,465 and legal expenses of $103,703 in relation to this transaction which were expensed as incurred. Investment income of $68,057 for the three months and $133,874 for the six months ended June 30, 2017 were earned from Organix. No other revenues or expenditures relating to the business combination have been recognized in these condensed interim consolidated financial statements.

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

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The cost and accumulated depreciation continuity of property, plant and equipment for the period ended June 30, 2017 is as follows:

	Buildings and improvements	Production equipment	Processing equipment	Sales equipment	Office equipment	Land	Total
Cost							
As at December 31, 2016	$ 1,035,297	$ 113,244	$ 30,472	$ 34,416	$ 5,449	$ 750,000	$ 1,968,878
Additions	539,856	15,501	-	3,478	75,811	-	634,646
As at June 30, 2017	**$ 1,575,153**	**$ 128,745**	**$ 30,472**	**$ 37,894**	**$ 81,260**	**$ 750,000**	**$ 2,603,524**
Accumulated depreciation							
As at December 31, 2016	$ 3,290	$ 2,948	$ 563	$ 839	$ 107	$ -	$ 7,747
Depreciation	29,562	21,141	3,918	5,855	768	-	61,244
As at June 30, 2017	**$ 32,852**	**$ 24,089**	**$ 4,481**	**$ 6,694**	**$ 875**	**$ -**	**$ 68,991**
Net book value							
As at December 31, 2016	$ 1,032,007	$ 110,296	$ 29,909	$ 33,577	$ 5,342	$ 750,000	$ 1,961,131
As at June 30, 2017	**$ 1,542,301**	**$ 104,656**	**$ 25,991**	**$ 31,200**	**$ 80,385**	**$ 750,000**	**$ 2,534,533**

The cost and accumulated depreciation continuity of property, plant and equipment for the period ended December 31, 2016 is as follows:

	Buildings and improvements	Production equipment	Processing equipment	Sales equipment	Office equipment	Land	Total
Cost							
As at December 31, 2015	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions	1,035,297	113,244	30,472	34,416	5,449	750,000	$ 1,968,878
As at December 31, 2016	**$ 1,035,297**	**$ 113,244**	**$ 30,472**	**$ 34,416**	**$ 5,449**	**$ 750,000**	**$ 1,968,878**
Accumulated depreciation							
As at December 31, 2015	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation	3,290	2,948	563	839	107	-	7,747
As at December 31, 2016	**$ 3,290**	**$ 2,948**	**$ 563**	**$ 839**	**$ 107**	**$ -**	**$ 7,747**
Net book value							
As at December 31, 2015	$ -	$ -	$ -	$ -	$ -	$ -	$ -
As at December 31, 2016	**$ 1,032,007**	**$ 110,296**	**$ 29,909**	**$ 33,577**	**$ 5,342**	**$ 750,000**	**$ 1,961,131**

Intangible assets with a finite life are amortized on a straight-line basis over the period of expected benefit. During the period ended June 30, 2017, no additions to intangible assets were made. The Company recorded $68,777 and $122,382 of amortization on intangible assets for the three and six months ended June 30, 2017, respectively (June 30, 2016 - $Nil). At June 30, 2017, the net book value of intangible assets was $307,618 (December 31, 2016 - $430,000).

8. INVESTMENT IN ASSOCIATE

During 2016, the Company provided a series of loans in the aggregate amount of $2,270,000 to Reynold, Greenleaf and Associates LLC (“RGA”), a company incorporated in the U.S.A. which provides consulting and management services to companies operating in the medical cannabis industry in New Mexico. On October 12, 2016 (the “Conversion Date”), the Company converted the loans, plus accrued interest of $101,272, to Class A-1 Units of RGA. On the Conversion Date, the total outstanding amount of $2,371,272 was converted into 229,774 Class A-1 Units at $10.32 per unit.

The Company has a 29.47% interest in RGA. Additionally, the Company has the ability to exercise significant influence over RGA as it has more than 20% of the voting interests and can elect two of seven directors to the board of RGA. Accordingly, RGA is classified as an investment in associate and the Company has applied the equity method of accounting. No quoted market price exists for the investment.

At December 31, 2016, the Company’s investment in RGA was recorded at $2,407,388. During the three months ended June 30, 2017, the Company’s share of profit from RGA was $99,064 based on the net income of RGA during the period of $336,188 (June 30, 2016 - $Nil). During the six months ended June 30, 2017, the Company’s share of profit from RGA was $122,966 based on the net income of RGA during the period of $417,305 (June 30, 2016 - $Nil). RGA’s net income amount is derived from RGA’s unaudited financial statements which were prepared by management for internal use. The Company’s investment in RGA at June 30, 2017 was $2,530,354.

9. LOAN DUE FROM MAYFLOWER MEDICINALS, INC.

On July 1, 2016, the Company entered into an agreement (the “Mayflower Loan Agreement”) with Mayflower Medicinals, Inc. (“Mayflower”), to issue a secured promissory note for an amount not to exceed $1,300,000 to fund Mayflower’s license application fees to the State of Massachusetts and related expenses. On December 28, 2016, the parties entered into a First Amendment to the Mayflower Loan Agreement increasing the maximum amount available to be loaned to Mayflower by the Company to up to, but not to exceed, principal of $4,000,000. Mayflower is a not-for-profit entity operating in the cannabis industry in Massachusetts and it is controlled by an officer of ICM.

At June 30, 2017, the total principal amount advanced under the loan was $3,136,418 plus accrued interest receivable of $362,159. At December 31, 2016, principal outstanding was $2,018,965 plus accrued interest receivable of $112,467. The note bears interest at a rate of 16%, compounded monthly 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 from the First Payment Date, and therefore the note is classified as non-current. Interest income on the note amounted to $113,935 and $237,325 for the three and six month periods ended June 30, 2017, respectively. Interest income on the note amounted to $4,362 and $5,946 for the three and six month periods ended June 30, 2016, respectively.

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

10. PROMISSORY NOTES RECEIVABLE

	Loan due from FWR, Inc	Loan due from The Green Solution, LLC	Total
As at December 31, 2016	$ 550,000	$ -	$ 550,000
Drawdowns	225,000	7,500,000	7,725,000
Interest receivable	3,462	392,652	396,114
As at June 30, 2017	**$ 778,462**	**$ 7,892,652**	**$ 8,671,114**

Loan Due from FWR, Inc.

On June 23, 2015, ICM issued a secured promissory note to FWR, Inc. (“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 began on July 15, 2016 and the loan matures 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. Subsequently, FWR and the Company have extended the forbearance of the principal payments. As of the issuance date of these condensed interim consolidated financial statements, the principal payments are due to commence on September 15, 2017.

As of June 30, 2017, the total amount advanced under the secured promissory note was $775,000 of which $115,035 was classified as current and $659,965 classified as non-current. At December 31, 2016, the total amount advanced under the secured promissory note was $550,000 of which $99,647 was classified as current and $450,353 classified as non-current.

Loan Due from The Green Solution, LLC

On February 6, 2017, ICM entered into a strategic relationship with The Green Solution, LLC and certain of its affiliated Colorado entities (collectively, "TGS"). TGS is a leading cultivator and dispenser of marijuana and marijuana-infused products in Colorado. The strategic relationship includes an initial financing, by the Company to TGS, consisting of a $7,500,000 loan facility. The Loan Facility has a term of one year, and interest on borrowings are payable at the rate of 14% during the first 4 months, escalating to 23% for the remaining 8 months. At June 30, 2017, the loan receivable balance was $7,500,000 and the loan facility was fully drawn (December 31, 2016 - $Nil). Interest earned during the three and six months ended June 30, 2017 was $288,785 and $392,652, respectively (June 30, 2016 - $Nil and $Nil).

In addition, TGS has entered into an advisory agreement to provide the Company with operational expertise and advice in support of the Company's investments in Massachusetts, Vermont, New Mexico and Colorado.

11. INVESTMENT IN 4FRONT VENTURES, INC.

On April 20, 2015, ICM issued a convertible promissory note in the amount of $100,000 to 4Front Ventures, Inc. (“4Front Ventures”), a strategic consulting firm specializing in the cannabis industry. On December 22, 2015, ICM exercised its conversion option to convert the $100,000 principal to 627 units of Series B preferred stock for $159 per unit. The Company has designated this financial asset as available-for-sale with any changes to fair value recognized in other comprehensive income or loss. As 4Front Ventures is a private company there is no active market for its shares and no observable inputs. In accordance with *IAS 39 Financial Instruments: Recognition and Measurement* (“IAS 39”) the available-for-sale investment was initially recognized at its cost of $99,969 and is carried at cost less any provision for impairment. No impairment has been recognized on the balance at June 30, 2017.

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

12. LONG TERM DEBT

	Convertible Promissory Notes	Convertible Debentures	Total
As at December 31, 2016	$ 735,324	$ -	$ 735,324
Fair value of financial liability at issuance	-	13,215,907	13,215,907
Financing costs at issuance	-	(718,615)	(718,615)
Accretion of balance	135,490	416,749	552,239
Conversion to equity	-	(113,310)	(113,310)
Foreign exchange impact	-	270,979	270,979
As at June 30, 2017	**$ 870,814**	**$ 13,071,710**	**$ 13,942,524**

Convertible Promissory Notes

In February 2016, the Company issued two unsecured convertible promissory notes (the "Notes") for a total principal amount of $1,300,000. The Notes, which are convertible at prices ranging from $1.00 to $1.65 per share contingent on certain milestones being met, bear interest at 8.0% per annum and have maturity dates that are one to three years from the date of execution of the RTO (Note 5).

The terms of the Notes contain a covenant requiring the Company to maintain a minimum cash balance of $500,000 while the Notes remain outstanding and less than 80% of the original principal amount of the Notes have been converted by the payee. As of June 30, 2017 and December 31, 2016, the Company was in compliance with this covenant.

In conjunction with the issuance of the Notes the Company issued 275,758 three-year warrants. Each warrant gives the holder the right to purchase one Class A common share of the Company at an exercise price of CAD$2.24. The warrants are classified as an equity instrument and recognized at fair value with no subsequent revaluation.

The conversion feature is a derivative liability and is required to be separated from the debt host liability and valued independently. As the conversion feature is designated as fair value through profit or loss it is revalued at each reporting date. For the Black-Scholes calculation as at June 30, 2017, the Company used a volatility of 100.4%, dividend yield of 0% and discount rate of 0.71%. The fair value at June 30, 2017 was calculated to be $951,269 (December 31, 2016 - $889,992). For the three and six months ended June 30, 2017, the Company recognized a change in fair value of $28,109 and $61,277, respectively, in the statement of comprehensive loss. For the three and six months ended June 30, 2016, the Company recognized a change in fair value of $36,879 and $36,879, respectively.

The residual value from the instrument was assigned to the debt host liability which is valued on an amortized cost basis. At June 30, 2017 the debt host liability amounted to $870,814 (December 31, 2016 - $735,324).

During the three and six months ended June 30, 2017, interest expense of $24,386 and $50,581 was accrued, respectively (June 30, 2016 - $9,973 and $15,452). During the three and six months ended June 30, 2017, accretion expense of $388,365 and $552,239 was accrued, respectively (June 30, 2016 - $78,511 and $78,511).

12. LONG TERM DEBT (cont.)

Convertible Promissory Notes (cont.)

On September 23, 2016, the Company issued 15,956 common shares in satisfaction of accrued interest due on the convertible promissory note of $19,945. On December 6, 2016, the Company issued 15,477 common shares in satisfaction $25,000 of principal and $526 of accrued interest. On June 19, 2017, the Company issued 9,845 common shares in satisfaction $20,165 of accrued interest.

Convertible Debentures

On February 28, 2017, ICH entered into an agreement with a syndicate of underwriters led by Canaccord Genuity Corp., and including Beacon Securities Limited, pursuant to which the underwriters agreed to purchase, on a bought deal, private placement basis, a CAD$20,000,000 (equivalent to USD$15,096,000 at issuance) aggregate principal amount of unsecured convertible debenture (the "Convertible Debentures") at a price of CAD$1,000 (equivalent to USD$755 at issuance) per Convertible Debenture. The Convertible Debentures commenced to bear interest from February 28, 2017 (the “Closing Date”) at 8.0% per annum, payable semi-annually on the last day of February and August of each year. The Convertible Debentures have a maturity date of February 28, 2019, 24 months from the Closing Date.

The Convertible Debentures are convertible at the option of the holder into common shares of the Company at any time prior to the close of business on the maturity date at a conversion price of CAD$3.10 per common share (the "Conversion Price"). Beginning June 29, 2017, the Company may force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the conversion price on 30 days prior written notice should the daily volume weighted average trading price of the Company’s common shares be greater than CAD$4.50 for any 10 consecutive trading days.

The Convertible Debentures are subject to redemption, in whole or in part, by the Company at any time after 12 months upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the Convertible Debentures plus all accrued and unpaid interest up to and including the redemption date.

At issuance, the fair value of the liability component was estimated to be CAD$17,509,150 (equivalent to USD$13,215,907 at issuance) and the residual of CAD$2,490,850 (equivalent to USD$1,880,093 at issuance) was allocated as the fair value of the conversion feature. The market rate of interest assumed in calculating the fair value was estimated to be 15%. Issuance costs of CAD$1,087,500 were allocated proportionately with CAD$952,060 (USD$718,615) as a debit against the liability component and CAD$135,440 (USD $102,230) as a debit against the equity component.

During the three and six months ended June 30, 2017, interest expense of $302,493 and $402,666, respectively (June 30, 2016 - $Nil and $Nil) and accretion expense of $318,096 and $416,749, respectively (June 30, 2016 - $Nil and $Nil) was recognized. As at June 30, 2017 the debt host liability amounts to $13,071,710 (December 31, 2016 - $Nil).

During second quarter of 2017, the Company issued 48,387 common shares for the conversion of CAD$150,000 (equivalent to USD $113,310) of the convertible debentures.

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

13. FAIR VALUE

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. The Company characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The levels of the fair value 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).

The carrying values of cash, receivables, accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these financial instruments. Balances due to and due from related parties have no terms and are payable on demand, thus also considered current and short-term in nature, hence carry value approximates fair value.

The promissory notes receivable from FWR and TGS and the loan to Mayflower were initially recognized at fair value and are subsequently measured on an amortized cost basis. This approximates carrying value as a market rate of interest has been applied on the loans and the credit risk of the counterparty to the loan has not changed significantly since the promissory loan notes were issued.

The component of the Company's long term debt attributed to the host liability is recorded at amortized cost for both the convertible debentures and convertible promissory notes.

	June 30, 2017		**December 31, 2016**	
	Carrying value	Fair value	Carrying value	Fair value
Long term debt				
Convertible debentures	$ 13,071,710	$ 14,089,665	$ -	$ -
Convertible promissory notes	870,814	1,145,660	735,324	1,113,432
Total	**$ 13,942,524**	**$ 15,235,325**	**$ 735,324**	**$ 1,113,432**

The carrying value of the investment in 4Front Ventures, Inc. is equivalent to its cost and is considered to be Level 3 as observable market data does not exist.

The related derivative liability in the convertible promissory note is recorded at fair value using the Black-Scholes method and is therefore considered to be a Level 2 measurement.

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

13. FAIR VALUE (cont.)

The following table presents the fair value hierarchy for the Company's financial assets and financial liabilities that are measured at fair value on a periodic basis:

	June 30, 2017			December 31, 2016		
	Carrying value	Level 2	Level 3	Carrying value	Level 2	Level 3
Financial assets						
Investment in 4Front Ventures	$ 99,969	$ -	$ 99,969	$ 99,969	$ -	$ 99,969
Total	**$ 99,969**	**$ -**	**$ 99,969**	**$ 99,969**	**$ -**	**$ 99,969**
Financial liabilities						
Derivative liability	$ -	$ 868,069	$ -	$ -	$ 889,992	$ -
Total	**$ -**	**$ 868,069**	**$ -**	**$ -**	**$ 889,992**	**$ -**

During the periods ended June 30, 2017 and December 31, 2016 there were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy.

14. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, credit risk, liquidity risk, and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The key risks and risk management strategies are disclosed in full in the Company's consolidated financial statements and associated management's discussion and analysis as at December 31, 2016 and are available on www.sedar.com and should be reviewed in detail by all readers.

The risks and risk management strategies remain unchanged for the period ended June 30, 2017.

15. SHARE CAPITAL

Authorized: Unlimited common shares and Class A common shares.

The Company's common shares are voting and dividend-paying. The Company's Class A common shares are also voting and dividend-paying, but holders of Class A common shares are not entitled to vote for the election of directors of the Company.

Stock Options

In November 2015, ICM established the ICM 2015 Equity Compensation Plan (the "Plan"). The Plan authorized the issuance of up to 2,000,000 Class A common shares. 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 at the sole discretion of management, but in no case, will it be less than 100% of the fair market value of a share on the grant date.

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

15. SHARE CAPITAL (cont.)

Stock Options (cont.)

Upon closing of the RTO, the Company adopted a rolling stock option plan (the "ICH Plan"), in which the maximum number of common shares which can be reserved for issuance under the ICH Plan is 10% of the issued and outstanding common shares of the Company. 1,300,000 options issued by ICM under the ICM 2015 Equity Compensation Plan were assumed by the ICH Plan. 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.

On January 17, 2017, ICH granted incentive stock options to employees and consultants of the Company, exercisable at CAD$2.91, to purchase up to an aggregate of 153,000 shares of the Company.

On April 4, 2017, the Company granted incentive stock options to consultants and employees of the Company, exercisable at CAD$3.10, to purchase up to an aggregate of 835,000 common shares of the Company. The grant includes 200,000 stock options granted to TGS in relation to the advisory agreement entered into with the Company as announced on February 6, 2017, to provide operational expertise and advice in support of the Company's investments around the U.S. TGS, through its affiliate TGS National Franchise, LLC ("TGS National Franchise"), will also facilitate introductions to franchisee operators in multiple states across the U.S., presenting the Company with significant opportunities for additional financing and equity-based investment partnerships with TGS National Franchise's franchisee operators.

The continuity of stock options is as follows:

	Number	**Weighted average exercise price ($CAD)**
Balance as at December 31, 2016	1,538,000	1.57
Issued	988,000	3.07
Balance as at June 30, 2017	**2,526,000**	**$ 2.16**

The options outstanding and exercisable are as follows:

At June 30, 2017

Outstanding Options			**Exercisable Options**	
Number outstanding	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)	Number exercisable	Weighted average exercise price (CAD$)
2,526,000	**$ 2.14**	**9.18**	**1,498,375**	**$ 1.72**

At December 31, 2016

Outstanding Options			**Exercisable Options**	
Number outstanding	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)	Number exercisable	Weighted average exercise price (CAD$)
1,538,000	**$ 1.57**	**9.31**	**961,575**	**$ 1.56**

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

15. SHARE CAPITAL (cont.)

Stock Options (cont.)

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

	June 30, 2017	December 31, 2016
Risk-free interest rate	1.33% - 1.66%	0.74% - 0.96%
Expected dividend yield	0.00%	0.00%
Expected volatility	92.61% - 96.14%	97.01% - 154.54%
Expected option life	10 years	8.90 years - 9.75 years

Option-pricing models require the application of estimates and assumptions including the expected volatility. The Company uses expected volatility rates based upon historical data from comparable companies.

The related compensation expense for the three and six months ended June 30, 2017 was $522,411 and $850,455, respectively (June 30, 2016 - $280,342 and $371,186).

Warrants (cont.)

The continuity of warrants for the Company is as follows:

	Number	Weighted average exercise price (CAD$)
Balance as at December 31, 2016	6,104,200	2.86
Granted	98,728	3.00
Exercised	(259,955)	2.07
Balance as at June 30, 2017	**5,942,973**	**$ 2.90**

During the first quarter of 2017, there were 12,500 warrants exercised at CAD$3.00 per share. Furthermore, $5,058 was recognized in the warrant reserve for the portion of the 50,000 warrants issued to ProActive Capital Resources Group in 2016 attributable to the services performed in the first quarter of 2017.

As part of the November 2016 bought deal offering, the Company issued broker warrants that are exercisable at CAD$2.10 per unit. Each unit consists of one common share and one half warrant, with each full warrant exercisable for one share at an exercise price of CAD$3.00. During the second quarter of 2017, 197,455 broker's warrants were exercised at CAD$2.10 per share and the exercise granted one half warrant per unit exercised, resulting in 98,728 warrants granted at CAD$3.00 per share.

Additionally, during the second quarter of 2017, 50,000 warrants were exercised at CAD$1.74 per share.

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

15. SHARE CAPITAL (cont.)

Warrants (cont.)

Full share equivalent warrants outstanding and exercisable are as follows:

	June 30, 2017		December 31, 2016	
Year of expiry	**Number outstanding**	**Weighted average exercise price (CAD$)**	**Number outstanding**	**Weighted average exercise price (CAD$)**
2018	5,667,215	2.93	5,778,442	2.90
2019	275,758	2.26	275,758	2.26
2021	-	-	50,000	1.74
	5,942,973	**$ 2.90**	**6,104,200**	**$ 2.86**

16. RELATED PARTY TRANSACTIONS

RGA

As described in Note 8, ICM converted its loan with RGA into Class A-1 Unit Securities of RGA. As part of that transaction, the Company is to be reimbursed $30,000 from RGA in connection with certain legal fees and expenses incurred for the conversion. At June 30, 2017 the reimbursement due from the RGA loan conversion was $30,000 (December 31, 2016 - $30,000).

Last Dance Ventures, LLC

The Company utilizes the services and office space of Last Dance Ventures, LLC (“LDV”), a related party owned by two of the Company’s officers. The rental costs were $33,321 and $60,984 for the three and six months ended June 30, 2017, respectively (June 30, 2016 - $27,170 and $52,815).

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 and six months ended June 30, 2017, the Company incurred administrative management fees of $210,000 and $420,000, respectively (June 30, 2016 - $210,000 and $420,000). At June 30, 2017 and December 31, 2016, the amount due to LDV is $7,939 and $318,194, respectively, and amount due from LDV is $1,905 and $317,726, respectively.

FWR

On June 23, 2015, ICM entered into an agreement to provide management services to FWR, a related party through a family relationship with one of the Company’s officers, Hadley Ford. The management fees 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 and commenced on July 1, 2015.

16. RELATED PARTY TRANSACTIONS (cont.)

FWR (cont.)

Management fee income amounted to $34,337 and $58,710 for the three and six months ended June 30, 2017, respectively (June 30, 2016 - $16,651 and $28,959). As of June 30, 2017 and December 31, 2016, the management fee receivable from FWR was $116,178 and $91,805, respectively, and is not expected to be collected within 12 months, and is therefore classified as non-current.

The agreement also provides for the reimbursement by FWR of certain expenses incurred by ICM on behalf of FWR, which amounted to $Nil for the three and six months ended June 30 2017, and $10,662 and $19,413 for the three and six months ended June 30, 2016, respectively, and this is presented as a reduction in administrative management fee. As of June 30, 2017, the reimbursement receivable from FWR was $48,297 (December 31, 2016 - $48,297), and is expected to be repaid within 12 months, and therefore, is classified as current.

Pilgrim Rock Management, LLC

As of June 30, 2017, the Company has provided $3,528,965 (December 31, 2016 - $Nil) to Pilgrim Rock Management, LLC (“Pilgrim”), a related party owned by an officer of the Company. Pilgrim was incorporated to manage the construction of the cannabis cultivation facility in Holliston, Massachusetts and a dispensary in Boston, Massachusetts in connection with the Company’s investment in Mayflower. Due to the nature of the transaction, there no terms for interest, repayment or security on the balance have been formalized.

Other

As of December 31, 2016, the Company had a receivable due from a director of $30,000 and the balance was received in full during the three months ended June 30, 2017.

As of June 30, 2017, the Company had a loan due from a director with a balance of CAD$125,000 (USD$96,324). The total loan facility is up to CAD$500,000 (USD$385,296) and the loan accrues 2.5% interest due upon the maturity of the loan. The loan is repayable on demand and is expected to be repaid within the next 12 months, therefore the Company has classified the balance as current and it is presented in the statements as a related party receivable. Subsequent to June 30, 2017, there was an additional drawdown for CAD$75,000 (USD$59,978). No director loan existed at December 31, 2016.

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

17. COMMITMENTS

Expected payments due by period as at June 30, 2017

	<1 Year	1-2 Years	3-5 Years	Total
USD – denominated				
Convertible Promissory Notes	$ 102,000	$ 1,326,000	$ -	1,428,000
SLG Graybar Mesne Lease LLC	196,780	202,191	621,813	1,020,784
North 6th Agency, Inc.	100,000	10,000	-	110,000
Kanan Corbin Schupak & Aronow, Inc.	24,000	-	-	24,000
Blue Chip Public Relations, Inc.	4,000	-	-	4,000
Total USD – denominated	**$ 426,780**	**$ 1,538,191**	**$ 621,813**	**$ 2,586,784**
CAD - denominated				
Convertible Debentures	$ 1,600,000	$ 20,650,000	$ -	$ 22,250,000
Baron Global Financial Canada, Ltd.	96,000	-	-	96,000
KRC Canada Corp.	60,000	50,000	-	110,000
Total CAD - denominated	**$ 1,756,000**	**$ 20,700,000**	**$ -**	**$ 22,456,000**

At June 30, 2017, the Company had leases for office spaces with KRC Canada Corp., expiring April 29, 2019 and SLG Graybar Mesne Lease LLC, expiring May 31, 2022.

The Company has a commitment to continue engaging with Baron Global Financial Canada Ltd. To provide advisory and corporate finance services until February 2018.

The Company has commitments to continue its relationship for three months to a year from June 30, 2017 with the marketing firms North 6th Agency, Inc., Kanan Corbin Schupak & Aronow, Inc. (dba. KCSA Strategic Communications), and Blue Chip Public Relations, Inc., for investor public relations services.

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

18. SEGMENT INFORMATION

Operating segments are components of the Company where separate financial information is available, that is evaluated regularly by the Company's Chief Executive Officer who is the Chief Operating Decision Maker. The operational segments are determined based on the Company's management and internal reporting structure.

The Company considers two geographical segments for reporting: Canada and the United States. Segment information is summarized as follows:

						Three months ended June 30, 2017
		Canada		**USA**		**Total**
Statement of operations						
Revenue	$	58,589	$	496,878	$	555,467
Operating expenses		(1,319,805)		(984,088)		(2,303,893)
Share of profit of equity-accounted investees		-		99,064		99,064
Other items		(778,736)		(123,524)		(902,260)
Net loss	**$**	**(2,039,952)**	**$**	**(511,670)**	**$**	**(2,551,622)**

						Six months ended June 30, 2017
		Canada		**USA**		**Total**
Statement of operations						
Revenue	$	103,693	$	782,123	$	885,816
Operating expenses		(2,111,923)		(2,114,480)		(4,226,403)
Share of profit of equity-accounted investees		-		122,966		122,966
Other items		(978,322)		(247,348)		(1,225,670)
Net loss	**$**	**(2,986,552)**	**$**	**(1,456,739)**	**$**	**(4,443,291)**

						June 30, 2017
		Canada		**USA**		**Total**
Statement of financial position						
Total assets	$	12,063,373	$	20,430,194	$	32,493,567
Total liabilities		14,016,355		2,329,682		16,346,037
Net assets	**$**	**(1,952,982)**	**$**	**18,100,512**	**$**	**16,147,530**
Other information						
Property, plant and equipment	$	-	$	2,534,533	$	2,534,533

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

18. SEGMENT INFORMATION (cont.)

Segment information for comparative periods is presented below:

						Three months ended June 30, 2016
		Canada		**USA**		**Total**
Statement of operations						
Revenue	$	-	$	72,599	$	72,599
Operating expenses		-		(915,422)		(915,422)
Other items		-		(51,605)		(51,605)
Net loss	**$**	**-**	**$**	**(894,428)**	**$**	**(894,428)**

						Six months ended June 30, 2016
		Canada		**USA**		**Total**
Statement of operations						
Revenue	$	-	$	107,483	$	107,483
Operating expenses		-		(1,480,412)		(1,480,412)
Other items		-		(57,084)		(57,084)
Net loss	**$**	**-**	**$**	**(1,430,013)**	**$**	**(1,430,013)**

						December 31, 2016
		Canada		**USA**		**Total**
Statement of financial position						
Total assets	$	9,546,173	$	10,410,825	$	19,956,998
Total liabilities		54,108		2,396,080		2,450,188
Net assets	**$**	**9,492,065**	**$**	**8,014,745**	**$**	**17,506,810**
Other information						
Property, plant and equipment	$	-	$	1,961,131	$	1,961,131

19. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash transactions excluded from the June 30, 2017 condensed interim consolidated statement of cash flows are: $20,165 of shares issued as settlement for interest payable, and $126,644 of shares issued as settlement for debenture conversion.

No non-cash transactions settled through the issuance of equity instruments were excluded from the June 30, 2016 condensed interim consolidated statements of cash flows.

For the periods ending June 30, 2017 and 2016, $Nil taxes have been paid.

20. EVENTS AFTER THE REPORTING PERIOD

Citiva Medical, LLC and Citiva, LLC investment

In August 2017, the Company has signed a letter of intent to acquire Citiva Medical, LLC ("Citiva NY"), which holds one of the ten vertically integrated medical marijuana licenses in New York State and Citiva, LLC ("Citiva USA" and together with “Citiva NY”, "Citiva"), the owner of certain regulated cannabis industry assets and intellectual property. Pursuant to the letter of intent, the Company will acquire 100% of Citiva NY and Citiva USA and certain operating subsidiaries for approximately US$18.0 million, which includes US$3.6 million payable in cash and approximately US$14.4 million payable in IAN common shares priced at US$2.40 per share, subject to the terms of a collar.

Further, in August 2017, the Company provided a promissory note of $500,000 to Citiva at 5% interest per annum with a maturity date of August 18, 2018.

Valley Agriceuticals, LLC termination

In August 2017, the Company has terminated its previous term sheet with Gloucester Street Capital, LLC ("GSC") and its operating subsidiary, Valley Agriceuticals, LLC as the parties were unable to reach definitive legal agreements despite best efforts.

Mayflower Medicinals, Inc Funding

Subsequent to June 30, 2017, there were additional drawdowns amounting $150,000 on the Company’s existing promissory note with Mayflower for working capital purposes.

Pilgrim Rock Management, LLC Funding

Subsequent to June 30, 2017, the Company has provided an additional $2,521,304.71 to Pilgrim for the construction of the cannabis cultivation facility in Holliston, Massachusetts and the dispensaries in connection with the Company’s investment in Mayflower.

Warrant Exercises

Subsequent to June 30, 2017, 54,200 warrants have been exercised for gross proceeds of CAD$162,600 (USD$126,518).

20. EVENTS AFTER THE REPORTING PERIOD (cont.)

Debenture Conversion

Subsequent to June 30, 2017, 190,321 common shares have been issued and CAD$18,503 (USD$13,870) of accrued interest has been paid pursuant to the conversion of debentures.