

# iAnthus Capital Holdings, Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
For the Three Months Ended March 31, 2019 and 2018

(unaudited)

## Notice to Reader

On June 18, 2019, we refiled our Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2019 along with the required certifications by the Chief Executive Officer and the Chief Financial Officer. The previously filed version of these financial statements had not been reviewed by our auditors, as disclosed on the cover page of the financial statements. The cover page to the financial statements has therefore been amended accordingly. No other changes of a material nature were made to the financial statements previously filed on SEDAR other than events occurring after the reporting period of March 31, 2019.

*"Julius Kalcevich"*

**Julius Kalcevich**

CFO and Director

## Condensed Interim Consolidated Statement of Financial Position

	Note	Mar 31, 2019	Dec 31, 2018
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 42,338	\$ 15,295
Restricted cash	17	-	5,272
Receivables and prepaid assets		5,848	3,847
Inventory	5	22,882	11,560
Biological assets	6	8,524	4,744
Other current assets		5,063	1,283
		<b>\$ 84,655</b>	<b>\$ 42,001</b>
<b>Non-current Assets</b>			
Long-term investments	7	2,715	2,632
Fixed assets	8	96,708	29,578
Intangible assets	9	55,467	56,493
Goodwill	9	555,435	37,454
Other assets		2,581	234
		<b>\$ 712,906</b>	<b>\$ 126,391</b>
<b>TOTAL ASSETS</b>		<b>\$ 797,561</b>	<b>\$ 168,392</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Payables and accrued liabilities		\$ 20,465	\$ 6,509
Current portion of long-term debt	10	37,792	-
Derivative liabilities	14	46,391	1,255
Other current liabilities	11	2,032	553
		<b>\$ 106,680</b>	<b>\$ 8,317</b>
<b>Non-current Liabilities</b>			
Long-term debt	10	57,646	31,231
Deferred tax liabilities		50,940	17,589
Other liabilities	11	19,408	-
		<b>\$ 127,994</b>	<b>\$ 48,820</b>
<b>Total Liabilities</b>		<b>\$ 234,674</b>	<b>\$ 57,137</b>
<b>Shareholders' Equity</b>			
Share capital		606,297	158,365
Shares to be issued		1,602	2,130
Reserves		56,985	33,190
Accumulated deficit		(102,074)	(82,507)
Accumulated other comprehensive income		77	77
<b>Total Shareholders' Equity</b>		<b>\$ 562,887</b>	<b>\$ 111,255</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 797,561</b>	<b>\$ 168,392</b>

On behalf of the Board of Directors

"Hadley Ford"

Hadley Ford  
CEO and Director

"Julius Kalcevich"

Julius Kalcevich  
CFO and Director

See accompanying notes to the condensed interim consolidated financial statements

## Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

	Note	Three months ended March 31, 2019	Three months ended March 31, 2018
Sales revenues		\$ 9,620	\$ 225
Cost of sales		(9,080)	(40)
<b>Gross profit before fair value adjustments</b>		<b>540</b>	<b>185</b>
Realized fair value adjustment on biological assets	6	1,198	119
Unrealized fair value adjustment on biological assets	6	3,821	2,488
<b>Gross profit</b>		<b>5,559</b>	<b>2,792</b>
<b>Operating expenses</b>			
General and administrative		4,064	1,318
Salaries and employee benefits		6,099	1,484
Share-based compensation	13	1,646	1,754
Depreciation and amortization	8,9	2,637	481
Professional fees		3,547	1,950
Acquisition-related costs	4	5,173	233
<b>Total operating expenses</b>		<b>23,166</b>	<b>7,220</b>
<b>Other items</b>			
Other income		120	444
Interest expense		(2,346)	(861)
Accretion expense	10	(1,515)	(2,871)
Change in fair value on financial instruments	14	3,210	7,126
Other losses		(127)	(55)
<b>Total other items</b>		<b>(658)</b>	<b>3,783</b>
<b>Net loss</b>		<b>\$ (18,265)</b>	<b>\$ (645)</b>
<b>Other comprehensive gains</b>			
Foreign currency translation gain		-	253
<b>Comprehensive loss</b>		<b>\$ (18,265)</b>	<b>\$ (392)</b>
<b>Loss per share - basic and diluted</b>		<b>\$ (0.15)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<b>121,961,760</b>	<b>50,245,699</b>

See accompanying notes to the condensed interim consolidated financial statements

## Condensed Interim Consolidated Statement of Changes in Equity

	Note	Number of Shares (Common)	Number of Shares (Class A)	Share Capital	Shares to be Issued	Option Reserves	Warrant Reserves	Convertible Debt Reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Shareholders' Equity
<b>Balance – January 1, 2018</b>		<b>26,337,355</b>	<b>11,255,000</b>	<b>\$ 32,681</b>	<b>\$ 113</b>	<b>\$ 4,101</b>	<b>\$ 3,852</b>	<b>\$ 1,699</b>	<b>\$ (142)</b>	<b>\$ (20,479)</b>	<b>\$ 21,825</b>
Acquisition of Florida Entities		12,103,172	-	38,393	-	-	-	-	-	-	38,393
Acquisition of Citiva		1,146,428	1,977,563	11,339	8,997	-	-	-	-	-	20,336
Issuance of shares to settle February 2017 Debentures		2,267,737	-	6,071	-	-	-	(625)	-	-	5,446
Issuance of shares to settle Convertible Promissory Notes		183,360	-	300	-	-	-	-	-	-	300
Issuance of shares as settlement for interest payable		12,220	-	23	-	-	-	-	-	-	23
Share issuance costs		-	-	(32)	-	-	-	-	-	-	(32)
Share-based compensation		-	-	-	-	1,755	-	-	-	-	1,755
Exercise of warrants		780,258	-	2,207	-	-	(979)	-	-	-	1,228
Other comprehensive loss		-	-	-	-	-	-	-	253	-	253
Net loss		-	-	-	-	-	-	-	-	(631)	(631)
<b>Balance – March 31, 2018</b>		<b>42,830,530</b>	<b>13,232,563</b>	<b>\$ 90,982</b>	<b>\$ 9,110</b>	<b>\$ 5,856</b>	<b>\$ 2,873</b>	<b>\$ 1,074</b>	<b>\$ 111</b>	<b>\$ (21,110)</b>	<b>\$ 88,896</b>
<b>Balance – January 1, 2019</b>		<b>58,722,261</b>	<b>15,440,704</b>	<b>\$ 158,365</b>	<b>\$ 2,130</b>	<b>\$ 11,427</b>	<b>\$ 20,092</b>	<b>\$ 1,671</b>	<b>\$ 77</b>	<b>\$ (82,507)</b>	<b>\$ 111,255</b>
Acquisition of MPX	4	75,795,208	-	403,071	1,500	21,704	6,049	-	-	-	432,324
Acquisition-related costs	4	170,000	-	904	-	-	-	-	-	-	904
Financing in March 2019	12	116,600	-	688	-	-	5,303	3,698	-	-	9,689
Issuance of shares to settle OID Loan	10	2,726,027	-	9,419	-	-	-	-	-	-	9,419
Issuance of shares to settle outstanding obligations		783,357	-	4,442	(2,028)	-	-	-	-	(1,496)	918
Share issuance costs		-	-	(558)	-	-	-	-	-	-	(558)
Share-based compensation	13	-	-	-	-	1,646	-	-	-	-	1,646
Exercise of stock options	13	2,597,577	-	14,973	-	(11,159)	-	-	-	-	3,814
Exercise of warrants	13	2,985,734	-	14,993	-	-	(3,446)	-	-	-	11,547
Impact from adoption of IFRS 16		-	-	-	-	-	-	-	-	194	194
Net loss		-	-	-	-	-	-	-	-	(18,265)	(18,265)
<b>Balance – March 31, 2019</b>		<b>143,896,764</b>	<b>15,440,704</b>	<b>\$ 606,297</b>	<b>\$ 1,602</b>	<b>\$ 23,618</b>	<b>\$ 27,998</b>	<b>\$ 5,369</b>	<b>\$ 77</b>	<b>\$ (102,074)</b>	<b>\$ 562,887</b>

See accompanying notes to the condensed interim consolidated financial statements

## Condensed Interim Consolidated Statement of Cash Flows

	Three months ended March 31, 2019	Three months ended March 31, 2018
<b>Operating activities</b>		
Net loss for the period	\$ (18,265)	\$ (645)
Adjustments for non-cash items:		
Fair value adjustment on biological assets	(5,019)	(2,332)
Share-based compensation	1,646	1,754
Depreciation and amortization	2,637	481
Acquisition-related costs	5,173	-
Other income	(10)	(358)
Interest expense	2,346	861
Accretion expense	1,515	2,871
Change in fair value on instruments	(3,210)	(7,126)
Other gains and losses	(73)	(147)
Disposition of fixed assets	122	-
Changes in non-cash working capital items	4,600	(2,417)
<b>Net cash used in operating activities</b>	<b>\$ (8,538)</b>	<b>\$ (7,058)</b>
<b>Investing activities</b>		
Additions to fixed assets and intangible assets	(13,305)	(1,139)
Acquisitions of subsidiaries	4,058	(18,039)
Acquisition-related costs	(4,269)	-
Other investments	-	2,772
<b>Net cash used in investing activities</b>	<b>\$ (13,516)</b>	<b>\$ (16,406)</b>
<b>Financing activities</b>		
Issuance of debt	35,000	20,000
Debt issuance costs	(655)	-
Repayment of debt	(7)	-
Issuance of share capital	918	-
Share issuance costs	(558)	(32)
Issuance of warrants	-	1,228
Exercise of warrants	7,699	-
Exercise of stock options	3,814	-
Interest paid	(2,238)	(569)
Payment of lease obligations	(148)	-
<b>Net cash generated from financing activities</b>	<b>\$ 43,825</b>	<b>\$ 20,627</b>
<b>Net increase (decrease) in cash</b>	<b>21,771</b>	<b>(2,838)</b>
Cash and restricted cash, beginning of the period	20,567	6,175
Effect of movements in exchange rates on cash held	-	(67)
<b>Cash, end of the period</b>	<b>\$ 42,338</b>	<b>\$ 3,270</b>

Note 17: Supplemental Cash Flow Information. See accompanying notes to the condensed interim consolidated financial statements

## 1 Nature of Operations

iAnthus Capital Holdings, Inc. (the “Company” or “ICH”, or “iAnthus”) is a vertically-integrated developer, owner and operator of licensed cannabis cultivation, processing and dispensary facilities, and developer, producer and distributor of innovative branded cannabis products in the United States. Through the Company’s subsidiaries, licenses, interests and contractual arrangements, the Company has the capacity to operate dispensaries and cultivation/processing facilities, and manufacture and distribute cannabis products across the states in which the Company operates in the U.S.

The Company’s registered office is located at 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, V6E 4N7, Canada. The Company is listed on the Canadian Securities Exchange (the “CSE”) under the ticker symbol “IAN” and on the OTCQX, part of the OTC Markets Group, under the ticker “ITHUF”.

## 2 Basis of Preparation

### Statement of Compliance

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 three months ended March 31, 2019.

These condensed interim consolidated financial statements for the three months ended March 31, 2019, have been prepared in accordance with IAS 34 Interim Financial Reporting. These unaudited 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, 2018 which were filed on April 12, 2019 on SEDAR. These condensed interim consolidated financial statements were approved by the Board of Directors on May 30, 2019.

### 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 capital sufficient to maintain operations and there are no assurances that the Company will be successful in achieving this goal. For the three months ended March 31, 2019, the Company reported a net loss of \$18,265, operating cash outflows of \$8,538, and an accumulated deficit of \$102,074 at March 31, 2019. These material 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. The Company’s cash on hand as of May 30, 2019 is approximately \$44,000 and continues to have access to equity and debt capital from public and private markets in Canada and the United States but there are no guarantees that such capital would be available.

The Company’s business activities, and the business activities of its subsidiaries, which operate in jurisdictions where the use of marijuana has been legalized under state and local laws, currently are illegal under U.S. federal law. The U.S. Controlled Substances Act classifies marijuana as a Schedule I controlled substance. Any proceeding that may be brought against the Company could have a material adverse effect on the Company’s business plans, financial condition and results of operations.

### Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for the following: certain financial instruments including derivatives, which are measured at fair value, and biological assets, which are measured at fair value less costs to sell.

## 2 Basis of Preparation (cont.)

### Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in U.S. dollars. On May 14, 2018, as a result of a significant financing transaction, the primary source of financing changed from the Canadian dollar to the U.S. dollar, with the Company expecting to continue the majority of its fundraising in the U.S. dollar going forward. Therefore, the functional currency of the standalone ICH entity was changed to the U.S. dollar as of May 14, 2018. The functional currency of all the Company's subsidiaries remains unchanged and is in the U.S. dollar.

### Basis of Consolidation

These condensed interim consolidated financial statements incorporate the financial information of the Company and its subsidiaries. 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 subsidiaries and its interests in each are presented below as at March 31, 2019:

Subsidiary	Jurisdiction	Interest
MPX Biocetical ULC ("MPX ULC") <sup>(1)</sup>	Canada	100%
MPX Luxembourg SARL ("MPX Lux") <sup>(1)</sup>	Luxembourg	100%
ABACA, LLC ("ABACA") <sup>(1)</sup>	Arizona, USA	100%
Ambary, LLC ("Ambary") <sup>(1)</sup>	Arizona, USA	100%
H4L Management East, LLC ("H4L Management East") <sup>(1)</sup>	Arizona, USA	100%
H4L Management North, LLC ("H4L Management North") <sup>(1)</sup>	Arizona, USA	100%
Health For Life, Inc. ("Health for Life Arizona") <sup>(1)</sup>	Arizona, USA	100%
S8 Industries, LLC ("S8 Industries") <sup>(1)</sup>	Arizona, USA	100%
S8 Management, LLC ("S8 Management") <sup>(1)</sup>	Arizona, USA	100%
S8 Rental Services, LLC ("S8 Rentals") <sup>(1)</sup>	Arizona, USA	100%
S8 Transportation, LLC ("S8 Transportation") <sup>(1)</sup>	Arizona, USA	100%
Soothing Options, Inc. ("Soothing Options") <sup>(1)</sup>	Arizona, USA	100%
Tarmac Manufacturing, LLC ("Tarmac") <sup>(1)</sup>	Arizona, USA	100%
The Healing Center Wellness Center, LLC ("Healing Center Wellness Center") <sup>(1)</sup>	Arizona, USA	100%
Tower Management Holdings, LLC ("Tower Management") <sup>(1)</sup>	Arizona, USA	100%
Bergamot Properties, LLC ("Bergamot")	Colorado, USA	100%
Scarlet Globemallow, LLC ("Scarlet")	Colorado, USA	100%
iAnthus Capital Management, LLC ("ICM")	Delaware, USA	100%
GHHIA Management, Inc. ("GHHIA")	Florida, USA	100%
GrowHealthy Properties, LLC ("GHP")	Florida, USA	100%
iAnthus Holdings Florida, LLC ("IHF")	Florida, USA	100%
McCrorry's Sunny Hill Nursery, LLC ("McCrorry's")	Florida, USA	100%
Budding Rose, Inc. ("Budding Rose") <sup>(1)</sup>	Maryland, USA	100%
GreenMart of Maryland, LLC ("GreenMart of Maryland") <sup>(1)</sup>	Maryland, USA	100%
LMS Wellness, Benefit, LLC ("LMS") <sup>(1)</sup>	Maryland, USA	100%
Rosebud Organics, Inc. ("Rosebud") <sup>(1)</sup>	Maryland, USA	100%
Cannatech Medicinals, Inc. ("Cannatech") <sup>(1)</sup>	Massachusetts, USA	100%
Fall River Development Company, LLC ("FRDC") <sup>(1)</sup>	Massachusetts, USA	100%
IMT, LLC ("IMT") <sup>(1)</sup>	Massachusetts, USA	100%
Mayflower Medicinals, Inc. ("Mayflower")	Massachusetts, USA	100%
Pilgrim Rock Management, LLC ("Pilgrim")	Massachusetts, USA	100%
CGX Life Sciences, Inc. ("CGX") <sup>(1)</sup>	Nevada, USA	100%
CinG-X Corporation of America ("CinG-X America") <sup>(1)</sup>	Nevada, USA	100%
GreenMart of Nevada NLV, LLC ("GreenMart NV") <sup>(1)</sup>	Nevada, USA	100%
Citiva Medical, LLC ("Citiva")	New York, USA	100%
iAnthus Empire Holdings, LLC ("IEH")	New York, USA	100%
FWR, Inc. ("FWR")	Vermont, USA	100%
Grassroots Vermont Management Services, LLC ("GVMS")	Vermont, USA	100%
Pakalolo, LLC ("Pakalolo")	Vermont, USA	100%

<sup>(1)</sup> Subsidiaries acquired in the MPX Acquisition (Note 4).



## 2 Basis of Preparation (cont.)

### Accounting Estimates and Judgements by Management

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The significant accounting policies as disclosed in the Company's annual consolidated financial statements as at December 31, 2018 have been applied consistently in the preparation of these condensed interim consolidated financial statements, except for the adoption of IFRS 16 and IFRIC 23 (Note 19). Actual results may differ from these estimates.

As a result of the MPX acquisition, judgment is required to determine which entity is the acquirer in a merger of equals. In identifying the Company as the acquirer, the companies considered the voting rights of all equity instruments, the intended corporate governance structure of the combined company, the intended composition of senior management of the combined company and the size of each of the companies. In assessing the size of each of the companies, the companies evaluated various metrics. No single factor was the sole determinant in the overall conclusion that the Company is the acquirer for accounting purposes; rather, all factors were considered in arriving at the conclusion.

Certain amounts in prior periods have been reclassified to conform to the current period presentation. These reclassifications had no effect on previously reported net loss.

## 3 Segment Information

The Company divides its reportable operating segments by geographic region. Following the MPX Acquisition (Note 4) in the three months ended March 31, 2019, the Company's Chief Operating Decision Maker began to regularly review internal financial reporting and make decisions based on broader geographic regions. As a result, the Company has changed its reportable segments for the period ended March 31, 2019. The Company now has three reportable operating segments: Eastern Region, Western Region, and Corporate. The Eastern Region includes the Company's operations in Florida, Maryland, Massachusetts, New York, New Jersey, and Vermont. The Western Region includes the Company's operations in Arizona, Colorado, Nevada, and New Mexico. The Corporate segment comprises items not separately identifiable to the other two operating segments and are not part of the measures used by the Company when assessing the operating segments' results. As a result of the changes in reportable segments in the period, the Company restated prior period comparatives and noted no changes in the previous results.

	March 31, 2019			
	Eastern Region	Western Region	Corporate	Total
<b>Statement of financial position</b>				
Total assets	\$ 442,714	\$ 308,040	\$ 46,807	\$ 797,561
Total liabilities	(42,534)	(8,253)	(183,887)	(234,674)
<b>Net assets</b>	<b>\$ 400,180</b>	<b>\$ 299,787</b>	<b>\$ (137,080)</b>	<b>\$ 562,887</b>
<b>Other information</b>				
Fixed assets	\$ 76,832	\$ 18,498	\$ 1,378	\$ 96,708
Goodwill	296,444	258,991	-	555,435
Other non-current assets	53,036	4,563	3,164	60,763
<b>Total non-current assets</b>	<b>\$ 426,312</b>	<b>\$ 282,052</b>	<b>\$ 4,542</b>	<b>\$ 712,906</b>
	<b>Three months ended March 31, 2019</b>			
	Eastern Region	Western Region	Corporate	Total
<b>Statement of operations</b>				
Revenue	\$ 4,187	\$ 5,433	\$ -	\$ 9,620
Gross profit	5,898	(339)	-	5,559
Operating expenses	(8,656)	(2,241)	(12,269)	(23,166)
Other Items	(715)	(77)	134	(658)
<b>Net profit (loss)</b>	<b>\$ (3,473)</b>	<b>\$ (2,657)</b>	<b>\$ (12,135)</b>	<b>\$ (18,265)</b>

### 3 Segment Information (cont.)

	December 31, 2018			
	Eastern Region	Western Region	Corporate	Total
<b>Statement of financial position</b>				
Total assets	\$ 141,490	\$ 4,374	\$ 22,528	\$ 168,392
Total liabilities	(22,106)	(249)	(34,782)	(57,137)
<b>Net assets</b>	<b>\$ 119,384</b>	<b>\$ 4,125</b>	<b>\$ (12,254)</b>	<b>\$ 111,255</b>
<b>Other information</b>				
Fixed assets	\$ 27,431	\$ 1,908	\$ 239	\$ 29,578
Goodwill	37,454	-	-	37,454
Other non-current assets	56,391	2,281	687	59,359
<b>Total non-current assets</b>	<b>\$ 121,276</b>	<b>\$ 4,189</b>	<b>\$ 926</b>	<b>\$ 126,391</b>
<b>Three months ended March 31, 2018</b>				
	Eastern Region	Western Region	Corporate	Total
<b>Statement of operations</b>				
Revenue	\$ 225	\$ -	\$ -	\$ 225
Gross profit	2,792	-	-	2,792
Operating expenses	(2,338)	(55)	(4,827)	(7,220)
Other Items	126	176	3,481	3,783
<b>Net profit (loss)</b>	<b>\$ 580</b>	<b>\$ 121</b>	<b>\$ (1,346)</b>	<b>\$ (645)</b>

### 4 Acquisitions and Business Combinations

#### Acquisition of MPX

On February 5, 2019, iAnthus acquired all issued and outstanding common shares of MPX Bioceutical Corporation ("MPX") by issuing 75,795,208 common shares to the former MPX shareholders (the "MPX Acquisition") and assuming certain debt instruments (see table below). The former MPX shareholders received 0.1673 common shares of iAnthus for each common share of MPX held and received additional common shares of a newly formed spin-out corporation, which holds all of the non-U.S. cannabis businesses of MPX. As a result of the acquisition, the Company has expanded its national footprint and increased its retail and production capabilities. This transaction was accounted for as a forward acquisition as the resultant company is controlled by iAnthus.

Refer to Note 2 for the full list of entities acquired by the Company as part of the MPX Acquisition.

The following table summarizes the preliminary purchase price allocation:

	Preliminary
Cash	\$ 4,058
Receivables and prepaid assets	1,295
Inventory	9,529
Biological assets	1,925
Other current assets	4,034
Fixed assets	42,173
Other non-current assets	300
Goodwill and intangibles	517,981
	<b>581,295</b>
Deferred Tax Liability	(33,735)
Payables and accrued liabilities	(7,383)
Other current liabilities	(1,520)
Other liabilities	(6,676)
<b>Fair value of net assets acquired</b>	<b>\$ 531,981</b>

## 4 Acquisitions and Business Combinations (cont.)

### Acquisition of MPX (cont.)

The following table summarizes the total fair value of consideration:

Shares issued (Common shares - 75,795,208)	\$	403,071
Stock options assumed		21,704
Warrants assumed - equity		6,049
Warrants assumed - derivative		20,350
Shares to be issued		1,500
OID Loan assumed		68,453
Debt assumed		10,854
<b>Fair value of consideration</b>	<b>\$</b>	<b>531,981</b>

The consideration has been allocated to the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The consideration includes the assumption of stock options that MPX had previously issued, which became fully vested on the acquisition date, and the assumption of warrants that MPX had previously issued. The stock options assumed were valued using the Black-Scholes model and the warrants assumed were valued using the Black-Scholes model or the binomial model, depending on the underlying instrument. Due to the timing of the acquisition, the fair values assigned to the consideration paid, intangible assets, deferred income tax liabilities and net assets acquired is preliminary and may be revised by the Company as additional information is received. The Company has not completed the allocation of value between the identifiable intangible assets and the goodwill at this time. Goodwill and intangibles are grouped together in the condensed interim consolidated statement of financial position; however, these items will be presented separately once the purchase price allocation is complete. The purchase price allocation, specifically in respect of goodwill, intangibles and deferred income tax liabilities, has not been finalized as of the date of issuance of these condensed interim consolidated financial statements. Goodwill is attributable to synergies expected from integrating MPX into the Company's existing business. The goodwill acquired is not deductible for tax purposes.

Revenues of \$6,483 and net losses of \$(1,389) from the acquired operations are included in the condensed interim consolidated statement of loss and comprehensive loss from the date of acquisition. Had the acquisition of MPX occurred on January 1, 2019, additional revenues of \$3,149 and additional net losses of \$2,894 would have been included in the condensed interim consolidated statement of loss and comprehensive loss. Acquisition costs of \$5,173, including 170,000 shares issued as part of broker fees (with a fair value of \$904), were incurred and recognized as acquisition-related costs in the condensed interim consolidated statement of loss and comprehensive loss.

As is customary in a business acquisition transaction, until the time of acquisition of control, the Company did not have full access to the relevant portions of MPX's books and records. Upon having sufficient time to review the relevant portions of books and records, as well as obtaining new and additional information about the related facts and circumstances as of the acquisition date, the Company will adjust the provisional amounts for identifiable assets acquired and liabilities assumed and thus finalize the purchase price allocation.

## 5 Inventory

	March 31, 2019	December 31, 2018
<b>Raw Materials</b>		
Harvested cannabis	\$ 6,094	\$ 4,297
Supplies and other inventory items	1,887	999
<b>Total raw materials</b>	<b>\$ 7,981</b>	<b>\$ 5,296</b>
<b>Work in Process</b>		
Packaged cannabis, cannabis extracts, and consumables	\$ 6,451	3,405
<b>Total work in process</b>	<b>\$ 6,451</b>	<b>\$ 3,405</b>
<b>Finished Goods</b>		
Packaged cannabis	\$ 3,557	\$ 1,114
Cannabis extracts	2,216	1,389
Consumables	1,546	239
Other inventory items	1,131	117
<b>Total finished goods</b>	<b>\$ 8,450</b>	<b>\$ 2,859</b>
<b>Total Inventory</b>	<b>\$ 22,882</b>	<b>\$ 11,560</b>

As at March 31, 2019, the Company recognized \$585 in abnormal spoilage of inventories which have been included as a portion of general and administrative expenses on the condensed interim consolidated financial statements.

## 6 Biological Assets

<b>As at December 31, 2017</b>	<b>\$ 130</b>
Fair value adjustment on biological assets	8,427
Assets obtained in acquisition of GrowHealthy	709
Transferred to inventory upon harvest	(4,522)
<b>As at December 31, 2018</b>	<b>\$ 4,744</b>
Fair value adjustment on biological assets	5,019
Assets obtained in acquisition of MPX	1,925
Transferred to inventory upon harvest	(3,164)
<b>As at March 31, 2019</b>	<b>\$ 8,524</b>

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram.

The following unobservable inputs, all of which are classified as level 3 on the fair value hierarchy (Note 14), were used by management as part of the biological asset models:

- Yield per plant – represents the expected number of grams of dry cannabis expected to be harvested from each plant
- Selling price – determined using a combination of third-party cannabis spot price reports in addition to wholesale contract prices where applicable which, combined, are expected to approximate selling prices
- Stage of growth – represents the number of days remaining in cultivation prior to harvest

## 6 Biological Assets (cont.)

The following table quantifies the significant unobservable inputs, and also provides the impact of a 5.0% increase or decrease to each input on the fair value of biological assets.

Unobservable Inputs	Weighted average as of Mar 31, 2019	Sensitivity	Effect on fair value as of Mar 31, 2019
Yield per plant	144 g	+/- 5.0%	\$587
Selling price per gram	\$4.51	+/- 5.0%	\$688

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

These estimates are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. All of the plants are to be harvested as agricultural produce and as at March 31, 2019, on average, were 56.4% complete (December 31, 2018 - 40.4%).

The Company estimates the harvest yields for the plants at various stages of growth. As of March 31, 2019, management estimates that the Company's biological assets will yield approximately 2,458,000 grams of dried flower (December 31, 2018 - 1,207,000 grams). The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the fair value of the biological assets.

## 7 Long-Term Investments

	Reynold, Greenleaf & Associates, LLC	GrowHealthy	Citiva Jamaica, LLC	Other	Total
<b>As at December 31, 2017</b>	<b>\$ 2,190</b>	<b>\$ 3,000</b>	<b>\$ -</b>	<b>\$ 100</b>	<b>\$ 5,290</b>
Additions	134	-	231	-	365
Dividend receivable	(43)	-	-	-	(43)
Interest receivable	-	-	20	-	20
Settlement of pre-existing relationship	-	(3,000)	-	-	(3,000)
<b>As at December 31, 2018</b>	<b>\$ 2,281</b>	<b>\$ -</b>	<b>\$ 251</b>	<b>\$ 100</b>	<b>\$ 2,632</b>
Additions	73	-	-	-	73
Interest receivable	-	-	10	-	10
<b>As at March 31, 2019</b>	<b>\$ 2,354</b>	<b>\$ -</b>	<b>\$ 261</b>	<b>\$ 100</b>	<b>\$ 2,715</b>

### Reynold, Greenleaf & Associates, LLC

During 2016, the Company provided funding in the aggregate amount of \$2,270 to Reynold, Greenleaf & 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. This resulted in a 24.6% interest in RGA. Additionally, the Company has the ability to exercise significant influence over RGA as it has more than 20.0% 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.

As part of the investment, the Company is to be reimbursed \$30 from RGA related to certain legal fees and expenses incurred. At March 31, 2019, the reimbursement due from the RGA loan conversion was \$22 (December 31, 2018 - \$30).

The Company's share of profit from RGA was \$73 based on the net income of RGA during the three months ended March 31, 2019 (March 31, 2018 - \$175). The Company's investment in RGA at March 31, 2019, was \$2,354 (December 31, 2018 - \$2,281).

## 8 Fixed Assets

	Buildings and improvements	Production equipment	Processing equipment	Sales equipment	Office equipment	Land	Construction in progress	Right of Use Assets	Total
<b>Cost</b>									
As at December 31, 2018	\$ 20,266	\$ 1,706	\$ 586	\$ 463	\$ 1,006	\$ 2,576	\$ 5,979	\$ -	\$ 32,582
Transfers	-	-	17	-	12	-	(29)	-	-
Additions	4,956	188	33	74	768	-	7,281	-	13,300
Additions from acquisition	10,509	777	2,740	145	1,883	1,717	17,570	6,832	42,173
Additions from IFRS 16 Implementation	-	-	-	-	-	-	-	13,384	13,384
Disposals	(74)	(4)	(42)	(1)	(23)	-	(5)	-	(149)
<b>As at March 31, 2019</b>	<b>\$ 35,657</b>	<b>\$ 2,667</b>	<b>\$ 3,334</b>	<b>\$ 681</b>	<b>\$ 3,646</b>	<b>\$ 4,293</b>	<b>\$ 30,796</b>	<b>\$ 20,216</b>	<b>\$ 101,290</b>
<b>Accumulated depreciation</b>									
As at December 31, 2018	\$ 2,207	\$ 427	\$ 109	\$ 89	\$ 172	\$ -	\$ -	\$ -	\$ 3,004
Depreciation	775	120	120	17	108	-	-	465	1,605
Disposals	(2)	(5)	(2)	(6)	(12)	-	-	-	(27)
<b>As at March 31, 2019</b>	<b>\$ 2,980</b>	<b>\$ 542</b>	<b>\$ 227</b>	<b>\$ 100</b>	<b>\$ 268</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 465</b>	<b>\$ 4,582</b>
<b>Net book value</b>									
As at December 31, 2018	\$ 18,059	\$ 1,279	\$ 477	\$ 374	\$ 834	\$ 2,576	\$ 5,979	\$ -	\$ 29,578
<b>As at March 31, 2019</b>	<b>\$ 32,677</b>	<b>\$ 2,125</b>	<b>\$ 3,107</b>	<b>\$ 581</b>	<b>\$ 3,378</b>	<b>\$ 4,293</b>	<b>\$ 30,796</b>	<b>\$ 19,751</b>	<b>\$ 96,708</b>

## 9 Intangible Assets and Goodwill

### Intangible Assets

Cost	Licenses	Other	Total
As at December 31, 2018	\$ 59,710	\$ 676	\$ 60,386
Additions	-	5	5
<b>As at March 31, 2019</b>	<b>\$ 59,710</b>	<b>\$ 681</b>	<b>\$ 60,391</b>
<b>Accumulated amortization</b>			
As at December 31, 2018	\$ 3,793	\$ 99	\$ 3,892
Amortization	995	37	1,032
<b>As at March 31, 2019</b>	<b>\$ 4,788</b>	<b>\$ 136</b>	<b>\$ 4,924</b>
<b>Net carrying amount</b>			
As at December 31, 2018	\$ 55,917	\$ 576	\$ 56,493
<b>As at March 31, 2019</b>	<b>\$ 54,922</b>	<b>\$ 545</b>	<b>\$ 55,467</b>

### Goodwill

	March 31, 2019	December 31, 2018
Balance, beginning of period	\$ 37,454	\$ 7,183
Acquisition of GrowHealthy	-	15,222
Acquisition of Citiva	-	15,049
Acquisition of MPX	517,981	-
<b>Balance, end of period</b>	<b>\$ 555,435</b>	<b>\$ 37,454</b>

The above values relating to the MPX Acquisition include provisional amounts that are subject to adjustments throughout the measurement period. The Company has not completed the allocation of value between the identifiable intangible assets and the goodwill at this time. Upon finalizing the purchase price allocation, goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Refer to Note 4 for further details.

## 10 Long-Term Debt

	OID Loan	Debentures	High Yield Notes	Stavola Trust Note	Other	Total
<b>As at December 31, 2017</b>	\$ -	\$ 13,568	\$ -	\$ -	\$ 1,031	\$ 14,599
Fair value of financial liabilities issued	-	7,740	29,231	-	-	36,971
Accretion of balance	-	13,897	2,000	-	244	16,141
Repayment	-	(20,978)	-	-	-	(20,978)
Conversion to equity	-	(14,622)	-	-	(1,275)	(15,897)
Foreign exchange impact	-	395	-	-	-	395
<b>As at December 31, 2018</b>	\$ -	\$ -	\$ 31,231	\$ -	\$ -	\$ 31,231
Fair value of financial liabilities issued	-	24,656	-	-	-	24,656
Fair value of financial liability acquired	36,608	-	-	10,000	854	47,462
Accretion of balance	603	95	815	-	2	1,515
Repayment	-	-	-	-	(7)	(7)
Conversion to equity	(9,419)	-	-	-	-	(9,419)
<b>As at March 31, 2019</b>	\$ 27,792	\$ 24,751	\$ 32,046	\$ 10,000	\$ 849	\$ 95,438

### Original Issue Discount Loan

Prior to the acquisition of MPX (Note 4), MPX issued a \$40,000 secured convertible original issue discount loan (the "OID Loan") maturing on May 25, 2021 (the "Maturity Date"). The non-interest bearing OID Loan was convertible into units of MPX at the option of the holder at any time prior to the Maturity Date. As a result of the MPX Acquisition, the loan agreement was amended by the Certificates of Adjustment such that following the MPX Acquisition, the holders will receive shares and warrants of the Company in lieu of MPX shares and warrants upon conversion. The Certificate of Adjustment determined a conversion ratio of CAD\$4.42, a warrant exercise price of CAD\$6.04, and an acceleration hurdle rate on the warrants of CAD\$19.13. The OID Loan may also be redeemed by the Company until the Maturity Date.

On the acquisition date, the Company recognized the host liability at fair value of \$36,608. During the three months ended March 31, 2019, accretion expense of \$603 (March 31, 2018 - \$Nil) was recognized on the host liability in the condensed interim consolidated statement of loss and comprehensive loss. At March 31, 2019, the fair value of the derivative was \$27,134, with the change in fair value of \$4,711. On March 22, 2019, the Company issued a redemption notice to the holders of the OID Loan, which informed all holders that the Company would redeem their loans into cash within 30 days. Prior to the redemption, the holders had the option to convert their loans into common shares and warrants of the Company at the respective conversion ratio and warrant exercise prices set forth by the Certificate of Adjustment. As of March 31, 2019, \$9,419 of the OID Loan was converted into 2,726,027 shares (Note 12) and 1,363,013 warrants (Note 13). Subsequent to the quarter, iAnthus issued shares and warrants to satisfy all remaining OID Loan holders that were eligible for conversion (Note 18).

The terms of the OID Loan contains financial and non-financial covenants. For the three months ending March 31, 2019, the Company was in compliance with all covenants.

### March 2019 Debentures

On March 18, 2019, the Company completed a private placement of \$35,000 of unsecured convertible debentures (the "March 2019 Debentures") and corresponding warrants of 2,177,291 to purchase common shares of the Company. The March 2019 Debentures mature on March 15, 2023 and accrue interest at a rate of 8.0% annually. In relation to the issuance of debentures, the Company incurred fees of \$1,343 which comprises \$688 in common shares and cash of \$655.

The March 2019 Debentures are convertible at \$5.92 per common share, which would convert into an aggregate of 5,912,160 common shares of the Company. At any time, following July 16, 2019, the Company may force the conversion of the March 2019 Debentures into common shares if the daily volume weighted average trading price of the Company's common shares on the OTCQX is greater than \$10.29 for any ten consecutive trading days.

Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$6.43 per common share from the closing date until March 15, 2022. At issuance, the warrants, classified as equity, were recognized at their fair value of \$5,303, net of issuance costs. The fair value was estimated using the Black-Scholes model, with a volatility of 74.7%, dividend yield of 0.0% and risk-free rate of 1.6%. The host debt, classified as a liability, was allocated its fair value of \$24,656.

## 10 Long-Term Debt (cont.)

### March 2019 Debentures (cont.)

which was determined by discounting the cash flows at 20.0%. The residual consideration of \$3,698 was allocated to the conversion feature, classified as equity.

The terms of the March 2019 Debentures contain financial and non-financial covenants. For the three months ending March 31, 2019, the Company was in compliance with all covenants.

During the three months ended March 31, 2019, interest expense of \$124 (March 31, 2018 - \$Nil) and accretion expense of \$95 (March 31, 2018 - \$Nil) were recognized on the condensed interim consolidated statement of loss and comprehensive loss.

### High Yield Notes

On May 14, 2018, the Company issued \$40,000 high yield secured notes (the "HY Notes"). The HY Notes accrue interest at 13.0%, have a three-year maturity, and are convertible into shares of the Company at \$3.08 per share. The HY Notes were issued with warrants to purchase, in aggregate, up to 6,670,372 shares of the Company at \$3.60 per share. Concurrent with the issuance of the HY Notes, \$10,000 comprising 3,891,051 Units of the Company (the "Units") were issued, where each Unit comprises one Class A common share of the Company at \$2.57 per share and a warrant to purchase one share of the Company at a price of \$3.86 per share.

At issuance, the Class A common shares were recorded at their fair value at \$13,408, net of issuance costs. Using a market rate of interest of 24.4% the fair value of the underlying host liability in the HY Notes was estimated to be \$29,231, net of issuance costs. The residual consideration was allocated proportionately based on the fair values of the warrants on equity, warrants on debt and the conversion feature, resulting in recording \$460, \$811 and \$1,671, net of issuance costs, respectively. These fair values were estimated using the Black-Scholes model, with a volatility of 88.3%, dividend yield of 0.0% and risk-free rate of 2.0%. Issuance costs of \$4,419 were allocated to each of the components proportionately.

During the year, interest expense of \$1,300 (March 31, 2018 - \$Nil) and accretion expense of \$815 (March 31, 2018 - \$Nil) was recognized in the condensed interim consolidated statement of loss and comprehensive loss. As of March 31, 2019, the Company held \$Nil (December 31, 2018 - \$5,272) restricted cash in escrow as part of the HY Notes as the amount was fully released to the Company during the three months ended March 31, 2019.

The terms of the HY Notes and corresponding Units contain several financial and non-financial covenants. For the three months ending March 31, 2019, the Company was in compliance with all covenants.

### Stavola Trust Note

As part of the MPX Acquisition in February 2019 (Note 4), the Company assumed a long-term note (the "Stavola Trust Note") of \$10,000, payable to the Elizabeth Stavola 2016 NV Irrevocable Trust. This trust is for the benefit of a director and officer of the Company, Elizabeth Stavola, and is therefore a related party balance (Note 16). The note has a maturity date of January 19, 2020, and an interest rate of 8.0%. Repayment of the note is secured by the assets of certain subsidiaries of the Company.

As this is a current liability, the face value of the note is equal to the fair value. For the three months ending March 31, 2019, interest expense of \$121 (March 31, 2018 - \$Nil) was recognized on the condensed interim consolidated statement of loss and comprehensive loss.



## 11 Other Liabilities

	March 31, 2019	December 31, 2018
Current portion of ABACA provision	\$ 931	\$ -
Current portion of lease liabilities	699	-
Other	402	553
<b>Other current liabilities</b>	<b>\$ 2,032</b>	<b>\$ 553</b>
Lease liabilities	\$ 19,051	\$ -
ABACA Provision	251	-
Other	106	-
<b>Other liabilities</b>	<b>\$ 19,408</b>	<b>\$ -</b>

As part of MPX Acquisition, the Company through its wholly owned subsidiary CGX, promised to pay the sellers up to an amount of \$6,000 (the "ABACA provision"). As part of the provision, the Company will pay \$60 monthly including a quarterly true up where (the Company shall pay within twenty business days after each quarter) an additional payment of \$60 and one half of an agreed percentage scale on revenues in excess of an agreed revenue target during such calendar quarters. If the revenues are below the agreed revenue target during any quarter, the next succeeding monthly payment shall be reduced by an amount equal to the difference of the agreed revenue target and the actual revenue in such calendar quarter. The underlining agreement expires in August 2020 at which point any remaining balance will not be subject to payment unless the agreement is renewed for a period beyond August 2020. The note does not accrue any interest.

## 12 Share Capital

### 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. The holders of Class A convertible restricted share options have the right to convert the options into either a Class A common share or common share of the Company.

The following is a summary of the common share issuances for the three months ended March 31, 2019:

- 75,965,208 common shares of the Company were issued in relation to the MPX Acquisition;
- 116,600 common shares of the Company were for fees in relation to the March 2019 Debentures;
- 2,726,027 common shares of the Company were issued as a result of OID Loan conversions during the period;
- 783,357 common shares of the Company were issued to settle outstanding obligations related to the Citiva acquisition;
- 2,597,577 common shares of the Company were issued as a result of stock option exercises for cash proceeds of \$3,814; and
- 2,985,734 common shares of the Company were issued as a result of warrant exercises for cash proceeds of \$7,699.

## 13 Share-based Payments

### Stock Options

In November 2015, ICM established the ICM 2015 Equity Compensation Plan (the "Plan"), which was subsequently amended on October 15, 2018. The Plan authorized the issuance of up to 2,000,000 Class A common shares. Options granted generally vest over 1 to 2 years, and typically have a life of 10 years. The option price under the Plan is determined at the sole discretion of management, but in no case, will it be less than 100.0% of the fair market value of a share on the date prior to the grant date.

The Company has 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 20.0% of the issued and outstanding common shares of the Company. The exercise price of each 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:

	March 31, 2019			December 31, 2018		
	Units	Weighted Average Exercise Price (CAD\$)	Weighted Average Contractual Life	Units	Weighted Average Exercise Price (CAD\$)	Weighted Average Contractual Life
Options outstanding, beginning	7,171,250 \$	3.51		3,816,000 \$	2.15	9.12
Granted <sup>(1)</sup>	5,477,524	2.74		3,823,500	4.77	
Exercised <sup>(2)</sup>	(2,619,656)	1.99		(168,750)	2.20	
Expired	(87,086)	4.71		(299,500)	3.06	
Options outstanding, ending	<b>9,942,032 \$</b>	<b>3.48</b>	<b>7.10</b>	<b>7,171,250 \$</b>	<b>3.51</b>	<b>8.84</b>

<sup>(1)</sup> All stock options granted during the period pertain to the conversion of MPX stock options into iAnthus stock options. Upon completion of the MPX Acquisition, all MPX stock options became fully vested.

<sup>(2)</sup> Under the Plan, holders of the Company's stock options are entitled to a cashless exercise, whereby the Company will issue common shares net of the monetary value that would otherwise have been remitted to the Company by the option holder. As a result, the number of common shares issued is less than the number of options exercised. During the three months ended March 31, 2019, 2,619,656 stock options were exercised, which resulted in the issuance of 2,597,577 common shares and 22,079 forfeited stock options attributable to cashless component of option exercises.

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:

	March 31, 2019	December 31, 2018
Risk-free interest rate	1.6 - 2.2%	1.3 - 2.5%
Expected dividend yield	0.0%	0.0%
Expected volatility	76.1% - 96.9%	75.5% - 96.9%
Expected option life	7 years	7 years

As the Company became publicly traded in September 2016, sufficient historical trading information for the Company was not available for the Black-Scholes model up until January 1, 2019. Therefore, the Company initially used the expected volatility rates based upon historical data from comparable companies. As of March 31, 2019, the Company has sufficient historical trading data to use as a basis for determining expected volatility.

The related share-based compensation expense for the three months ended March 31, 2019, was \$1,646 (March 31, 2018 - \$1,754).

## 13 Share-based Payments (cont.)

### Warrants

The continuity of warrants for the Company is as follows:

	Number		Weighted average exercise price (CAD\$)
Balance as at December 31, 2017	1,698,320	\$	2.06
Granted	20,697,553		3.40
Exercised	(1,461,878)		2.16
Balance as at December 31, 2018	20,933,995	\$	3.38
Granted <sup>(1)</sup>	12,773,731		4.57
Exercised <sup>(2)</sup>	(2,985,734)		3.54
<b>Balance as at March 31, 2019</b>	<b>30,721,992</b>	<b>\$</b>	<b>4.18</b>

<sup>(1)</sup> Of the 12,773,731 warrants granted during the period, 9,169,102 warrants were inherited from the MPX Acquisition with exercise prices ranging from CAD \$1.20 to CAD \$6.93. 2,177,291 warrants with exercise prices of \$6.43 pertained to March 2019 Debentures. 1,363,013 of the warrants issued during the period were granted as a result of the OID Loan conversion.

<sup>(2)</sup> Of the 2,985,734 warrants exercised during the period, 2,539,362 warrants exercised were inherited from the MPX Acquisition. The exercise of these warrants yielded \$7,699 in proceeds for the three months ended March 31, 2019.

As at February 5, 2019, the Company assumed warrant derivatives associated with the MPX Acquisition and were valued using the Black-Scholes model with the following inputs: volatility range of 57.1% to 75.4%, dividend yield of 0.0% and risk-free rate of 1.8%. This resulted in a total fair value of \$20,350 at March 31, 2019 (December 31, 2018 - \$Nil).

As at March 31, 2019, warrant derivatives held by the Company were revalued, with inputs as volatility ranging from 34.1% to 80.7%, dividend yield of 0.0% and risk-free rate of 1.5%. This resulted in a fair value of \$46,391 at March 31, 2019 (December 31, 2018 - \$1,255). On the revaluation for the three months ended March 31, 2019, the Company recognized a gain of \$3,210 (March 31, 2018 - \$6,971).

### March 2019 Debentures

On March 15, 2019 the Company issued the March 2019 Debentures and currently issued 2,177,291 warrants at \$6.43 to purchase common shares of the Company. Refer to Note 10 for further details on the March 2019 Debentures.

Full share equivalent warrants outstanding and exercisable are as follows:

Year of expiry	March 31, 2019		December 31, 2018	
	Number outstanding	Weighted average exercise price (CAD\$)	Number outstanding	Weighted average exercise price (CAD\$)
2019	3,260,393	\$ 3.74	715,306	\$ 2.33
2020	-	-	-	-
2021	22,240,454	3.74	20,218,689	3.41
2022	3,431,051	7.27	-	-
2023	1,790,094	4.57	-	-

## 14 Financial Instruments

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).

## 14 Financial Instruments (cont.)

The carrying values of cash, receivables, payables 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, with the exception of the Stavola Trust Note (Note 10), have no terms and are payable on demand, thus also considered current and short-term in nature, hence carrying value approximates fair value.

The following table summarizes the Company's financial instruments as at March 31, 2019:

	Amortized cost	Fair value through profit and loss	Total
<b>Financial Assets</b>			
Cash	\$ 42,338	\$ -	\$ 42,338
Receivables and prepaid assets	5,848	-	5,848
Long-term investment - FVTPL	-	100	100
Long-term investment- Amortized cost	262	-	262
<b>Financial Liabilities</b>			
Payables and accrued liabilities	\$ 20,465	\$ -	\$ 20,465
Long-term debt	95,438	-	95,438
Derivative liabilities	-	46,391	46,391

The following table summarizes the Company's financial instruments as at December 31, 2018:

	Amortized cost	Fair value through profit and loss	Total
<b>Financial Assets</b>			
Cash	\$ 15,295	\$ -	\$ 15,295
Receivables and prepaid assets	3,847	-	3,847
Long-term investment - FVTPL	-	100	100
Long-term investment- Amortized cost	252	-	252
<b>Financial Liabilities</b>			
Payables and accrued liabilities	\$ 6,509	\$ -	\$ 6,509
Long-term debt	31,231	-	31,231
Derivative liabilities	-	1,255	1,255

The following table presents the fair value hierarchy for the Company's financial assets and financial liabilities that are re-measured at their fair values periodically:

	March 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>								
Investment - Other	\$ -	\$ -	\$ 100	\$ 100	\$ -	\$ -	\$ 100	\$ 100
<b>Financial Liabilities</b>								
Derivative liabilities	\$ -	\$ -	\$ 46,391	\$ 46,391	\$ -	\$ -	\$ 1,255	\$ 1,255

The Company's equity investment in 4Front Ventures, presented in long-term investments in the condensed interim consolidated financial statements, is considered to be a Level 3 instrument because it comprises shares of a private company, thus there is no active market for the shares and no observable market data or inputs.

All derivatives are recorded at fair value and are estimated using the Black-Scholes option pricing model, and are considered to be Level 3 instruments. Derivative liabilities include: warrants issued in connection with the November 2017 financing (Note 10) and warrants issued by MPX assumed by the Company as part of the MPX Acquisition (Note 4 and Note 12). During the periods ended March 31, 2019, and December 31, 2018, there were no transfers between Level 1, Level 2 and Level 3 within the fair value hierarchy.

## 14 Financial Instruments (cont.)

Changes in level 3 financial assets and liabilities were as follows:

		Derivative Liabilities
Balance at December 31, 2017	\$	593
Additions		12,260
Settlement in acquisitions (Note 4)		(474)
Revaluations on level 3 instruments		8,629
Reclassifications on currency change		(16,782)
Conversions		(2,934)
Foreign exchange impact		(37)
Balance at December 31, 2018	\$	1,255
Additions		48,346
Revaluations on level 3 instruments		(3,210)
<b>Balance at March 31, 2019</b>	<b>\$</b>	<b>46,391</b>

The table below is the summary of the Company's long-term debt instruments (Note 10) at carrying value and fair value:

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Debt</b>				
OID Loan	\$ 27,792	\$ 28,215	\$ -	\$ -
Debentures	24,751	38,925	-	-
HY Notes	32,046	44,843	31,231	46,715
Stavola Trust Note	10,000	10,000	-	-
Other	849	854	-	-
<b>Total</b>	<b>\$ 95,438</b>	<b>\$ 122,837</b>	<b>\$ 31,231</b>	<b>\$ 46,715</b>

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, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors and management.

	< 1 Year	1-2 Years	3-5 Years	> 5 Years	Total
<b>USD Denominated</b>					
Payables and accrued liabilities	\$ 19,874	\$ -	\$ -	\$ -	\$ 19,874
Long-term debt	46,670	8,236	86,595	1,094	142,595
<b>Total USD Denominated</b>	<b>\$ 66,544</b>	<b>\$ 8,236</b>	<b>\$ 86,595</b>	<b>\$ 1,094</b>	<b>\$ 162,469</b>
<b>CAD Denominated</b>					
Payables and accrued liabilities	\$ 785	\$ -	\$ -	\$ -	\$ 785
<b>Total CAD Denominated</b>	<b>\$ 785</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 785</b>

## 15 Commitments and Contingent Liabilities

The Company has contractual obligations as of March 31, 2019, to make the following payments:

	< 1 Year	1-2 Years	3-5 Years	> 5 Years	Total
Leases	4,129	4,052	11,495	40,739	60,415
Consultants and advisors	639	89	14	-	742
Construction contracts	8,912	-	-	-	8,912
<b>Total Commitments</b>	<b>\$ 13,680</b>	<b>\$ 4,141</b>	<b>\$ 11,509</b>	<b>\$ 40,739</b>	<b>\$ 70,069</b>

The Company's commitments include consultants and advisors, as well as leases and construction contracts for offices, dispensaries and cultivation facilities.

### Contingencies

The Company has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Based on consultation with counsel, management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

The events that allegedly gave rise to the following claims occurred prior to the Company's closing of the MPX transaction in February 2019. The Company is currently reviewing the matters with counsel and has not yet determined the range of potential losses. Management is of the view that the actions do not present material financial risks to the Company.

- On March 26, 2019, MPX received a demand letter from a corporate finance firm, with respect to alleged fees owed by MPX to the firm, claiming the right to receive approximately \$1,700 and 3.0 million options of MPX.
- There is a claim from a former consultant against MPX, with respect to alleged consulting fees owed by MPX to the consultant, claiming the right to receive approximately \$500 and punitive damages.
- There is a claim from two former noteholders against MPX ULC, with respect to alleged payments of \$1,250 made by the noteholders to MPX.

## 16 Related Party Transactions

<b>Due from related parties as at December 31, 2017</b>	<b>\$</b>	<b>348</b>
Repayments made to related parties		50
Foreign exchange loss on due from related parties balance		(7)
<b>Due from related parties as at December 31, 2018</b>	<b>\$</b>	<b>391</b>
Related party due from balance acquired		(10,553)
Payments to and on behalf of related parties		617
Repayments made to related parties		31
Repayments made from related parties		(7)
<b>Due to related parties as at March 31, 2019</b>	<b>\$</b>	<b>(9,521)</b>

As of March 31, 2019, the Company had a loan due from an officer and director of the Company, Hadley Ford, with a balance of \$391. The total loan facility is up to CAD\$500 (equivalent \$391) 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. Accrued interest on the loan for the three months ended March 31, 2019, was CAD\$21 (equivalent \$16) (December 31, 2018 - CAD\$18 or equivalent \$13). The related party balance is presented in the other current assets line on the condensed interim consolidated statement of financial position.

## 16 Related Party Transactions (cont.)

As part of the MPX Acquisition, the Company acquired the following significant related party balances:

- Related party receivables of \$614 and \$50, are due from companies owned by a director and officer of the Company, Elizabeth Stavola. The balances were \$814 and \$430 respectively, as at March 31, 2019 (December 31, 2018 - \$Nil and \$Nil, respectively). The related party balances are presented in the other current assets line on the condensed interim consolidated statement of financial position.
- Related party term loan of \$10,000, is due to a trust whose beneficiary is a director and officer of the Company, Elizabeth Stavola. Accrued interest on the loan for the three months ended March 31, 2019, was \$200 (December 31, 2018 - \$Nil). The related party balance is included in current liabilities on the condensed interim consolidated statement of financial position. Refer to Note 12 for further details on the Stavola Trust Note.

## 17 Supplemental Cash Flow Information and Capital Management

### Supplemental Cash Flow Information

Non-cash transactions for the three months ended March 31, 2019 and 2018 were as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
<b>Supplemental Cash Flow Information:</b>		
Shares issued for the conversion of the OID Loan	\$ 9,419	\$ -
Impact of IFRS 16 adoption (Note 19)	13,081	-
Non-cash consideration transferred for the acquisition of MPX (Note 4)	45,174	-
Exercise of MPX warrants recorded as derivatives	3,848	-
Warrants issued for the settlement of the January 2018 Debentures	-	12,259
Shares issued for the settlement of the February 2017 Debentures	-	5,446
Non-cash consideration transferred for the acquisition of GrowHealthy	-	43,817
Non-cash consideration transferred for the acquisition of Citiva	-	21,156
Shares issued as settlement of conversion for convertible promissory notes	-	300
Shares issued for the settlement of interest payable	-	23

Non-cash working capital items for the three months ended March 31, 2019 and 2018 were as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
<b>Changes in non-cash working capital items:</b>		
Receivables and prepaid expenses	\$ (814)	\$ (403)
Accounts payable and accrued liabilities	6,385	(402)
Other assets	(1,304)	-
Other liabilities	(547)	-
Inventory	1,370	(1,336)
Related party balances	(490)	(276)
	<b>\$ 4,600</b>	<b>\$ (2,417)</b>

### Capital Management

Capital includes the Company's unrestricted cash balance of \$42,338 and restricted cash balance of \$Nil at March 31, 2019 (December 31, 2018 - \$15,295 and \$5,272 respectively).

## 18 Events After the Reporting Period

### OID Loan 2019 Redemption

Subsequent to March 31, 2019, iAnthus issued 8,891,016 shares and 4,445,504 warrants to satisfy all remaining OID Loan holders that were eligible for conversion. On April 24, 2019, the Company completed the redemption of the outstanding OID Loan.

### May 2019 Private Placement

On May 2, 2019, the Company completed a private placement of \$25,000 of unsecured convertible debentures (the "May 2019 Debentures") and corresponding warrants of 1,555,207 to purchase common shares of the Company. The May 2019 Debentures mature on March 15, 2023, and accrue interest at a rate of 8.0% annually.

The May 2019 Debentures are convertible at \$5.92 per common share, which would convert into an aggregate 4,222,971 common shares of the Company. At any time, following September 1, 2019, the Company may force the conversion of the May 2019 Debentures into common shares if the daily volume weighted average trading price of the Company's common shares on the OTCQX is greater than \$10.29 for any ten consecutive trading days.

Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$6.43 per common share from the closing date until March 15, 2022.

### Warrants Exercised

Subsequent to the three months ended March 31, 2019, 574,847 warrants were exercised and resulted in the issuance of an equal number of Common Shares. The proceeds from the exercised warrants totaled \$1,557.

### Line of Credit to Zia Integrated, LLC

On May 23, 2019, the Company established a line of credit with Zia Integrated, LLC, ("Zia") a cannabis management and consulting firm based in Maryland, permitting Zia drawdowns of up to an aggregate of \$15,000. For each drawdown made by Zia, a convertible promissory note will be issued between the Company and Zia. As of the date of filing of the condensed interim consolidated financial statements, no drawdowns have been made on the line of credit and the principal amount on the convertible promissory note is \$Nil.

### Letter of Intent to Acquire CBD For Life

On March 29, 2019, the Company announced a letter of intent to acquire CBD for Life, a national CBD brand in the U.S. The transaction is expected to close subsequently.

The transaction with CBD For Life is a related party transaction due to the fact Elizabeth Stavola is an officer and director of iAnthus and an officer and significant shareholder of CBD For Life. Closing of the transaction with CBD For Life is subject to the parties entering into a definitive agreement and that iAnthus receives a fairness opinion to the members of the Board of Directors who are non-related parties. The parties expect to enter into a definitive agreement during 2019. There can be no assurances that the transaction will be completed as proposed or at all.

### Options Granted

7,181,050 options granted on April 23, 2019 to executives, employees and consultants were cancelled on June 6, 2019. Concurrently with the cancellation, 9,649,047 options were granted on June 6, 2019 to executives, employees, and consultants with an exercise price of CAD\$5.35 and expiry of June 6, 2029. On June 17, 2019, 5,790,150 of the options granted on June 6, 2019 at an exercise price of CAD\$5.35 and expiry of June 6, 2029, were cancelled. The Board of Directors plans to reissue the options in 30 days from June 17, 2019, subject to regulatory requirements and the terms and conditions of the Company's stock option incentive plan. The exercise price of the new stock options shall be either the higher of the closing price the day prior to issuance or CAD\$7.50.



## 19 Significant Accounting Policies

### Accounting Policies

The significant accounting policies as disclosed in the Company's annual consolidated financial statements as at December 31, 2018, have been applied consistently in the preparation of these condensed interim consolidated financial statements, with the exception of new accounting standards and interpretations, effective January 1, 2019. These new standards and interpretations have been applied in the preparation of these condensed interim consolidated financial statements and are summarized as follows:

#### *IFRS 16 Leases*

##### (a) Accounting Policy

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset ("ROU asset") representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Under IFRS 16, amounts previously recorded as an operating expense on the consolidated statement of loss and comprehensive loss are to be allocated between amortization of the lease liability and derived interest expense. Effective January 1, 2019, the Company adopted IFRS 16. The impact of the transition is shown below. The Company's accounting policy under IFRS 16 is as follows:

At commencement of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A ROU asset and lease liability is recognized at the lease commencement date. The lease liability is initially measured at the present value of all future lease payments that have not been paid as of the commencement date of the lease, discounted using the Company's incremental borrowing rate, in the absence of a readily identifiable rate of interest implicit to the lease.

The ROU asset is initially measured at cost, which is calculated as the initial amount of the lease liability, with an adjustment for any initial direct costs incurred, plus adjustments for any lease payments made in advance of the commencement date, and less any lease incentives received. Subsequent to initial recognition, the ROU asset is depreciated on a straight-line basis over the term of the lease, with inclusion for any options to extend that the Company reasonably expects to exercise. ROU assets are tested for impairment in accordance with IAS 36 Impairment of assets.

The lease liability is subsequently measured at amortized cost using the effective interest method whereby the balance is increased by interest expense and decreased by lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has included the carrying value of ROU assets under fixed assets (Note 8) on the statement of financial position, and the carrying value of the lease liability within other liabilities (Note 11) as at March 31, 2019.

##### (b) Impact of Transition to IFRS 16

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. Under the elected modified retrospective approach, there is no requirement to restate comparative information. Therefore, the Company recognized the cumulative effect of initially applying IFRS 16 as an adjustment to retained earnings as at January 1, 2019.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases and applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 Leases and IFRIC 4 were not reassessed to determine if a lease existed. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019. The Company has also elected to apply the practical expedient to account for leases for which the lease terms end within 12 months of the date of initial application as short-term leases. The Company has elected to not recognize ROU assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low-value assets, and instead recognizes the lease payments on a straight-line basis over the term of the lease as an expense.

## 19 Significant Accounting Policies (cont.)

### (b) Impact of Transition to IFRS 16 (cont.)

For leases that were classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments discounted at the incremental borrowing rate as at January 1, 2019. ROU assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the incremental borrowing rate as at January 1, 2019. The weighted average discount rate applied is 20.0%.

For leases that were classified as finance leases under IAS 17, the carrying amount of the ROU assets and the lease liabilities as at January 1, 2019 were determined as the carrying amount of the lease assets and lease liabilities under IAS 17 immediately before that date.

On transition to IFRS 16, the Company recognized an additional \$13,386 of ROU assets and \$13,081 of lease liabilities, with the difference resulting from adjustments to the ROU asset for lease payments made in advance of the commencement date. The Company's portfolio of leases primarily consists of cultivation, processing, and dispensary facilities.

The following table reconciles the Company's operating lease obligations as at December 31, 2018, as previously disclosed in the Company's annual consolidated financial statements, to the lease obligation recognized on initial application of IFRS 16 at January 1, 2019:

<b>Reconciliation – IAS 17 to IFRS 16</b>	
Operating lease obligations as at December 31, 2018	\$ 37,194
Gross lease liabilities at January 1, 2019	37,194
Discounting	(24,113)
Present value of finance lease liabilities at January 1, 2019	\$ 13,081

### *IFRIC 23 Uncertainty over income tax treatments*

On June 7, 2017, the IASB introduced IFRIC 23 – Uncertainty over income tax treatments, with the objective of clarifying the recognition and measurement requirements in IAS 12 – Income taxes when there is uncertainty over income tax treatments. The Company has adopted IFRIC 23 as of January 1, 2019, with no impact on its condensed interim consolidated financial statements.