

iAnthus Capital Holdings, Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2019 and 2018

(unaudited)

Condensed Interim Consolidated Statement of Financial Position

	Note	September 30, 2019	December 31, 2018
ASSETS			
Current Assets			
Cash	17	\$ 27,933	\$ 15,295
Restricted cash	17	-	5,272
Receivables and prepaid assets		9,938	3,847
Inventory	5	30,681	11,560
Biological assets	6	13,297	4,744
Other current assets		3,590	1,283
		\$ 85,439	\$ 42,001
Non-current Assets			
Long-term investments	7	2,901	2,632
Fixed assets	8	121,693	29,578
Intangible assets	9	177,510	56,493
Goodwill	9	440,363	37,454
Other assets		3,683	234
		\$ 746,150	\$ 126,391
TOTAL ASSETS		\$ 831,589	\$ 168,392
LIABILITIES AND EQUITY			
Current Liabilities			
Payables and accrued liabilities		\$ 26,699	\$ 6,509
Current portion of long-term debt	10	10,846	-
Derivative liabilities	14	1,933	1,255
Other current liabilities	11	2,144	553
		\$ 41,622	\$ 8,317
Non-current Liabilities			
Long-term debt	10	97,740	31,231
Deferred tax liabilities		50,368	17,589
Other liabilities	11	22,310	-
		\$ 170,418	\$ 48,820
Total Liabilities		\$ 212,040	\$ 57,137
Shareholders' Equity			
Share capital		659,715	158,365
Shares to be issued		1,531	2,130
Reserves		84,646	33,190
Accumulated deficit		(126,420)	(82,507)
Accumulated other comprehensive income		77	77
Total Shareholders' Equity		\$ 619,549	\$ 111,255
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 831,589	\$ 168,392

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 September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Sales revenues		\$ 22,341	\$ 939	\$ 51,161	\$ 1,420
Cost of sales		(11,599)	(329)	(29,485)	(408)
Gross profit before fair value adjustments		10,742	610	21,676	1,012
Fair value adjustment on sale of inventory	19	(6,071)	(397)	(16,163)	(480)
Fair value adjustment on biological assets	6, 19	11,879	2,415	28,041	6,301
Gross profit		16,550	2,628	33,554	6,833
Operating expenses					
General and administrative		8,393	1,855	18,110	4,516
Salaries and employee benefits		9,261	2,779	23,467	7,263
Share-based compensation	13	9,537	1,676	20,770	5,681
Depreciation and amortization	8, 9	5,294	668	13,847	1,796
Professional fees		4,569	1,812	13,044	6,647
Acquisition-related costs	4	236	32	6,468	265
Total operating expenses		37,290	8,822	95,706	26,168
Other items					
Other income		136	135	389	858
Interest expense		(3,722)	(1,315)	(9,538)	(3,463)
Accretion expense	10	(1,868)	(2,066)	(7,990)	(15,328)
Change in fair value on financial instruments	14	10,223	(1,018)	36,214	(9,188)
Other gains		701	436	250	355
Total other items		5,470	(3,828)	19,325	(26,766)
Net loss		\$ (15,270)	\$ (10,022)	\$ (42,827)	\$ (46,101)
Other comprehensive gains					
Foreign currency translation gain (loss)		-	-	-	219
Comprehensive loss		\$ (15,270)	\$ (10,022)	\$ (42,827)	\$ (45,882)
Loss per share - basic and diluted		\$ (0.09)	\$ (0.15)	\$ (0.28)	\$ (0.76)
Weighted average number of common shares outstanding - basic and diluted		171,613,419	67,776,311	153,699,374	60,640,223

See accompanying notes to the condensed interim consolidated financial statements

Condensed Interim Consolidated Statements of Changes in Equity

	Note	Common Shares (Units)	Class A Shares (Units)	Share Capital	Shares to be Issued	Option Reserves	Warrant Reserves	Convertible Debt Reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Shareholders' Equity
Balance – January 1, 2019		58,722,261	15,440,704	\$ 158,365	\$ 2,130	\$ 11,427	\$ 20,092	\$ 1,671	\$ 77	\$ (82,507)	\$ 111,255
Acquisition of MPX	4	75,795,208	-	403,071	1,500	21,704	6,391	-	-	-	432,666
Acquisition of CBD For Life	4	2,443,181	-	7,989	31	-	-	-	-	-	8,020
Acquisition-related costs	4	170,000	-	904	-	-	-	-	-	-	904
Financing in March 2019	12	116,600	-	688	-	-	5,303	3,698	-	-	9,689
Financing in May 2019	12	15,548	-	75	-	-	2,950	3,853	-	-	6,878
Financing in September 2019	10	-	-	-	-	-	993	1,587	-	-	2,580
Issuance of shares to settle Original Issue Discount Loan	10	11,617,044	-	50,080	-	-	-	-	-	-	50,080
Issuance of shares to settle outstanding obligations	12	760,572	-	4,385	(2,130)	-	-	-	-	(1,279)	976
Share issuance costs	-	-	-	(558)	-	-	-	-	-	-	(558)
Share-based compensation	13	-	-	-	-	20,770	-	-	-	-	20,770
Exercise of stock options	13	2,810,371	88,224	16,430	-	(12,259)	-	-	-	-	4,171
Exercise of warrants	13	3,605,170	-	18,286	-	-	(3,534)	-	-	-	14,752
Conversion of Class A to Common Shares	12	15,528,928	(15,528,928)	-	-	-	-	-	-	-	-
Impact from adoption of IFRS 16	-	-	-	-	-	-	-	-	-	193	193
Net loss	-	-	-	-	-	-	-	-	-	(42,827)	(42,827)
Balance – September 30, 2019		171,584,883	-	\$ 659,715	\$ 1,531	\$ 41,642	\$ 32,195	\$ 10,809	\$ 77	\$ (126,420)	\$ 619,549

	Note	Common Shares (Units)	Class A Shares (Units)	Share Capital	Shares to be Issued	Option Reserves	Warrant Reserves	Convertible Debt Reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Shareholders' Equity
Balance – January 1, 2018		26,337,355	11,255,000	\$ 32,681	\$ 113	\$ 4,101	\$ 3,852	\$ 1,699	\$ (142)	\$ (20,479)	\$ 21,825
Acquisition of Florida Entities	-	12,103,172	-	38,393	-	-	-	-	-	-	38,393
Acquisition of Citiva	-	3,029,699	1,977,563	18,176	2,161	-	-	-	-	-	20,337
Acquisition of FWR	-	56,819	-	113	(113)	-	-	-	-	-	-
Acquisition of Pilgrim	-	1,655,734	-	4,000	-	-	-	-	-	-	4,000
Issuance of shares to settle February 2017 Debentures	-	6,173,938	-	16,320	-	-	-	(1,699)	-	-	14,621
Issuance of shares to settle Convertible Promissory Notes	-	773,579	-	4,209	-	-	-	-	-	-	4,209
Issuance of shares as settlement for interest payable	-	40,439	-	91	-	-	-	-	-	-	91
Financing in May 2018	-	-	3,891,051	13,408	-	-	1,271	1,671	-	-	16,350
Financing in October 2018	-	-	-	-	574	-	-	-	-	-	574
Issuance of shares to related parties and consultants	-	65,900	-	349	-	-	-	-	-	-	349
Share issuance costs	-	-	-	(32)	-	-	-	-	-	-	(32)
Share-based compensation	-	-	-	-	-	5,690	-	-	-	-	5,690
Exercise of warrants	-	1,082,515	-	3,769	-	-	(773)	-	-	-	2,996
Exercise of stock options	-	112,500	-	331	-	(205)	-	-	-	-	126
Conversion of Class A to Common Shares	-	980,000	(980,000)	-	-	-	-	-	-	-	-
Adjustment due to functional currency changes	-	-	-	-	-	-	16,782	-	-	-	16,782
Other comprehensive loss	-	-	-	-	-	-	-	-	219	-	219
Net loss	-	-	-	-	-	-	-	-	-	(46,102)	(46,102)
Balance – September 30, 2018		52,411,650	16,143,614	\$ 131,808	\$ 2,735	\$ 9,586	\$ 21,132	\$ 1,671	\$ 77	\$ (66,581)	\$ 100,428

See accompanying notes to the condensed interim consolidated financial statements

Condensed Interim Consolidated Statement of Cash Flows

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Operating activities		
Net loss	\$ (42,827)	\$ (46,102)
Adjustments for non-cash items:		
Fair value adjustment on biological assets	(28,041)	(7,777)
Fair value adjustment on sale of inventory	16,163	(480)
Share-based compensation	20,770	5,681
Depreciation and amortization	13,847	1,796
Acquisition-related costs	6,468	-
Interest income	(52)	(559)
Interest expense	9,538	3,463
Accretion expense	7,990	15,328
Change in fair value on financial instruments	(36,214)	9,188
Other gains and losses	(215)	(540)
Shares issued to consultants	-	349
Loss on disposition of fixed assets	2,084	361
Changes in non-cash working capital items	3,306	333
Net cash used in operating activities	\$ (27,183)	\$ (18,959)
Investing activities		
Purchase of fixed assets	(44,342)	(6,282)
Acquisition of intangible assets	(680)	(147)
Acquisition of subsidiaries	989	(18,118)
Acquisition-related costs	(5,564)	-
Other investments	-	8,517
Net cash used in investing activities	\$ (49,597)	\$ (16,030)
Financing activities		
Issuance of debt	80,000	36,972
Debt issuance costs	(1,341)	-
Repayment of debt	(25)	(20,000)
Issuance of share capital	973	17,899
Share issuance costs	(558)	(32)
Issuance of warrants	-	12,260
Exercise of warrants	9,387	1,901
Exercise of stock options	4,171	148
Interest paid	(7,962)	(3,678)
Payment of lease obligations	(499)	-
Net cash generated from financing activities	\$ 84,146	\$ 45,469
Net increase in cash	7,366	10,480
Cash and restricted cash, beginning of the period	20,567	6,175
Effect of exchange changes on cash held	-	(1,009)
Cash, end of the period	\$ 27,933	\$ 15,647

Please refer to Note 17 for supplemental Cash Flow Information.

See accompanying notes to the condensed interim consolidated financial statements below.

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 and cannabidiol (“CBD”) 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 across the states in which the Company operates in the U.S. Additionally, the Company distributes CBD products online and to retail locations across the United States.

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 (“IFRIC”), effective for the Company’s reporting for the three and nine months ended September 30, 2019.

These condensed interim consolidated financial statements for the three and nine months ended September 30, 2019, 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, 2018, which were filed on April 12, 2019, on SEDAR. These condensed interim consolidated financial statements were approved by the Board of Directors on November 19, 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 nine months ended September 30, 2019, the Company reported a net loss of \$42,827, operating cash outflows of \$27,183, and an accumulated deficit of \$126,420 as at September 30, 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 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.

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.

2 Basis of Preparation (cont.)

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 September 30, 2019:

Subsidiary	Jurisdiction	Interest
MPX Biocetical ULC ("MPX ULC") ⁽¹⁾	Canada	100%
MPX Luxembourg SARL ("MPX Lux") ⁽¹⁾	Luxembourg	100%
ABACA, LLC ("ABACA") ⁽¹⁾	Arizona, USA	100%
Ambary, LLC ("Ambary") ⁽¹⁾	Arizona, USA	100%
H4L Management East, LLC ("H4L Management East") ⁽¹⁾	Arizona, USA	100%
H4L Management North, LLC ("H4L Management North") ⁽¹⁾	Arizona, USA	100%
Health For Life, Inc. ("Health for Life Arizona") ⁽¹⁾	Arizona, USA	100%
S8 Industries, LLC ("S8 Industries") ⁽¹⁾	Arizona, USA	100%
S8 Management, LLC ("S8 Management") ⁽¹⁾	Arizona, USA	100%
S8 Rental Services, LLC ("S8 Rentals") ⁽¹⁾	Arizona, USA	100%
S8 Transportation, LLC ("S8 Transportation") ⁽¹⁾	Arizona, USA	100%
Soothing Options, Inc. ("Soothing Options") ⁽¹⁾	Arizona, USA	100%
Tarmac Manufacturing, LLC ("Tarmac") ⁽¹⁾	Arizona, USA	100%
The Healing Center Wellness Center, LLC ("Healing Center Wellness Center") ⁽¹⁾	Arizona, USA	100%
Tower Management Holdings, LLC ("Tower Management") ⁽¹⁾	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") ⁽¹⁾	Maryland, USA	100%
GreenMart of Maryland, LLC ("GreenMart of Maryland") ⁽¹⁾	Maryland, USA	100%
LMS Wellness, Benefit, LLC ("LMS") ⁽¹⁾	Maryland, USA	100%
Rosebud Organics, Inc. ("Rosebud") ⁽¹⁾	Maryland, USA	100%
Cannatech Medicinals, Inc. ("Cannatech") ⁽¹⁾	Massachusetts, USA	100%
Fall River Development Company, LLC ("FRDC") ⁽¹⁾	Massachusetts, USA	100%
IMT, LLC ("IMT") ⁽¹⁾	Massachusetts, USA	100%
Mayflower Medicinals, Inc. ("Mayflower")	Massachusetts, USA	100%
Pilgrim Rock Management, LLC ("Pilgrim")	Massachusetts, USA	100%
CGX Life Sciences, Inc. ("CGX") ⁽¹⁾	Nevada, USA	100%
CinG-X Corporation of America ("CinG-X America") ⁽¹⁾	Nevada, USA	100%
GreenMart of Nevada NLV, LLC ("GreenMart NV") ⁽¹⁾	Nevada, USA	100%
iAnthus Northern Nevada, LLC ("iA Nevada")	Nevada, USA	100%
GTL Holdings, LLC ("GTL")	New Jersey, USA	100%
iA CBD, LLC ("iA CBD")	New Jersey, USA	100%
iAnthus New Jersey, LLC ("INJ")	New Jersey, 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%

⁽¹⁾ Subsidiaries acquired in the MPX acquisition (Note 4).

2 Basis of Preparation (cont.)

Accounting Estimates and Judgements by Management

The preparation of these 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 change in accounting policy in relation to IAS 41 *Agriculture*, the adoption of IFRS 16 *Leases* and IFRIC 23 *Uncertainty Over Income Tax Treatments* (Note 19). Actual results may differ from these estimates.

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"). Judgement was required to determine which entity was 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 primarily by geographic region. Following the MPX Acquisition (Note 4), the Company's Chief Operating Decision Maker began to regularly review internal financial reporting and make decisions based on broader geographic regions. 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, Vermont, and its CBD business. 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.

	As at September 30, 2019			
	Eastern Region	Western Region	Corporate	Total
Statement of financial position				
Total assets	\$ 488,184	\$ 311,678	\$ 31,727	\$ 831,589
Total liabilities	(49,199)	(8,648)	(154,193)	(212,040)
Net assets	\$ 438,985	\$ 303,030	\$ (122,466)	\$ 619,549
Other information				
Fixed assets	\$ 102,749	\$ 17,579	\$ 1,365	\$ 121,693
Goodwill	243,186	197,177	-	440,363
Other non-current assets	105,671	72,215	6,208	184,094
Total non-current assets	\$ 451,606	\$ 286,971	\$ 7,573	\$ 746,150
	Nine months ended September 30, 2019			
	Eastern Region	Western Region	Corporate	Total
Statement of operations				
Revenues	\$ 27,560	\$ 23,601	\$ -	\$ 51,161
Gross profit	29,865	3,689	-	33,554
Operating expenses	(30,646)	(10,767)	(54,293)	(95,706)
Other Items	(1,854)	(384)	21,563	19,325
Net profit (loss)	\$ (2,635)	\$ (7,462)	\$ (32,730)	\$ (42,827)

3 Segment Information (cont.)

					Three months ended September 30, 2019	
	Eastern Region	Western Region	Corporate	Total		
Statement of operations						
Revenues	\$ 13,220	\$ 9,121	\$ -	\$ 22,341		
Gross profit	14,430	2,120	-	16,550		
Operating expenses	(11,577)	(4,822)	(20,891)	(37,290)		
Other Items	(503)	355	5,618	5,470		
Net profit (loss)	\$ 2,350	\$ (2,347)	\$ (15,273)	\$ (15,270)		

					As at December 31, 2018	
	Eastern Region	Western Region	Corporate	Total		
Statement of financial position						
Total assets	\$ 141,490	\$ 4,374	\$ 22,528	\$ 168,392		
Total liabilities	(22,106)	(249)	(34,782)	(57,137)		
Net assets	\$ 119,384	\$ 4,125	\$ (12,254)	\$ 111,255		
Other information						
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		
Total non-current assets	\$ 121,276	\$ 4,189	\$ 926	\$ 126,391		

					Nine months ended September 30, 2018	
	Eastern Region	Western Region	Corporate	Total		
Statement of operations						
Revenues	\$ 1,420	\$ -	\$ -	\$ 1,420		
Gross profit	6,833	-	-	6,833		
Operating expenses	(10,148)	(150)	(15,870)	(26,168)		
Other Items	(38)	1,060	(27,788)	(26,766)		
Net profit (loss)	\$ (3,353)	\$ 910	\$ (43,658)	\$ (46,101)		

					Three months ended September 30, 2018	
	Eastern Region	Western Region	Corporate	Total		
Statement of operations						
Revenues	\$ 939	\$ -	\$ -	\$ 939		
Gross profit	2,628	-	-	2,628		
Operating expenses	(4,125)	(36)	(4,661)	(8,822)		
Other Items	(23)	157	(3,961)	(3,827)		
Net profit (loss)	\$ (1,520)	\$ 121	\$ (8,622)	\$ (10,021)		

4 Acquisitions and Business Combinations

Acquisition of MPX Bioceutical Corporation

On February 5, 2019, the Company completed the MPX Acquisition and assumed 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 final purchase price allocation:

Cash	\$	4,058
Receivables and prepaid assets		545
Inventory		9,529
Biological assets		1,925
Other current assets		4,034
Fixed assets		42,173
Other non-current assets		300
Intangibles		127,280
Goodwill		394,354
		584,198
Deferred tax liability		(32,599)
Payables and accrued liabilities		(10,280)
Other current liabilities		(1,520)
Other liabilities		(6,676)
Fair value of net assets acquired	\$	533,123

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		6,391
Warrants assumed - derivative		20,350
Shares to be issued		1,500
Original issue discount loan ("OID Loan") assumed		68,453
Debt assumed		11,654
Fair value of consideration	\$	533,123

The consideration was 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.

At the date of acquisition, management allocated the initial purchase price based on the estimated fair value of the identifiable assets and liabilities assumed on the acquisition date. The purchase price allocation was subsequently finalized. The allocation of the consideration paid remains consistent with the initial valuation, apart from goodwill and intangible assets. The following table summarizes the final adjustments made to the provisional purchase price allocation:

	Provisional allocation at acquisition		Adjustments		Final
Net identifiable assets acquired	\$	14,000	\$	(2,511)	\$ 11,489
Intangibles		-		127,280	127,280
Goodwill		517,981		(123,627)	394,354
	\$	531,981	\$	1,142	\$ 533,123

The intangibles recognized from the acquisition relate to licenses from various states and trademarks. The goodwill recognized from the acquisition is attributable to synergies expected from integrating MPX into the Company's existing business. The goodwill acquired is not deductible for tax purposes.

4 Acquisitions and Business Combinations (cont.)

Acquisition of MPX Bioceutical Corporation (cont.)

Revenues of \$29,655 and net losses of \$7,162 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 during the nine months ended September 30, 2019. From the date of acquisition, acquisition costs of \$6,155, 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 for the nine months ended September 30, 2019.

Acquisition of CBD For Life

On June 28, 2019, iAnthus acquired 100% of the assets and liabilities of CBD For Life, LLC ("CBD For Life") and transferred the acquired assets and liabilities to iA CBD. This acquisition constitutes a business combination and was completed in exchange for a combination of the Company's shares and cash. The transaction with CBD For Life is a related party transaction due to the fact that Elizabeth Stavola is an officer and director of iAnthus and an officer and significant shareholder of CBD For Life.

The following table summarizes the preliminary purchase price allocation:

Receivables and prepaid assets	\$	606
Inventory		2,195
Related party receivables		478
Fixed assets		683
Other non-current assets		124
Goodwill		8,555
		12,641
Payables and accrued liabilities		(669)
Related party payables		(498)
Other current liabilities		(11)
Other non-current liabilities		(560)
Fair value of net assets acquired	\$	10,903

The following table summarizes the total fair value of consideration:

Shares issued (Common shares - 2,443,181)	\$	7,989
Shares to be issued (Common shares - 9,500)		31
Cash		2,164
Settlement of pre-existing relationships		719
Fair value of consideration	\$	10,903

The consideration has been allocated to the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The pre-existing relationships settled are comprised of the Company's related party balances receivable from CBD For Life that arose as a result of the funds that the Company had transferred to CBD For Life during the quarter. The fair values assigned to the consideration paid, net assets acquired, and the amount assigned to goodwill and intangible assets may be revised 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 the specialized assembled workforce, operating history and existing relationships with nation-wide suppliers and distributors of CBD For Life. The goodwill acquired is not deductible for tax purposes.

4 Acquisitions and Business Combinations (cont.)

Acquisition of CBD For Life (cont.)

During the three months ended September 30, 2019, preliminary acquisition date values compared to the preliminary values recorded at acquisition date changed as follows:

	Provisional allocation at acquisition	Adjustments	Adjusted balance
Payables and accrued liabilities	\$ (996)	\$ 327	\$ (669)
Goodwill	8,882	(327)	8,555

Revenues of \$1,536 and net losses of \$482 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 CBD For Life occurred on January 1, 2019, additional revenues of \$1,920 and additional net losses of \$726 would have been included in the condensed interim consolidated statement of loss and comprehensive loss during the nine months ended September 30, 2019. Acquisition costs of \$313 were incurred and recognized as acquisition-related costs in the condensed interim consolidated statement of loss and comprehensive loss for the nine months ended September 30, 2019.

5 Inventory

	September 30, 2019	December 31, 2018
Raw Materials		
Harvested cannabis	\$ 8,940	\$ 4,297
Supplies and other inventory items	1,407	999
Total raw materials	\$ 10,347	\$ 5,296
Work in Process		
Packaged cannabis, cannabis extracts, and consumables	\$ 11,050	3,405
Total work in process	\$ 11,050	\$ 3,405
Finished Goods		
Packaged cannabis	\$ 2,319	\$ 1,114
Cannabis extracts	3,926	1,389
Consumables	2,229	239
Other inventory items	810	117
Total finished goods	\$ 9,284	\$ 2,859
Total Inventory	\$ 30,681	\$ 11,560

For the three and nine months ended September 30, 2019, the Company recognized \$Nil and \$585, respectively, in abnormal spoilage of inventories which have been included in general and administrative expenses in the condensed interim consolidated statement of loss and comprehensive loss. For the three and nine months ended September 30, 2018, abnormal spoilage was \$Nil and \$Nil, respectively.

6 Biological Assets

As at December 31, 2017	\$ 130
Fair value adjustment on biological assets	6,301
Capitalized cultivation costs	2,126
Assets obtained upon acquisition of GrowHealthy	709
Transferred to inventory upon harvest	(4,522)
As at December 31, 2018	\$ 4,744
Fair value adjustment on biological assets	28,041
Capitalized cultivation costs	9,196
Assets obtained upon acquisition of MPX	1,925
Transferred to inventory upon harvest	(30,609)
As at September 30, 2019	\$ 13,297

6 Biological Assets (cont.)

The Company measures its biological assets at fair value less costs to sell. This is determined using a model which estimates the expected harvest yield per plant 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 in the fair value hierarchy (Note 14), were used by management in the valuation of its biological assets:

- 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

The following table quantifies the significant unobservable inputs, and also provides the impact of a 5.0% increase or decrease in each input on the fair value of biological assets as at September 30, 2019:

Unobservable Input	Weighted average	Sensitivity	Effect on fair value
Yield per plant	156g	+/- 5.0%	\$878
Selling price per gram	\$5.84	+/- 5.0%	\$1,094

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 September 30, 2019, on average, were 45.4% complete (December 31, 2018 – 40.4%).

The Company estimates the harvest yields for the plants at various stages of growth. As at September 30, 2019, management estimates that the Company's biological assets will yield approximately 3,195 kg of dried flower (December 31, 2018 – 1,207 kg).

7 Long-Term Investments

	Reynold, Greenleaf & Associates, LLC	GrowHealthy	Citiva Jamaica, LLC	Other	Total
As at December 31, 2017	\$ 2,190	\$ 3,000	\$ -	\$ 100	\$ 5,290
Additions	134	-	231	-	365
Dividend receivable	(43)	-	-	-	(43)
Interest receivable	-	-	20	-	20
Settlement of pre-existing relationship	-	(3,000)	-	-	(3,000)
As at December 31, 2018	\$ 2,281	\$ -	\$ 251	\$ 100	\$ 2,632
Additions	216	-	-	-	216
Interest receivable	-	-	53	-	53
As at September 30, 2019	\$ 2,497	\$ -	\$ 304	\$ 100	\$ 2,901

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% ownership 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 *IAS 28 Investments in Associates and Joint Ventures* and the standard's corresponding equity method of accounting. No quoted market price exists for the investment. As part of the investment, RGA is required to reimburse the Company certain legal fees and expenses in the amount of \$30. As at September 30, 2019, the reimbursement due from the RGA loan conversion was \$8 (December 31, 2018 - \$30).

During the three and nine months ended September 30, 2019, the Company's share of profit from RGA was \$68 and \$216 (September 30, 2018 - \$82 and \$308, respectively) based on the net income of RGA of \$275 and \$878 (September 30, 2018 - \$333 and \$1,237, respectively). The Company's investment in RGA at September 30, 2019, was \$2,497 (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
Cost									
As at December 31, 2018	\$ 20,266	\$ 1,706	\$ 586	\$ 463	\$ 1,006	\$ 2,576	\$ 5,979	\$ -	\$ 32,582
Transfers	2,898	100	191	6	(283)	-	(2,978)	-	(66)
Additions	10,303	604	652	408	1,986	858	25,074	4,457	44,342
Additions from acquisitions	10,613	777	2,748	145	1,887	1,717	17,570	7,404	42,861
Additions from IFRS 16 Implementation	-	-	-	-	-	-	-	13,384	13,384
Disposals	(513)	(42)	(22)	(1)	(113)	-	(592)	(801)	(2,084)
As at September 30, 2019	\$ 43,567	\$ 3,145	\$ 4,155	\$ 1,021	\$ 4,483	\$ 5,151	\$ 45,053	\$ 24,444	\$ 131,019
Accumulated depreciation									
As at December 31, 2018	\$ 2,207	\$ 427	\$ 109	\$ 89	\$ 172	\$ -	\$ -	\$ -	\$ 3,004
Depreciation	3,300	410	594	94	435	-	-	1,552	6,385
Transfers	5	(109)	104	6	(14)	-	-	-	(8)
Disposals	(5)	(13)	(5)	(1)	(13)	-	-	(18)	(55)
As at September 30, 2019	\$ 5,507	\$ 715	\$ 802	\$ 188	\$ 580	\$ -	\$ -	\$ 1,534	\$ 9,326
Net book value									
As at December 31, 2018	\$ 18,059	\$ 1,279	\$ 477	\$ 374	\$ 834	\$ 2,576	\$ 5,979	\$ -	\$ 29,578
As at September 30, 2019	\$ 38,060	\$ 2,430	\$ 3,353	\$ 833	\$ 3,903	\$ 5,151	\$ 45,053	\$ 22,910	\$ 121,693

9 Intangible Assets and Goodwill

Intangible Assets

Cost	Licenses	Trademarks	Other	Total
As at December 31, 2018	\$ 59,710	\$ -	\$ 676	\$ 60,386
Additions	-	-	1,198	1,198
Additions from acquisitions	98,180	29,100	-	127,280
As at September 30, 2019	\$ 157,890	\$ 29,100	\$ 1,874	\$ 188,864
Accumulated amortization				
As at December 31, 2018	\$ 3,793	\$ -	\$ 100	\$ 3,893
Amortization	7,349	-	113	7,462
As at September 30, 2019	\$ 11,142	\$ -	\$ 213	\$ 11,355
Net carrying amount				
As at December 31, 2018	\$ 55,917	\$ -	\$ 576	\$ 56,493
As at September 30, 2019	\$ 146,748	\$ 29,100	\$ 1,661	\$ 177,509

Goodwill	September 30, 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	394,354	-
Acquisition of CBD For Life	8,555	-
Balance, end of period	\$ 440,363	\$ 37,454

The above value relating to the CBD For Life acquisition is provisional and is subject to an adjustment 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 allocation, goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate an impairment might exist. Refer to Note 4 for further details.

10 Long-Term Debt

	OID Loan	Debentures	Secured Notes	Stavola Trust Note	Other	Total
As at December 31, 2017	\$ -	\$ 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
As at December 31, 2018	\$ -	\$ -	\$ 31,231	\$ -	\$ -	\$ 31,231
Fair value of financial liabilities issued	-	42,426	18,444	-	400	61,270
Fair value of financial liability acquired	36,608	-	-	10,800	853	48,261
Accretion of balance	3,533	1,874	2,540	-	43	7,990
Repayment	-	-	-	-	(25)	(25)
Redemptions	(40,141)	-	-	-	-	(40,141)
As at September 30, 2019	\$ -	\$ 44,300	\$ 52,215	\$ 10,800	\$ 1,271	\$ 108,586

Original Issue Discount Loan

Prior to the acquisition of MPX (Note 4), MPX issued a \$40,000 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 and nine months ended September 30, 2019, accretion expense of \$Nil and \$3,533, respectively (September 30, 2018 - \$Nil and \$Nil, respectively), was recognized on the host liability in the condensed interim consolidated statement of loss and comprehensive loss.

During the nine months ended September 30, 2019, the Company completed the redemption of the outstanding OID Loan. For the conversion of the OID Loan, the Company issued 11,617,044 shares and 5,808,517 warrants valued at \$31,533 and \$8,608, respectively. Refer to Note 12 and Note 13.

Debentures

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 \$655 in cash.

The March 2019 Debentures are convertible at \$5.92 per common share, which would convert into an aggregate of 5,912,159 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. The residual consideration of \$3,698 was allocated to the conversion feature, classified as equity.

During the three and nine months ended September 30, 2019, interest expense of \$700 and \$1,524, respectively (September 30, 2018 - \$Nil and \$Nil, respectively) and accretion expense of \$564 and \$1,205, respectively (September 30, 2018 - \$Nil and \$Nil, respectively) were recognized in the condensed interim consolidated statement of loss and comprehensive loss.

The terms of the March 2019 Debentures contain financial and non-financial covenants. As at September 30, 2019, the Company was in compliance with all covenants.

10 Long-Term Debt (cont.)

Debentures (cont.)

May 2019 Debentures

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. In relation to the issuance of debentures, the Company incurred fees of \$427 which comprises \$75 in common shares and \$352 in cash.

The May 2019 Debentures are convertible at \$5.92 per common share, which would convert into an aggregate of 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. At issuance, the warrants, classified as equity, were recognized at their fair value of \$2,950, net of issuance costs. The fair value was estimated using the Black-Scholes model, with a volatility of 73.6%, 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 \$17,770. The residual consideration of \$3,853 was allocated to the conversion feature, and was recorded in shareholders equity.

During the three and nine months ended September 30, 2019, interest expense of \$500 and \$833, respectively (September 30, 2018 - \$Nil and \$Nil, respectively) and accretion expense of \$405 and \$669, respectively (September 30, 2018 - \$Nil and \$Nil, respectively) were recognized in the condensed interim consolidated statement of loss and comprehensive loss.

The terms of the May 2019 Debentures contain financial and non-financial covenants. As of September 30, 2019, the Company was in compliance with all covenants.

Secured Notes

Tranche One Secured Notes

On May 14, 2018, the Company issued \$40,000 as the first tranche of secured notes (the “Tranche One Secured Notes”), formerly referred to as high yield secured notes. The Tranche One Secured Notes accrue interest at 13.0%, have a three-year maturity, and are convertible into 12,970,169 shares of the Company at \$3.08 per share. The Tranche One Secured 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 Tranche One Secured 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. The fair value of the underlying host liability in the Tranche One Secured 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 also allocated to each of the components proportionately.

The noteholder waived the right to receive the cash interest payment due on September 30, 2019, electing instead to add the balance to the principal amount payable for Tranche One Secured Notes. The new higher principal amount is subject to the same terms as the original principal balance of Tranche One Secured Notes at issuance, including interest accrual, the conversion feature and maturity date. As a result of the waiver, interest payable decreased by \$1,358 and the host liability increased by \$1,191, with the residual of \$167 being allocated to the conversion feature.

During the three and nine months ended September 30, 2019, the Company incurred interest expense of \$1,329 and \$3,943, respectively (September 30, 2018 - \$1,329 and \$2,008, respectively) and accretion expense of \$878 and \$2,540, respectively (September 30, 2018 - \$791 and \$1,187, respectively) was recognized in the condensed interim consolidated statement of loss and comprehensive loss. As at September 30, 2019, the Company held \$Nil (December 31, 2018 - \$5,272) restricted cash in escrow as part of the Tranche One Secured Notes as the amount was fully released to the Company during the first quarter of 2019.

The terms of the Tranche One Secured Notes and corresponding Units contain several financial and non-financial covenants. As at September 30, 2019, the Company was in compliance with all covenants.

10 Long-Term Debt (cont.)

Secured Notes (cont.)

Tranche Two Secured Notes

On September 30, 2019, the Company issued an additional \$20,000 of secured notes (the "Tranche Two Secured Notes"). The Tranche Two Secured Notes accrue interest at 13.0%, mature May 14, 2021, and are convertible into 10,582,011 shares of the Company at \$1.89 per share. The Tranche Two Secured Notes were issued with warrants to purchase, in aggregate, up to 5,076,142 shares of the Company at \$1.97 per share.

The host debt, classified as a liability, was allocated its fair value of \$17,253, net of issuance costs. The residual consideration was allocated proportionately based on the fair values of the warrants and the conversion feature, both of which are classified as equity, resulting in recording \$993 and \$1,420, respectively. These fair values were estimated using the Black-Scholes model, with a volatility of 78.4% to 78.7%, dividend yield of 0.0% and risk-free rate of 1.6%.

Interest and accretion expense were \$Nil and \$Nil respectively for the three and nine months ended September 30, 2019 and September 30, 2018.

The terms of the Tranche Two Secured Notes contain several financial and non-financial covenants. As at September 30, 2019, the Company was in compliance with all covenants.

Stavola Trust Note

As part of the MPX Acquisition (Note 4), the Company assumed a long-term note (the "Stavola Trust Note") of \$10,800, 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 Stavola Trust Note was originally issued at \$10,000, and the balance was increased at the acquisition date by \$800 as it became subordinate to the existing debt instruments of the Company when it was assumed during the MPX Acquisition. 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 and nine months ended September 30, 2019, interest expense of \$216 and \$563, respectively (September 30, 2018 - \$Nil and \$Nil, respectively) was recognized in the condensed interim consolidated statement of loss and comprehensive loss.

11 Other Liabilities

	September 30, 2019		December 31, 2018	
Current portion of ABACA provision	\$	698	\$	-
Current portion of lease liabilities		775		-
Deferred revenue		298		-
Other		373		553
Other current liabilities	\$	2,144	\$	553
Lease liabilities	\$	22,204	\$	-
Other		106		-
Other liabilities	\$	22,310	\$	-

As part of MPX Acquisition, the Company through its wholly owned subsidiary CGX, promised to pay the sellers of ABACA up to an amount totalling \$6,000 (the "ABACA provision"). The Company is required to pay \$60 per month including a quarterly true up where 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 quarter. 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. No interest is accrued on the provision.

12 Share Capital

Share Capital

Authorized: Unlimited common shares and Class A Convertible Restricted Voting shares ("Class A Shares").

The Company's common shares are voting and dividend-paying. On September 24, 2019, the Company converted the remaining Class A common shares into common shares on a 1:1 basis. Following the conversion, there are no remaining Class A Shares outstanding.

The following is a summary of the common share issuances for the nine months ended September 30, 2019:

- 75,965,208 common shares of the Company were issued in relation to the MPX Acquisition;
- 2,443,181 common shares of the Company were issued in relation to the CBD For Life acquisition;
- 116,600 common shares of the Company were issued for fees in relation to the March 2019 Debentures;
- 15,548 common shares of the Company were issued for fees in relation to the May 2019 Debentures;
- 11,617,044 common shares of the Company were issued as a result of OID Loan conversion during the period;
- 760,572 common shares of the Company were issued to settle outstanding obligations;
- 2,810,371 common shares and 88,224 Class A Shares of the Company were issued as a result of stock option exercises for cash proceeds of \$4,171;
- 3,605,170 common shares of the Company were issued as a result of warrant exercises for cash proceeds of \$9,387; and
- 15,528,928 common shares of the Company were issued as a result of the conversion of Class A Shares.

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 and the exercise price of all stock options shall be the higher of the closing price on the grant date, the closing price of the previous trading day before the grant date, or if and when appropriate, the five-day volume weighted average price.

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 following is a summary of stock options granted during the nine months ended September 30, 2019:

- 5,477,524 options granted during the three months ended March 31, 2019 as a result of the MPX Acquisition;
- On April 23, 2019, 6,145,000 and 1,036,050 options were issued for employees and consultants, respectively. On June 6, 2019, these options were modified and an additional 1,879,453 and 588,544 options were issued for employees and consultants, respectively. On June 17, 2019, 5,201,606 and 588,544 options issued of the options modified on June 6, 2019, were cancelled for employees and consultants, respectively. Subsequently, 5,201,606 and 588,544 options were issued to employees and consultants, respectively, on August 6, 2019. The options that were cancelled have been identified as replacement equity instruments for the options initially issued on April 23, 2019, and thus in accordance with IFRS 2 *Share-based Payment*, have been accounted for as a modification of the original grant of equity instruments.

The following table summarizes certain information in respect of option activity under the stock option plan:

	For the nine months ended September 30, 2019			For the year ended 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	
Granted	28,097,771	5.73		3,823,500	4.77	
Exercised	(3,081,863)	2.18		(168,750)	2.20	
Expired/Cancelled	(13,974,321)	6.33		(299,500)	3.06	
Options outstanding, ending	18,212,837	\$ 4.99	8.23	7,171,250	\$ 3.51	8.84

13 Share-based Payments (cont.)

Stock Options (cont.)

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 nine months ended September 30, 2019, 3,081,863 stock options were exercised, which resulted in the issuance of 2,810,371 common shares, 88,224 Class A Shares, and 183,268 forfeited stock options attributable to cashless component of option exercises. All Class A Shares were subsequently converted to common shares.

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:

	For the nine months ended September 30, 2019	For the year ended December 31, 2018
Risk-free interest rate	1.3 - 1.6%	1.3 - 2.5%
Expected dividend yield	0.0%	0.0%
Expected volatility	77.0% - 78.8%	75.5% - 96.9%
Expected option life	7 years	7 years

The Company uses an expected volatility based on its historical trading data.

The related share-based compensation expense for the three and nine months ended September 30, 2019, was \$9,537 and \$20,770, respectively (September 30, 2018 - \$1,676 and \$5,681).

Warrants

The following table summarizes certain information in respect of the warrants for the Company's shares:

	For the nine months ended September 30, 2019		For the year ended December 31, 2018	
	Units	Weighted Average Exercise Price (CAD\$)	Units	Weighted Average Exercise Price (CAD\$)
Warrants outstanding, beginning	20,933,995 \$	3.38	1,698,320 \$	2.06
Granted	23,850,582	5.06	20,697,553	3.40
Exercised	(3,605,170)	3.50	(1,461,878)	2.16
Warrants outstanding, ending	41,179,407 \$	4.53	20,933,995 \$	3.38

As part of the MPX Acquisition on February 5, 2019, the Company assumed additional warrant derivatives, which 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%.

Of the 23,850,582 warrants granted during the nine months ended September 30, 2019, 9,233,425 warrants were inherited from the MPX Acquisition with exercise prices ranging from CAD \$1.20 to CAD \$6.93, 2,177,291 warrants with an exercise price of \$6.43 pertain to March 2019 Debentures, 1,555,207 warrants with an exercise price of \$6.43 pertain to May 2019 Debentures, 5,808,517 of the warrants with an exercise price of \$6.04 were granted as a result of the OID Loan conversion and 5,076,142 of the warrants issued at an exercise price of \$1.97 pertain to the Tranche Two Secured Notes.

Of the 3,605,170 warrants exercised during the nine months ended September 30, 2019, 3,038,938 warrants exercised were inherited from the MPX Acquisition. The exercise of these warrants yielded \$9,302 in proceeds for the nine months ended September 30, 2019.

As at September 30, 2019, warrant derivatives held by the Company were revalued, with inputs as volatility ranging from 72.3% to 81.3%, dividend yield of 0.0% and risk-free rate of 1.6%. This resulted in a fair value of \$1,933 at September 30, 2019 (December 31, 2018 - \$1,255). During the three and nine months ended September 30, 2019, the Company recognized a gain on revaluation of \$10,223 and \$36,214, respectively (September 30, 2018 - loss of \$1,018 and \$9,188).

13 Share-based Payments (cont.)

Warrants Outstanding

Full share equivalent warrants outstanding and exercisable are as follows:

Year of expiry	As at September 30, 2019		As at December 31, 2018	
	Units	Weighted average exercise price (CAD\$)	Units	Weighted average exercise price (CAD\$)
2019	2,735,833	\$ 3.72	715,306	\$ 2.33
2020	-	-	-	-
2021	26,596,362	4.38	20,218,689	3.41
2022	10,062,400	5.12	-	-
2023	1,784,812	4.57	-	-
Warrants Outstanding	41,179,407	\$ 4.53	20,933,995	\$ 3.38

14 Financial Instruments

Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. 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, 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 September 30, 2019:

	Amortized cost	Fair value through profit and loss	Total
Financial Assets			
Cash	\$ 27,933	\$ -	\$ 27,933
Receivables and prepaid assets	9,938	-	9,938
Long-term investments	304	100	404
Financial Liabilities			
Payables and accrued liabilities	\$ 26,699	\$ -	\$ 26,699
Long-term debt	108,586	-	108,586
Derivative liabilities	-	1,933	1,933

14 Financial Instruments (cont.)

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

	Amortized cost	Fair value through profit and loss	Total
Financial Assets			
Cash	\$ 15,295	\$ -	\$ 15,295
Receivables and prepaid assets	3,847	-	3,847
Long-term investments	252	100	352
Financial Liabilities			
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:

	September 30, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Assets								
Long Term Investments - Other	\$ -	\$ -	\$ 100	\$ 100	\$ -	\$ -	\$ 100	\$ 100
Financial Liabilities								
Derivative liabilities	\$ -	\$ -	\$ 1,933	\$ 1,933	\$ -	\$ -	\$ 1,255	\$ 1,255

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 secured notes (Note 10) and warrants issued by MPX and assumed by the Company as part of the MPX Acquisition (Note 4 and Note 12).

During the three and nine months ended September 30, 2019, and year ended December 31, 2018, there were no transfers between Level 1, Level 2 and Level 3 within the fair value hierarchy.

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

	Derivative Liabilities	
Balance at December 31, 2018	\$	1,255
Additions		52,195
Exercised		(15,303)
Revaluations on level 3 instruments		(36,214)
Balance at September 30, 2019	\$	1,933

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

	September 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt				
Debentures	44,300	66,551	-	-
Secured Notes	52,215	66,987	31,231	46,715
Stavola Trust Note	10,800	10,880	-	-
Other	1,271	1,492	-	-
Total	\$ 108,586	\$ 145,910	\$ 31,231	\$ 46,715

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. The secured notes were formerly referred to as high yield secured notes.

14 Financial Instruments (cont.)

The following table is a summary of the USD and CAD denominated obligations as of September 30, 2019:

	< 1 Year	1-2 Years	3-5 Years	> 5 Years	Total
USD Denominated					
Payables and accrued liabilities	\$ 26,162	\$ -	\$ -	\$ -	\$ 26,162
Long-term debt	24,135	71,329	67,595	1,167	164,226
Total USD Denominated	\$ 50,297	\$ 71,329	\$ 67,595	\$ 1,167	\$ 190,388
CAD Denominated					
Payables and accrued liabilities	\$ 706	\$ -	\$ -	\$ -	\$ 706
Total CAD Denominated	\$ 706	\$ -	\$ -	\$ -	\$ 706

15 Commitments and Contingent Liabilities

The Company has contractual obligations as of September 30, 2019, to make the following payments:

	< 1 Year	1-2 Years	3-5 Years	> 5 Years	Total
Leases	5,736	5,657	10,644	47,810	69,847
Service contracts	126	20	4	-	150
Consultants and advisors	530	-	-	-	530
Construction contracts	1,340	-	-	-	1,340
Total Commitments	\$ 7,732	\$ 5,677	\$ 10,648	\$ 47,810	\$ 71,867

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

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.

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 and legal counsel 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.

- 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.
- There is a claim against ICH, MPX ULC and MPX, with respect to a prior acquisition made by MPX in relation to a subsidiary that was not acquired by the Company as part of the MPX Acquisition, claiming \$3,000 in connection with alleged contractual obligations of MPX.

On September 19, 2019, the Company entered into an agreement to acquire a vertically licensed cannabis company based in Nevada. The acquisition is subject to regulatory approval and has not been consummated as of the date of this report.

16 Related Party Transactions

Due from related parties as at December 31, 2017	\$	348
Repayments made to related parties		50
Foreign exchange loss on due from related parties balance		(7)
Due from related parties as at December 31, 2018	\$	391
Related party due to balance acquired		(9,533)
Payments to and on behalf of related parties		655
Repayments made to related parties		31
Payments received from related parties		(1,169)
Due to related parties as at September 30, 2019	\$	(9,625)

As at September 30, 2019, the Company had a loan due from a director and officer of the Company, Hadley Ford, with a balance of \$391 (December 31, 2018 - \$391). The total loan facility is up to CAD\$500 (equivalent \$391) and the loan accrues, at the rate of 2.5%, interest due upon the maturity of the loan on June 30, 2020. Accrued interest on the loan as at September 30, 2019, was CAD\$28 (equivalent \$21) (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.

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

- Related party receivables of \$664 are due from companies owned by a director and officer of the Company, Elizabeth Stavola. The balance was \$785 as at September 30, 2019 (December 31, 2018 - \$Nil). The related party balances are presented in the other current assets line on the condensed interim consolidated statement of financial position; and
- Related party term loan of \$10,800, is due to a trust whose beneficiary is a director and officer of the Company, Elizabeth Stavola. Accrued interest on the loan as at September 30, 2019, was \$216 (December 31, 2018 - \$Nil). The related party balance is included in the current portion of long-term debt line on the condensed interim consolidated statement of financial position. Refer to Note 12 for further details on the Stavola Trust Note.

The CBD For Life acquisition is a related party transaction due to the fact Elizabeth Stavola is an director and officer of the Company and an officer and significant shareholder of CBD For Life. The consideration included the following amounts paid to individuals that are classified as related parties of the Company:

- \$126 cash was paid and 118,850 common shares (with a fair value of \$389) were issued to an individual related through a familial relationship to a director and officer of the Company, Elizabeth Stavola;
- \$1,540 was paid and 9,500 shares are issuable to a trust whose beneficiary is a director and officer of the Company, Elizabeth Stavola;
- 6,469 common shares (with a fair value of \$21) were issued to two individuals that are related through a familial relationship to a director and officer of the Company, Elizabeth Stavola;
- 36,969 common shares (with a fair value of \$121) were issued to a director of the Company, Robert Galvin; and
- As part of the transaction, the Company also acquired a related party receivable of \$478 and related party payable of \$497 with CBD For Life. The balances for the receivable and payable were \$30 and \$152, respectively, as at September 30, 2019 (December 31, 2018 - \$Nil).

17 Supplemental Cash Flow Information and Capital Management

Supplemental Cash Flow Information

Non-cash transactions for the nine months ended September 30, 2019 and 2018 were as follows:

	Nine months ended Sept. 30, 2019	Nine months ended Sept. 30, 2018
Supplemental Cash Flow Information:		
Shares issued for the conversion of the OID Loan	\$ 50,080	\$ -
Impact of IFRS 16 adoption (Note 19)	13,081	-
Non-cash consideration transferred for the acquisition of MPX (Note 4)	451,516	-
Non-cash consideration transferred for the acquisition of CBD For Life (Note 4)	8,020	-
Cashless exercise of MPX warrants recorded as derivatives	5,364	-
Non-cash consideration transferred from Tranche One Secured Notes	1,358	-
Cashless stock option exercises	48	-
Non-cash consideration transferred for the acquisition of GrowHealthy	-	43,817
Non-cash consideration transferred for the acquisition of Citiva	-	21,156
Adjustments resulting from functional currency changes	-	16,782
Shares issued for the settlement of financial liabilities	-	4,000
Shares issued for the settlement of the February 2017 Debentures	-	14,622
Shares issued as settlement of conversion for convertible promissory notes	-	1,275
Shares issued for the settlement from the acquisition of Pakalolo	-	113

Non-cash working capital items for the nine months ended September 30, 2019 and 2018 were as follows:

	Nine months ended Sept. 30, 2019	Nine months ended Sept. 30, 2018
Changes in non-cash working capital items:		
Receivables and prepaid expenses	\$ (5,049)	\$ 2,792
Inventory	7,045	3,573
Biological assets	(9,196)	(4,292)
Related party balances	209	(128)
Other assets	(2,247)	(664)
Accounts payable and accrued liabilities	11,345	(1,346)
Other liabilities	1,198	398
	\$ 3,305	\$ 333

Capital Management

Capital includes the Company's unrestricted cash balance of \$27,933 and restricted cash balance of \$Nil at September 30, 2019 (December 31, 2018 - \$15,295 and \$5,272 respectively).

18 Events After the Reporting Period

Capital Activity

On November 1, 2019, the Company granted 1,152,500 stock options to employees and consultants at an exercise price of \$2.27.

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:

19 Significant Accounting Policies (cont.)

IAS 41 Agriculture

During the nine months ended September 30, 2019, the Company made a voluntary change in accounting policy to separately disclose the realized fair value amounts from biological assets included in the cost of inventory sold. Previously, the Company's accounting policy was to include the fair value amounts from biological assets in cost of sales on the Condensed Interim Consolidated Statement of Comprehensive Income or Loss. The Company believes that the revised policy provides reliable and more relevant disclosure of the costs incurred as a result of the sale of cannabis by separately disclosing the impact of fair value movements.

The Company's new accounting policy regarding biological assets and inventory is as follows:

(a) Biological assets

The Company's biological assets consist of cannabis plants which are not yet harvested. Although biological assets are within the scope of IAS 41 *Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 *Inventories*. Direct costs include growing materials and labor while indirect costs include utilities and supplies used in the growing process. The indirect labor of individuals involved in the growing and quality control process are also included. Direct and indirect costs of biological assets are capitalized as they are incurred, and they are subsequently recorded in cost of sales in the condensed interim statement of income and comprehensive income when the related product is sold. Gains or losses arising from changes in fair value less cost to sell are included in the results of operations of the related period.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value. The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labor, and overhead involved in packaging, labeling, and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of sales on the condensed interim statement of income and comprehensive income.

Realized fair value amounts from biological assets included in the cost of inventory sold are separately presented for cost of sales as fair value adjustment on sale of inventory in the condensed interim statement of income and comprehensive income.

The following table is a quantification of the adjustments with respect to the revised accounting policy for the condensed interim statement of income and comprehensive income:

	Three months ended September 30, 2019		Three months ended September 30, 2018	
	Previous policy	Revised policy	Previous policy	Revised policy
Sales revenues	\$ 22,341	\$ 22,341	\$ 939	\$ 939
Cost of sales	(17,671)	(11,599)	(726)	(329)
Gross profit before fair value adjustments	\$ 4,670	\$ 10,742	\$ 213	\$ 610
Fair value adjustment on sale of inventory	6,071	(6,071)	397	(397)
Fair value adjustment on biological assets	5,809	11,879	2,018	2,415
Gross profit	\$ 16,550	\$ 16,550	\$ 2,628	\$ 2,628

	Nine months ended September 30, 2019		Nine months ended September 30, 2018	
	Previous policy	Revised policy	Previous policy	Revised policy
Sales revenues	\$ 51,161	\$ 51,161	\$ 1,420	\$ 1,420
Cost of sales	(45,648)	(29,485)	(888)	(408)
Gross profit before fair value adjustments	\$ 5,513	\$ 21,676	\$ 532	\$ 1,012
Fair value adjustment on sale of inventory	16,163	(16,163)	593	(480)
Fair value adjustment on biological assets	11,878	28,041	5,708	6,301
Gross profit	\$ 33,554	\$ 33,554	\$ 6,833	\$ 6,833

19 Significant Accounting Policies (cont.)

(b) Inventory (cont.)

The following table is a quantification of the adjustments with respect to the revised accounting policy for the condensed interim consolidated statement of cash flows:

Operating activities	Nine months ended September 30, 2019		Nine months ended September 30, 2018	
	Previous policy	Revised policy	Previous policy	Revised policy
Fair value adjustment on biological assets	\$ (11,877)	\$ (28,041)	\$ (8,257)	\$ (7,777)
Fair value adjustment on sale of inventory	-	16,163	-	480
Changes in non-cash working capital items	\$ 3,306	\$ 3,306	\$ 333	\$ 333

IFRS 16 Leases

(a) Accounting Policy

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), 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 condensed interim 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 September 30, 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:

Reconciliation – IAS 17 to IFRS 16	
Operating lease obligations as at December 31, 2018	\$ 37,194
Gross lease liabilities at January 1, 2019	37,194
Future interest expense	(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.