

**IANTHUS CAPITAL HOLDINGS, INC.**

**(formerly Genarca Holdings Ltd.)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Six Months Ended June 30, 2016 and 2015**

(Expressed in U.S. Dollars)

(Unaudited)

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

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	June 30, 2016	December 31, 2015
	\$	\$
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	111,229	106,893
Receivables	2,722	27
<b>TOTAL ASSETS</b>	<b>113,951</b>	<b>106,920</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	58,480	15,904
<b>Total Liabilities</b>	58,480	15,904
<b>Shareholders' Equity:</b>		
Share capital (Note 3 and Note 5)	130,469	130,469
Accumulated other comprehensive loss	(7,218)	(12,191)
Accumulated deficit	(67,780)	(27,262)
<b>Total Shareholders' Equity</b>	55,471	91,016
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>113,951</b>	<b>106,920</b>

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

"Julius Kalcevich" Director

"Hadley Ford" Director

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

**iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.)****Condensed Interim Statements of Comprehensive (Loss) Gain**

(Expressed in U.S. Dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Expenses</b>				
Accounting and audit	8,866	8,098	37,549	8,098
Office and miscellaneous	566	657	2,969	666
<b>Loss for the period</b>	<b>(9,432)</b>	<b>(8,755)</b>	<b>(40,518)</b>	<b>(8,764)</b>
Foreign exchange on translation to presentation currency	738	(911)	4,973	(2,225)
<b>Comprehensive (loss) gain for the period</b>	<b>(8,694)</b>	<b>(9,666)</b>	<b>(35,545)</b>	<b>(10,989)</b>
<b>Basic and diluted loss per share</b>	<b>(0.02)</b>	<b>(8,755)</b>	<b>(0.07)</b>	<b>(8,764)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>600,001</b>	<b>1</b>	<b>600,001</b>	<b>1</b>

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

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

	Number of Shares	Share Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Shareholders' Equity
		\$	\$	\$	\$
<b>Balance – December 31, 2014</b>	<b>1</b>	<b>1</b>	<b>497</b>	<b>(10,295)</b>	<b>(9,797)</b>
Shares issued for private placement	300,000	7,528	-	-	7,528
Shares issued for private placement	300,000	122,940	-	-	122,940
Other comprehensive income for the period	-	-	(2,225)	-	(2,225)
Loss for the period	-	-	-	(8,764)	(8,764)
<b>Balance – June 30, 2015</b>	<b>1</b>	<b>130,469</b>	<b>(1,728)</b>	<b>(19,059)</b>	<b>(109,682)</b>
<b>Balance – December 31, 2015</b>	<b>600,001</b>	<b>130,469</b>	<b>(12,191)</b>	<b>(27,262)</b>	<b>91,016</b>
Other comprehensive income for the period		-	4,973	-	4,973
Loss for the period		-	-	(40,518)	(40,518)
<b>Balance – June 30, 2016</b>	<b>600,001</b>	<b>130,469</b>	<b>(7,218)</b>	<b>(67,780)</b>	<b>55,471</b>

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

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

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(40,518)	(8,764)
<b>Changes in non-cash working capital items:</b>		
Accounts payable and accrued liabilities	42,576	4,168
Receivables	(2,695)	(365)
<b>Net cash generated (used) by operating activities</b>	<b>(637)</b>	<b>(4,961)</b>
<b>Financing activities</b>		
Share issuance	-	130,469
<b>Net cash generated (used) by financing activities</b>	<b>-</b>	<b>130,469</b>
Effect of foreign exchange rate changes on cash	<b>4,973</b>	<b>(2,227)</b>
Net change in cash	<b>4,336</b>	123,281
Cash, beginning of the period	106,893	1
<b>Cash, end of the period</b>	<b>111,229</b>	<b>123,282</b>

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

**iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.)**  
**Notes to Condensed Interim Financial Statements**  
**For the six month periods ended June 30, 2016 and 2015**  
(Expressed in U.S. Dollars, unless stated otherwise)  
(Unaudited)

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Genarca Holdings Ltd. was incorporated in British Columbia, Canada, on November 15, 2013. On August 4<sup>th</sup>, 2016, Genarca Holdings Ltd., changed its name to iAnthus Capital Holdings, Inc. (“ICH” or the “Company”). The Company currently has no operating business and intends to pursue an opportunity in the medical marijuana industry. The Company’s registered and records office is located at 1500-1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada.

The condensed interim financial information is presented in U.S. dollars and the functional currency of the Company is the Canadian dollar.

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At June 30, 2016, the Company had incurred a net loss of \$40,518 and had an accumulated deficit of \$67,780. The Company’s financial success is dependent on management’s ability to raise adequate financing on reasonable terms and to commence profitable operations in the future. These factors indicate the existence of material uncertainties which may cast significant doubt about the Company’s ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these condensed interim financial statements. These condensed interim financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

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

**Basis of Presentation**

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

**Significant Accounting Estimates and Judgments**

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

**New Standards, Interpretations and Amendments**

*IAS 1 Presentation of Financial Statements*

**iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.)**  
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The Company has reviewed and considered the amendments made to IAS 1 effective on January 1, 2016. The Company has concluded that the adoption of such standard has resulted in no impact on the Company's financial statements. The Company will re-evaluate IAS 1 should a transaction occur.

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

*IFRS 7 Financial instruments: Disclosure*

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

*IFRS 9 Financial Instruments*

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

*IFRS 15 Revenue from Contracts with Customers*

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

*IFRS 16 Leases*

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

### **3. SHARE CAPITAL**

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

Authorized: Unlimited common shares without par value.

Issued and Outstanding: At June 30, 2016, the Company had issued 600,001 (December 31, 2015: 600,001) common shares for CAD \$159,001 cash (US \$130,469).

On April 28, 2015, the Company closed a non-brokered private placement raising gross proceeds of CAD \$9,000 by the issuance of 300,000 common shares at a price of CAD \$0.03 per share.

On May 21, 2015, the Company closed a non-brokered private placement raising gross proceeds of CAD \$150,000 by the issuance of 300,000 common shares at a price of CAD \$0.50 per share.

#### **4. FINANCIAL INSTRUMENTS**

##### Fair Value

The Company's financial instruments include cash and accounts payable and accrued liabilities.

IFRS establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 - applies to assets or liabilities for which there are unobservable market data.

The recorded amounts of cash and accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature.

The Company did not have any financial instruments in any levels that are measured at fair value on a recurring basis and there were no transfers between levels during the period.

##### *Credit Risk*

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

##### *Liquidity Risk*

Liquidity risk is managed by attempting to ensure the Company has sufficient financial resources available to meet obligations associated with financial liabilities.

##### *Market Risk*

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing in financing development. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

##### *Interest risk*

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.

##### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than the Canadian dollar. Accounts payable and accrued liabilities are denominated in Canadian currency. Therefore, the Company is not exposed to currency risk as at June 30, 2016 and 2015.

##### *Equity price risk*

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company currently has no assets subject to changes in valuation arising from changes in equity markets.

## **5. SHARE EXCHANGE AGREEMENT**

On March 11, 2016 the Company signed a share exchange agreement with iAnthus Capital Management, LLC (“**iAnthus**”), The Founding Members of iAnthus Capital Management, LLC, iAnthus Transfer Corp. (“**iAnthus Transfer**”), The Shareholders of iAnthus Transfer Corp., iAnthus Formation Corp. (“**iAnthus Formation**”), and The Shareholders of iAnthus Formation Corp.

iAnthus, iAnthus Transfer, and iAnthus Formation are collectively referred to as the “**Investment Vehicles**”.

The iAnthus Capital Founding Sellers, the iAnthus Transfer Shareholders, and the iAnthus Formation Shareholders, are collectively referred to as “**Sellers**” and “**Seller**.”

At closing, ICH shall issue from treasury, an aggregate of (i) 9,410,015 ICH Class A Shares to the Sellers and (ii) 3,438,500 ICH Common Shares to the Sellers, (collectively, the “**Payment Shares**”) as follows:

- (a) 0 (nil) ICH Class A Shares pro rata to the iAnthus Capital Founding Sellers;
- (b) 1,638,500 ICH Common Shares pro rata to the iAnthus Transfer Shareholders; and
- (c) 1,800,000 ICH Common Shares pro rata to the iAnthus Formation Shareholders,

This transaction would constitute as a Reverse Take-Over transaction for the Company and will result in the Sellers to own majority of the shares of the Company. At the close of the transaction and receiving final receipt of approval from the BCSC on the joint non-offering prospectus, the Company will apply for a listing on the Canadian Securities Exchange and list its shares as a publicly traded company.

On June 30, 2016, the Company signed an amended and restated share exchange agreement (superseding the March 11, 2016 share exchange agreement) with iAnthus, the Founding Members of iAnthus, iAnthus Transfer, the Shareholders of iAnthus Transfer, iAnthus Formation, and the Shareholders of iAnthus Formation (the “**Amended SEA**”), in which the consideration for the purchase of 100% of the iAnthus Purchased Membership Interests and 100% of the Purchased Shares, ICH shall issue from treasury at the time of closing, an aggregate of (i) 11,255,000 ICH Class A Common Shares to the Sellers that are Applicable U.S. Stockholders, and (ii) 5,083,065 ICH Common Shares to the Sellers, (collectively, the “**Payment Shares**”) as follows:

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

Subsequent to quarter-end, the Company closed the transaction contemplated in the Amended SEA. See Note 6 - Events After the Reporting Period.

## **6. EVENTS AFTER THE REPORTING PERIOD**

On August 12, 2016, the Company closed the transaction contemplated in the Amended SEA.

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On August 15, 2016, the Company become a reporting issuer (as such term is defined in applicable securities law) in the Province of British Columbia by receiving a receipt from the British Columbia Securities Commission for the Company's long form prospectus dated August 12, 2016.