iAnthus Capital Management, LLC

INTERIM FINANCIAL STATEMENTS

Six Month Ended June 30, 2016 and 2015
Three Month Ended June 30, 2016 and 2015

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iAnthus Capital Management, LLC
Statements of Financial Position
Expressed in U.S. Dollars

	Notes	June 30, 2016	December 31, 2015
ASSETS			
Current			
Cash		$ 2,831,522	$ 211,717
Prepaid expenses		45,225	29,206
Due from related parties	6	929,579	206,313
Interest receivable		39,250	4,072
Management fee and reimbursements receivable from related party	6	32,327	23,615
Promissory note receivable	8	39,507	39,507
Total current assets		3,917,410	514,430
Non-current			
Management fee receivable	6	53,303	24,345
Promissory note receivable	8	1,300,493	220,493
Investment at fair value	5	99,969	99,969
Total non-current assets		1,453,765	344,807
TOTAL ASSETS		**$ 5,371,175**	**$ 859,237**
LIABILITIES AND MEMBERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 190,999	$ 311,594
Accrued interest payable		15,452	-
Due to related party	6	-	132,930
Total current liabilities		206,451	444,524
Non-current liabilities			
Convertible promissory note	8	424,642	-
Total non-current liabilities		424,642	-
TOTAL LIABILITIES		631,093	444,524
MEMBERS' EQUITY			
Members' equity	3,7,10	4,740,082	414,713
TOTAL MEMBERS' EQUITY		4,740,082	414,713
TOTAL LIABILITIES AND MEMBERS' EQUITY		**$ 5,371,175**	**$ 859,237**

No assurance is provided on these financial statements

iAnthus Capital Management, LLC
Statements of Comprehensive Loss
Expressed in U.S. Dollars

	Notes	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Operations					
Management fee income	6	$ 16,651	$ -	$ 28,959	$ -
Reimbursed expenses	6	8,751	-	19,413	-
Interest income		55,949	3,402	78,525	3,819
Total operating income		81,350		126,896	3,819
Operating expenses					
Accounting fees		54,143	7,516	81,783	12,793
Administrative management fee	6	210,000	-	420,000	-
Bank charges		2,448	583	3,834	889
Charitable contributions		-	-	-	2,000
Commissions and fees		-	360	-	360
Computer and internet expenses		262	-	574	-
Conferences		2,075	1,965	6,012	3,912
Consulting fees		94,669	32,253	128,036	35,468
Dues and subscriptions		5,530	414	6,059	414
Equity based compensation expense	10	280,342	-	371,186	-
Fees		900	3,650	1,650	4,393
Insurance		21,489	629	44,048	1,091
Interest		21,165	-	26,644	-
Legal and professional fees		166,779	89,761	279,354	118,920
Office expense		3,727	466	7,198	2,034
Payroll and related fringes	6	-	79,992	-	133,647
Promotional		19,352	5,833	36,852	10,833
Rent	6	27,170	15,860	52,815	28,635
Shipping and delivery expense		2,223	434	4,220	638
Taxes and licenses		-	-	25	25
Travel, meals and entertainment		33,064	25,220	56,180	35,327
Total operating expenses		945,337	264,936	1,526,469	391,379
Total loss and comprehensive loss for the period		**$ (863,987)**	**$ (264,936)**	**$ (1,399,573)**	**$ (387,560)**
Loss per unit - basic and diluted	3	**$ (0.06)**	**$ (0.02)**	**$ (0.10)**	**$ (0.03)**
Weighted average number of units outstanding - basic and diluted		**15,209,174**	**11,995,949**	**13,922,647**	**11,726,560**

iAnthus Capital Management, LLC
Statements of Changes in Members' Equity
Expressed in U.S. Dollars

For the six months ended June 30, 2016 and June 30, 2015

	Notes	Units Issued		Members' Equity
Members' equity (deficit), January 1, 2015		10,000,000	$	(468,768)
Class A units issued for cash	7	2,005,015		2,005,015
Syndication costs related to equity offerings	3,7			(225,208)
Net loss for the six months ended June 30, 2015				(387,560)
Members' equity, June 30, 2015		**12,005,015**	**$**	**923,479**
Members' equity, January 1, 2016		12,244,515		414,713
Class A units issued for cash	7	4,294,800		5,356,000
Repurchase of units from IFC	7	(201,250)		(15)
Syndication costs related to equity offerings	3,7			(88,779)
Noncash equity based compensation expense	10			371,186
Warrants Issued				86,550
Net loss for the six months ended June 30, 2016				(1,399,573)
Members' equity, June 30, 2016		**16,338,065**	**$**	**4,740,082**

iAnthus Capital Management, LLC
Statements of Cash Flows
Expressed in U.S. Dollars

	Six months ended June 30, 2016	Six months ended June 30, 2015
Operating activities		
Loss for the period	$ (1,399,573)	$ (387,560)
Adjustments for:		
Noncash equity based compensation expense and accreted interests	371,186	-
Accretion of discount on convertible promissory notes	11,192	-
Changes in non-cash working capital items:		
Prepaid expenses	(16,019)	(1,667)
Interest receivable	(35,178)	(986)
Management fee receivable	(37,670)	-
Accounts payable and accrued liabilities	(120,610)	(143,893)
Accrued interest payable	15,452	-
Net cash flows used in operating activities	**(1,211,220)**	**(534,106)**
Investing activities		
Issuances of promissory notes receivable	(1,080,000)	(165,000)
Net cash flows used in investing activities	**(1,080,000)**	**(165,000)**
Financing activities		
Capital contributions	5,356,000	2,005,015
Equity financing costs	(88,779)	(225,208)
Borrowings	413,450	-
Warrants issued	86,550	-
Net proceeds (repayments) to/from related parties	(856,196)	(55,870)
Net cash flows from financing activities	**4,911,025**	**1,723,937**
Change in cash during the period	**2,619,804**	**1,024,831**
Cash, beginning of period	211,717	-
Cash, end of period	**$ 2,831,521**	**$ 1,024,831**
Noncash financing activities		
Repurchase of common units in exchange of accounts payable	**$ 15**	**$ -**

iAnthus Capital Management, LLC

ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. Organization and nature of business:

iAnthus Capital Management, LLC (the Company), a Delaware limited liability company, was formed on September 18, 2014 to deliver solutions for financing, developing and managing state-licensed cannabis cultivators and dispensaries throughout the United States. Through June 30, 2016, its operations related to the organization of the entity, its preparation for the commencement of revenue producing activities and its investment of certain proceeds received from new members.

The address of the Company's executive office and principal place of business is 420 Lexington Avenue, New York, New York in the United States of America.

2. Basis of preparation:

These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2015 annual financial statements.

The Company has applied the same accounting policies and methods of computation in its interim financial statements as in its 2015 annual financial statements, except for those that relate to new standards and interpretations effective for the first time of period beginning on or after January 1, 2016 and will be adopted in the 2016 annual financial statements.

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in U.S. dollars, which is also the Company's functional currency.

These interim financial statements were authorized for issue on September 6, 2016 by the management of the Company.

3. Significant accounting policies:

a) Cash and cash equivalents

Cash and cash equivalents consist of actual cash as well as cash equivalents, defined as short-term, highly liquid financial instruments with insignificant interest rate risk that are readily convertible to cash and have maturities of three months or less from the date of purchase.

3. Significant accounting policies (continued):

b) Management fee and reimbursements receivable

Receivables are measured at amortized cost net of allowance for uncollectible amounts. The Company determines its allowance based on a number of factors, including length of time an account is past due, the client's previous loss history, and the ability of the client to pay its obligation to the Company. The Company writes off receivables when they become uncollectible. As of June 30, 2016 and December 31, 2015, there were no uncollectible amounts.

c) Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 8.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

AFS financial assets are non-derivatives that are either designated as AFS and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Company's investment in 4Front Ventures, Inc. that is not traded in an active market is classified as an AFS financial asset and stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 8. Changes in the fair value of AFS financial assets are recognized in other comprehensive income.

3. Significant accounting policies (continued):

c) Financial assets (continued):

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in other comprehensive income is reclassified to profit or loss.

d) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period, which are unpaid.

e) Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

f) Income taxes

The Company is treated as a partnership for federal and state income tax purposes and, accordingly, is not subject to a company-level tax. Taxable income or losses are allocated to the members in accordance with the limited liability company operating agreement. Therefore, no provision or liability for federal or state corporate income taxes has been included in the financial statements.

The Company files income tax returns in the U.S. federal jurisdiction, in various states and local jurisdictions. The Company is subject to U.S. federal, state and local income tax examinations by taxing authorities.

g) Revenue recognition

Revenue is recognized at the fair value of the consideration received or receivable in the period earned. Reported revenue is stated net of trade allowances and rebates. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities.

3. Significant accounting policies (continued):

g) Revenue recognition (continued)

Revenue for the three months ended June 30, 2016 consists of management fees, reimbursed out-of-pocket expenses and interest due to the Company under a promissory note receivable. Revenue for the three months ended June 30, 2015 consists of interest due to the Company under a promissory note receivable.

Revenue for the six months ended June 30, 2016 consists of management fees, reimbursed out-of-pocket expenses and interest due to the Company under a promissory note receivable. Revenue for the six months ended June 30, 2015 consists of interest due to the Company under a promissory note receivable.

h) Members' equity

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common units are classified as equity instruments.

Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

Basic and diluted loss per unit

The calculation of basic and diluted loss per unit for three months ended June 30, 2016 and 2015 is calculated by dividing the loss of $ 863,987 and 264,936, respectively, and the weighted average number of common stock outstanding of 15,209,174 and of 11,995,949 as of June 30, 2016 and 2015, respectively.

The calculation of basic and diluted loss per unit for six months ended June 30, 2016 and 2015 is calculated by dividing the gain of $1,399,573 and 387,560, respectively, and the weighted average number of common stock outstanding of 13,922,647 and 11,726,560 as of June 30, 2016 and 2015, respectively.

3. Significant accounting policies (continued):

h) Members' equity (continued)

Earnings per unit

Basic earnings per unit are calculated by dividing income available to unit holders by the weighted-average number of units outstanding during each period. Diluted earnings per unit (diluted EPU) is calculated using income available to unit holders divided by diluted weighted-average units outstanding during each period. Potentially dilutive units include Class A units underlying vested and non-vested equity awards (collectively "equity awards"). Diluted EPU considers the impact of potentially dilutive units except in periods in which there is a loss because the inclusion of the potential units would have an anti-dilutive effect. Equity awards are excluded from the calculation of diluted EPU in the event they are subject to performance conditions, are anti-dilutive, or do not result in the issuance of ordinary units for less than the average market price.

The calculation of basic and diluted loss per unit for the three and six months ended June 30, 2016 and 2015 is as follows:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net Loss	$(863,987)	$(264,936)	$(1,399,573)	$(387,560)
Units:				
Weighted average number of units outstanding	15,209,174	11,995,949	13,922,647	11,726,560
Basic and diluted earnings per unit	$(0.06)	$(0.02)	$(0.10)	$(0.03)

3. Significant accounting policies (continued):

i) Standards, amendments and interpretations not yet effective

The following new standards have been issued by the IASB but are not yet effective:

IFRS 7 Financial Statements: Disclosures

The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities. The application to this IFRS did not have a material impact on the amounts reported for the current period but may affect the accounting for future transactions or arrangements.

IFRS 9 Financial Instruments

IFRS 9 is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The application of the IFRS did not have a material impact on the amounts reported for the current period but may affect the accounting for future transactions or arrangements.

3. Significant accounting policies (continued):

i) Standards, amendments and interpretations not yet effective (continued):

IFRS 11 Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. The application of the IFRS did not have a material impact on the amounts reported for the current period but may affect the accounting for future transactions or arrangements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 will apply to most revenue contracts and how to recognize revenue under these contracts. IFRS 15 changes the criteria for determining whether revenue is recognized at a point in time or over time. The standard provides more guidance in areas where current IFRSs are lacking such as multiple element arrangements, variable pricing, rights of return, warranties and licensing. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company does not currently have any leases that would be affected by the new standard; however, the Company is in the process of evaluating how the new standard will affect future transactions.

4. Critical accounting judgments and estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

4. Critical accounting judgments and estimates (continued)

Judgments

Given the limited scope of the Company's operations through June 30, 2016, there have been no critical judgments in applying accounting policies that have any significant risk of causing material adjustment to the carrying amounts of the assets and liabilities recognized in the financial statements through that date.

Estimates

The effect of change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change effects that year only, or in the year of the change and future years, if the change affects both.

The most significant estimate relates to recoverability of the promissory notes, fair value measurement of Level 3 investments and estimating fair value for equity based compensation. The Company believes that the promissory note to FWR, Inc. (FWR) and Reynold, Greenleaf and Associates, LLC is fully collectible at June 30, 2016. The key assumptions used to determine the fair value of the investment and equity based compensation are provided in Note 8 and 10, respectively.

5. Investment at fair value

As of June 30, 2016 and December 31, 2015, the Company holds 627 units of Series B preferred stock of 4Front Ventures, Inc. which is classified as a Level 3 investment. These units were acquired via conversion of promissory note on December 22, 2015 (see Note 8). The reconciliation of Level 3 investment for the six months ended June 30, 2016 and the year ended December 31, 2015 as follows:

	Six months ended June 30, 2016	Year ended December 31, 2015
Opening balance	$ 99,969	$ -
Units acquired via conversion of promissory note	-	99,969
Change in fair value	-	-
Closing balance	$ 99,969	$ 99,969

iAnthus Capital Management, LLC

ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

6. Related party transactions:

Related party balances

The following amounts are due from (to) related parties:

	June 30, 2016	December 31, 2015
Due from Mayflower Medicinal, a non-profit Entity Controlled by Company Management	$929,579	$204,637
Due from Griscom Advisors LLC, owned by Manager Hadley Ford	-	1,676
Total due from related parties	$929,579	$206,313
Due to Last Dance Ventures, LLC, owned by Managers, Hadley Ford and Randy Maslow	$ -	$132,930

At December 31, 2015, the Company advanced $203,595 and an additional $722,664, under a secured promissory note, for the six months ended June 30, 2016 with an interest rate of 2% to Mayflower Medicinal, a not-for-profit entity controlled by Company Management, for payment of Massachusetts license application fees and expenses. Accrued interest was $3,320 and $1,043 at June 30, 2016 and December 31, 2015 respectively. This amount is expected to be repaid within twelve months and accordingly has been classified as current.

The secured promissory note is for an amount not to exceed $1,300,000. The total amount advanced under the promissory note as of June 30, 2016 amounted to $929,579. The note bears interest at a rate of 16%, compounded daily and payable on a quarterly basis, starting one year after Mayflower Medicinal commences sales of licensed products to patients (the First Payment Date). The maturity date is seven (7) years after the First Payment Date.

The Company utilizes the services and office space of an affiliate owned by two members. Such services are allocated based upon management's estimate and are as follows:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Payroll and related fringes	$ -	$79,992	$ -	$133,647
Rental costs	$27,170	$15,860	$52,815	$ 28,635

6. Related party transactions (continued):

Related party balances (continued)

On June 23, 2015, the Company entered into an agreement to provide management services to FWR, a related party through a family relationship with one of the officer's, Hadley Ford. The management fees which are based on ten percent (10%) of the fiscal year Gross Revenue of FWR and an additional one percent (1%) of the fiscal year gross revenues for each fifty thousand dollars ($50,000) by which the aggregate amount drawn by the FWR under the loan (see Note 8) exceeds five hundred thousand dollars ($500,000), commenced on July 1, 2015. Management fee income amounted to $16,651 for the three months ended June 30, 2016. There was no management fee income for the three months ended June 30, 2015. Management fee income amounted to $28,959 for the six months ended June 30, 2016. There was no management fee income for the six months ended June 30, 2015.

The agreement also provides for the reimbursement, by FWR of certain expenses incurred by the Company on behalf of FWR which amounted to $8,751 and $19,413 for the three months and six months ended June 30, 2016, respectively. The Company did not incur any expenses on behalf of FWR that were reimbursable to the Company under the agreement for the three months and six months ended June 30, 2015.

On October 1, 2015, the Company entered into an administrative services agreement with Last Dance Ventures, LLC (LDV), a related party owned by managers Hadley Ford and Randy Maslow. LDV will provide full time equivalent staff to perform certain accounting, business development, recordkeeping, tax filing and other operating functions. The agreement provides for a monthly fee. For the three months and six months ended June 30, 2016, the Company incurred administrative management fees of $210,000 and $420,000, respectively. There were no administrative management fees for the three months and six months ended June 30, 2015.

Key management compensation

No compensation paid or payable to key management for the three and six months ended June 30, 2016. For the three and six months ended June 30, 2015, compensation paid totaled $ 39,225 and $ 78,450, respectively.

7. Members' equity:

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

Through June 30, 2016, the Company raised additional capital through the issuance of 4,294,800 Class A units yielding proceeds amounting to $5,356,000 less offering costs of $88,779. As of June 30, 2016, there were 16,338,065 issued and fully paid Class A units.

Through June 30, 2015, the Company issued 1,930,015 Class A units for $2,005,015 less offering costs of $303,000. As of June 30, 2015, there were 12,005,015 issued and fully paid Class A units.

8. Financial instruments and financial risk management:

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

- Market risk
- Credit risk
- Liquidity risk

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

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

General Objectives, Policies and Processes

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

8. Financial instruments and financial risk management (continued):

Market risk

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

Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the U.S. dollar and other foreign currencies will affect the Company's future operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

Interest rate risk

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

Equity price risk

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

Credit risk

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

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

8. Financial instruments and financial risk management (continued):

Liquidity and funding risk

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

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

	Within one Year	**Between one and five years**	**More than five years**
Accounts payables and accrued liabilities	$190,999	$ -	$ -
Due to related party	$ -	$ -	$ -

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at December 31, 2015:

	Within one Year	**Between one and five years**	**More than five years**
Accounts payables and accrued liabilities	$311,594	$ -	$ -
Due to related party	$132,930	$ -	$ -

Fair Value

Cash, receivables, due to/from related parties and accounts payable and accrued liabilities, approximate their fair values because of the short-term maturities of these financial instruments. The fair values of the promissory notes approximate their carrying values.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 in a hierarchy that is based on the degree to which the fair value is observable. The levels in the hierarchy are as follows:

8. Financial instruments and financial risk management (continued):

Fair Value (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Investment valuation: On November 19, 2015, the Company was notified by 4Front Ventures, Inc. that a "type 1 funding event" was entered into and on December 22, 2015, the Company exercised its conversion option to convert the principal balance of the note into units of the corporation's Series B preferred stock. The investment in 4Front Ventures, Inc. is carried at fair value as determined by the management of 4Front Ventures, Inc. at the date of the conversion.

There were no changes in valuation techniques during the periods.

Financial assets

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

Losses and receivables

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

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

8. Financial instruments and financial risk management (continued):

Impairment of financial assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets. No impairment losses have been required for the three months ended June 30, 2016 and June 30, 2015.

Promissory notes

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

On June 23, 2015, the Company issued a secured promissory note for an amount not to exceed $915,000 to FWR. The total amount advanced under the promissory note as of June 30, 2016 amounted to $420,000. The note bears interest at a rate of 20%, compounded monthly and payable monthly beginning on July 15, 2015. Principal payments for the note begin on July 15, 2016 and end on June 15, 2020.

The Company loaned Reynold, Greenleaf and Associates LLC a related party through a family relationship with one of the officer's, Hadley Ford, $50,000 on January 21, 2016 and entered into an allonge for another $350,000 on March 10, 2016. During the period April 2016 through July 1, 2016, the Company entered into allonges aggregating $920,000. These loans bear an interest rate of 20% and are payable at the maturity date, which is the earlier of (a) closing of an investment in the Maker by the Note holder or its affiliate in excess of $1,000,000 or (b) the one-year anniversary of the date of the loan.

8. Financial instruments and financial risk management (continued):

Convertible Promissory Notes

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

In conjunction with issuance of the Notes, iAnthus Investor has issued 275,758 three-year warrants (consisting of 106,061 warrants currently issued and 169,697 warrants held in escrow subject to a public filing of the Company and other certain milestones.) Each warrant gives the holder the right to purchase one Class A unit of the Company for an exercise price of $1.75. As at June 30, 2016 the 106,061 warrants have a carrying value of $104,640 as determined by the Black-Scholes Pricing Model.

At June 30, 2016, the $500,000 convertible note and 106,061 warrants are carried at $424,642 and $86,550, respectively, using the proportionate value allocation method. The convertible note is stated at a discount that will be accreted to interest expense using the effective interest method. For the six months ended June 30, 2016, $11,192 of interest was accreted.

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

9. Capital management:

The Company monitors its cash, common units and debt obligations as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and, at the same time, preserve investors' confidence required to sustain future development and production of the business.

The Company is not exposed to any externally imposed capital requirements.

10. Equity compensation plan:

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

The following table shows the options issued through June 30, 2016, the fair value using the Black-Scholes Pricing Model and the significant assumptions utilized by the Company in the valuation of these options:

	November 2015	**March 2016**	**April 2016**	**May 2016**
No. of options issued	387,500	165,000	100,000	710,000
Fair value	$382,107	$203,385	$875,090	$123,251
Market price	$1.00	$1.25	$1.25	$1.25
Exercise price	$1.00	$1.25	$1.25	$1.25
Volatility	154.54%	154.54%	154.54%	154.54%
Expected term	10 years	10 years	10 years	10 years
Annual rate of quarterly dividends	0.00%	0.00%	0.00%	0.00%
Discount rate – bond equivalent rate	0.88%	0.91%	0.74%-0.89%	0.77%

Expected volatility is estimated based upon historical data from comparable companies commensurate with the expected term. No options were forfeited, expired or were exercised during the six months ended June 30, 2016. Options to purchase 235,938 Class A units were exercisable as of June 30, 2016.

10. Equity compensation plan (continued):

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

The related compensation expense for the three months and six months ended June 30, 2016 were $280,341 and $371,186, respectively. No compensation expense was recorded for the three months and six months ended June 30, 2015.

During April 2016 and May 2016, the Company issued options to purchase 810,000 Class A units at a market price and exercise price of $1.25 with a fair value of $998,341 as determined by the Black-Scholes Pricing Model.

11. Share Exchange Agreement:

The Company on March 11, 2016 entered into a Share Exchange Agreement (SEA) with Genarca Holdings Ltd. (Genarca) and various other parties that will result in the acquisition of all of the membership interests of the Company by Genarca. Genarca then will be renamed iAnthus Capital Holdings Inc. after the close of the transaction which constitutes a reverse asset acquisition. It is contemplated as part of the transaction that Genarca and ultimately the Company will be listed on the Canadian Securities Exchange.

12. Commitments:

The Company entered into an agreement with ProActive Capital Resources Group (PCG) on February 8, 2016 to provide strategic advisory, communications and market access services. Pursuant to the services agreement, the Company retained PCG on a 12-month term and to pay PCG a monthly cash fee of $5,000 and the Company is responsible for all reasonable out-of-pocket expenses related to the services. Either party can terminate the agreement without any reason by providing 30 days written notice to the other party of the termination thereof. In addition, IAnthus Investor LLC granted 50,000 warrants to PCG at an exercise price of $1.25.

12. Commitments (continued):

The Company entered into an agreement with Baron Global Financial Canada Ltd. (Baron) on February 4, 2016 to provide advisory services. Pursuant to the advisory services agreement, the Company retained Baron on a 12-month term upon listing on the Canadian Stock Exchange (CSE) to be its exclusive corporate advisor. Pursuant to the advisory services agreement, the Company agreed to pay Baron a one-time fee of CAD$50,000 and a monthly cash fee of CAD$12,000 plus applicable tax upon listing on CSE and the Company is responsible for all reasonable out-of-pocket expenses related to the services. Either party can terminate the agreement without any reason by providing 30 days written notice to the other party of the termination thereof. In addition, the Resulting Issuer will grant 100,000 stock options to Baron.

13. Risk and uncertainties:

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

14. Subsequent events:

Related party transactions

Subsequent to June 30, 2016, the Company advanced, under a secured promissory note, an additional $313,843 to Mayflower Medicinal, a not-for-profit entity controlled by Company management, for payment of Massachusetts license application fees and expenses.

The secured promissory note is for an amount not to exceed $1,300,000. The total amount advanced under the promissory note as of September 6, 2016 amounted to $1,243,422. The note bears interest at a rate of 16%, compounded daily and payable on a quarterly basis, starting one year after Mayflower Medicinal commences sales of licensed products to patients (the First Payment Date). The maturity date is seven (7) years after the First Payment Date.

14. Subsequent events (continued):

Share Exchange Agreement

On August 12, 2016, the Company closed the transaction contemplated in the SEA. On August 15, 2016, the Company (changed its name to iAnthus Capital Holdings, Inc.) became 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 Genarca's long form prospectus dated August 12, 2016.