IANTHUS CAPITAL HOLDINGS, INC.

(formerly Genarca Holdings Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and December 31, 2015

(Expressed in U.S. Dollars)

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Independent Auditor's Report

To the Shareholders of iAnthus Capital Holdings Inc. (formerly Genarca Holdings Ltd.)

We have audited the accompanying consolidated financial statements of iAnthus Capital Holdings Inc. (formerly Genarca Holdings Ltd)., which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of iAnthus Capital Holdings Inc. (formerly Genarca Holdings Ltd.) as at December 31, 2016 and the consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has operating losses and negative cash flows. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainties that may cast substantial doubt upon the Company's ability to continue as a going concern.

Other Matter
The consolidated financial statements of iAnthus Capital Management, LLC for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on August 12, 2016.

(signed) "BDO CANADA LLP"

Chartered Professional Accountants
Vancouver, Canada
May 1, 2017

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

		December 31, 2016		December 31, 2015
ASSETS				
Current Assets:				
Cash	$	9,413,953	$	211,717
Receivables and prepaid expenses		171,811		33,278
Due from related parties (Note 16)		108,297		23,615
Receivable related to business combination (Note 6)		275,175		-
Promissory note receivable (Note 10)		99,647		39,507
Loan to Mayflower Medicinals, Inc. (Note 9)		-		206,313
		10,068,883		**514,430**
Non-Current Assets:				
Promissory note receivable (Note 10)		450,353		220,493
Loan to Mayflower Medicinals, Inc. (Note 9)		2,131,432		-
Due from related parties (Note 16)		409,531		24,345
Property, plant and equipment (Note 7)		1,961,131		-
Investment in associate (Note 8)		2,407,388		-
Investment in 4 Front Ventures, Inc. (Note 11)		99,969		99,969
Intangible assets (Note 6)		430,000		-
Goodwill (Note 6)		1,998,311		-
TOTAL ASSETS	$	**19,956,998**	**$**	**859,237**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable and accrued liabilities		506,678		311,594
Due to related parties (Note 16)		318,194		132,930
Derivative liability (Note 12)		889,992		**-**
		1,714,864		**444,524**
Non-Current Liabilities:				
Convertible promissory loan notes (Note 12)		735,324		**-**
Total Liabilities		**2,450,188**		**444,524**
Shareholders' Equity:				
Share capital (Note 15)		19,310,097		1,957,393
Option reserves (Note 15)		1,202,353		164,306
Warrant reserves (Note 15)		3,685,017		-
Accumulated deficit		(6,762,718)		(1,706,986)
Accumulated other comprehensive income		72,061		-
Total Shareholders' Equity		**17,506,810**		**414,713**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	**19,956,998**	**$**	**859,237**

Approved on behalf of the Board:

"Hadley Ford"
Chief Executive Officer

"Julius Kalcevich"
Chief Financial Officer

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

iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.)
Consolidated Statements of Loss and Other Comprehensive Loss
(Expressed in U.S. Dollars, except share amounts)

		December 31, 2016		December 31, 2015
Revenues:				
Management fee income	$	67,461	$	24,345
Investment income		17,726		-
Interest income		306,465		21,221
Total revenues		**391,652**		**45,566**
Operating expenses:				
Depreciation (Note 7)		7,744		-
Administrative and other expenses		914,509		277,485
Wages and salaries		346,413		245,563
Share-based payments (Note 15)		1,064,238		164,306
Legal and professional fees		520,102		422,872
Consulting fees		1,175,364		251,088
Foreign exchange loss		576		-
Total operating expenses		**(4,028,946)**		**(1,361,314)**
Other items:				
Interest expense (Note 12)		(90,012)		-
Gain on investment in associate (Note 8)		36,116		-
Accretion expense (Note 12)		(200,809)		-
Listing expense (Note 5)		(812,155)		-
Loss on settlement of debt		(6,623)		-
Debt issuance cost expense (Note 12)		(96,442)		-
Change in fair value of derivative liability (Note 12)		(248,512)		-
Total other items		**(1,418,437)**		
Net loss		**(5,055,732)**		**(1,315,748)**
Other comprehensive income				
Foreign exchange loss on translation		72,061		-
Comprehensive loss	**$**	**(4,983,671)**	**$**	**(1,315,748)**
Loss per share – basic and diluted	**$**	**(0.32)**	**$**	**(0.11)**
Weighted average number of common shares outstanding - basic and diluted		**15,976,269**		**11,937,550**

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

iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.)
Consolidated Statements of Changes in Equity
(Expressed in U.S. Dollars, except share amounts)

	Number of Shares (Common)	Number of Shares (Class A)	Share Capital	Option Reserves	Warrant Reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Shareholders' Equity
			$	$	$	$	$	$
Balance – January 1, 2015	**-**	**10,000,000**	**(77,530)**	**-**	**-**	**-**	**(391,238)**	**(468,768)**
Private placement (Note 15)	-	2,244,515	2,254,515	-	-	-	-	2,254,515
Share issue costs	-		(219,592)	-	-	-	-	(219,592)
Share-based compensation (Note 15)	-		-	164,306	-	-	-	164,306
Loss for the year	-		-	-	-	-	(1,315,748)	(1,315,748)
Balance – December 31, 2015	**-**	**12,244,515**	**1,957,393**	**164,306**	**-**	**-**	**(1,706,986)**	**414,713**
Private placement (Note 15)	-	4,093,550	5,356,000	-	-	-	-	5,356,000
Reverse takeover (Note 5)	600,001	-	750,001	-	-	-	-	750,001
Conversion of shares from Class A to Common upon reverse takeover	5,083,065	(5,083,065)	-	-	-	-	-	-
Issuance of shares as settlement for interest payable (Note 12)	31,433	-	52,094	-	-	-	-	52,094
Private placement (Note 15)	10,240,520	-	13,419,767	-	2,487,550	-	-	15,907,317
Share issue costs	-	-	(2,277,810)	-	959,619	-	-	(1,318,191)
Exercise of stock options (Note 15)	21,250	-	52,652	(26,191)	-	-	-	26,461
Share-based compensation (Note 15)	-	-	-	1,064,238	-	-	-	1,064,238
Warrants issued to consultants	-	-	-	-	42,418	-	-	42,418
Warrants issued on promissory notes	-	-	-	-	195,430	-	-	195,430
Other comprehensive income for the year	-	-	-	-	-	72,061	-	72,061
Loss for the year	-	-	-	-	-	-	(5,055,732)	(5,055,732)
Balance – December 31, 2016	**15,976,269**	**11,255,000**	**19,310,097**	**1,202,353**	**3,685,017**	**72,061**	**(6,762,718)**	**17,506,810**

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

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

	December 31, 2016	December 31, 2015
Operating activities		
Net loss	$ (5,055,732)	$ (1,315,748)
Adjustments for:		
Depreciation of property, plant and equipment	7,744	-
Share-based compensation	1,064,238	164,306
Warrants issued to consultants	42,418	-
Foreign exchange gain	71,889	-
Interest income	(306,465)	-
Interest expense	90,012	-
Accretion on financial liabilities	200,809	-
Listing costs	812,155	-
Loss on settlement of debt	6,623	-
Debt issuance costs	96,442	-
Fair value movement on derivative	248,512	-
Share of gains of equity-accounted investees	(36,116)	-
Changes in non-cash working capital items:		
Prepaid expenses	(49,446)	(19,206)
Receivables	(338,119)	(52,001)
Accounts payable and accrued liabilities	127,391	50,892
Related party balances	(267,138)	(87,854)
Net cash used in operating activities	**(3,284,783)**	**(1,259,611)**
Investing activities		
Cash acquired in reverse takeover transaction (Note 5)	106,607	-
Costs incurred in reverse takeover transaction (Note 5)	(102,071)	-
Interest income	82,648	-
Interest paid	(69,540)	-
Purchase of Organix assets (Note 6)	(4,395,000)	-
Purchase of property, plant and equipment	(2,189)	-
Advances to associate (Note 8)	(2,270,000)	-
Issuances of promissory notes receivable	(290,000)	(360,000)
Loans to Mayflower (Note 9)	(1,845,370)	(203,595)
Net cash used in investing activities	**(8,784,915)**	**(563,595)**
Financing activities		
Proceeds from issue of share capital	21,289,220	2,254,515
Equity financing costs	(1,318,191)	(219,592)
Proceeds from issue of long-term debt	1,300,000	-
Net cash generated from financing activities	**21,271,029**	**2,034,923**
Net increase in cash	**9,201,331**	**211,717**
Cash, beginning of the year	211,717	-
Effect of movements in exchange rates on cash held	905	-
Cash, end of the year	**$ 9,413,953**	**$ 211,717**

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

1. NATURE OF OPERATIONS

iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.) ("ICH" or the "Company") was incorporated in British Columbia, Canada, on November 15, 2013. On August 15, 2016, the Company completed the acquisition of all issued and outstanding equity interests of a private company, iAnthus Capital Management, LLC ("ICM"), through a reverse takeover arrangement ("the RTO"). Upon completion of the RTO, the shareholders of ICM obtained control of the consolidated entity. Under the purchase method of accounting, ICM was identified as the acquirer, and accordingly the entity is considered to be a continuation of ICM with the net assets of the Company at the date of the RTO deemed to have been acquired by ICM (Note 5). The 2016 and 2015 comparative figures in the consolidated financial statements include the results of operations of ICM prior to the RTO date of August 15, 2016.

Following the RTO the Company's principal activity is the delivery of solutions for financing, developing and managing state-licensed cannabis cultivators and dispensaries throughout the United States.

The Company listed on the Canadian Securities Exchange (the "CSE") and began trading on September 7, 2016 under the ticker symbol "IAN".

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

2. BASIS OF PREPARATION AND GOING CONCERN

These 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 year ended December 31, 2016.

Going Concern

These 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 equity financing and there are no assurances that the Company will be successful in achieving these goals. For the year ended December 31, 2016 the Company reports a net loss of $5,055,732, operating cash outflows of $3,284,783 and, as of that date, an accumulated deficit amounting to $6,762,718. These circumstances cast substantial doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of the accounting principles applicable to a going concern. These 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 operations.

Basis of measurement

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

Functional and presentation currency

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

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

Basis of consolidation

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

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

Estimates and critical judgments by management

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

These consolidated financial statements were approved by the Board of Directors on May 1, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared using the following accounting policies:

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Certain acquisition related costs are recognized in profit or loss as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Foreign currency

The Company's presentation currency is U.S. Dollars. The functional currency of all U.S. subsidiaries is U.S. Dollars and the functional currency of the parent entity is Canadian Dollars. Balances of ICH are translated from their functional currency to U.S. Dollars as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Foreign currency (cont.)

Translation

On consolidation, the assets and liabilities of foreign operations are translated into U.S. dollars at the rate of exchange prevailing at the reporting date and their statements of loss and comprehensive loss are translated at the average exchange rates for the reporting period. The exchange differences arising on translation for consolidation are recognized in other comprehensive loss.

Transactions

Transactions in foreign currencies are recorded at a rate of exchange approximating the prevailing rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated the functional currency at the foreign exchange rate in effect at that date. Realized and unrealized exchange gains and losses are recognized through profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over the following terms:

Building	25 years
Extraction equipment	5 years
Growing equipment	5 years
Leasehold improvements	5 years

An asset's residual value, useful life and amortization method is reviewed at each financial year-end and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in profit or loss.

Intangible assets

Intangible assets acquired in a business combination are recorded at their fair value at the date of acquisition and recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Judgment is applied by management to estimate the appropriate fair value of identifiable intangible assets. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets with a finite life are stated at the amount initially recognized less accumulated amortization and accumulated impairment losses. Intangible assets with a finite life are amortized on a straight-line basis over the period of expected benefit.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired.

Goodwill is evaluated for impairment annually or more often where events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill with any excess allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

Investment in associates

The Company holds an interest in an associate. Associates are entities over which the Company exercises significant influence, defined as the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. The Company accounts for associates using the equity method of accounting. Interests in associates accounted for using the equity method are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company’s interest in an associate is adjusted for the Company’s share of comprehensive income or loss and distributions of the associate. The carrying value of associates is assessed for impairment at each statement of financial position date.

Income taxes

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Share-based compensation

The Company had two employee stock option plans during the year; the first granting Class A shares in ICM and the second granting common shares in ICH. In connection with the RTO, and pursuant to a share exchange agreement (the "Share Exchange Agreement") dated March 11, 2016 and amended and restated on June 30, 2016, the Company was required, pursuant to section 2.3 of the Share Exchange Agreement, to assume the outstanding share purchase options of ICM (the "Class A Unit Options") held by certain Class A Unit Option holders of ICM concurrent with the closing of the RTO. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest.

For stock options granted to non-employees, the compensation expense is measured at the fair value of the goods and services received, except where the fair value cannot be estimated, in which case, it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments.

Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from option reserves to share capital.

Revenue recognition

Revenues from management fees are recognized as the services are performed. Revenues from investment income and interest income are recognized as they are accrued.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise warrants and share options issued.

Financial instruments

Financial assets
The Company initially recognizes financial assets at fair value on the date that they are originated. All financial assets (including assets designated as fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. Non-derivative financial instruments are classified as fair value through profit or loss, held-to-maturity, loans and receivables or available-for-sale

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial instruments (cont.)

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy.

Financial assets classified as fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Held-to-maturity assets are initially measured at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale assets are initially measured at fair value plus any directly attributable transaction costs. Subsequently, they are measured at fair value and changes, other than impairment losses and foreign currency differences on debt instruments, are recognized in other comprehensive loss and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated is reclassified to profit or loss.

Derivative financial instruments
Derivatives are initially measured at fair value. Any directly attributable transactions costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes are recognized in profit or loss.

Impairment of financial assets
Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial liabilities
The Company initially recognizes financial liabilities at fair value on the date that they are originated. All financial liabilities (including liabilities designated as fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

Classification of financial instruments
The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial instruments (cont.)

	Classification
Cash	Loans and receivables
Accounts receivable	Loans and receivables
Due from related parties	Loans and receivables
Loan to Mayflower	Loans and receivables
Promissory note receivable	Loans and receivables
Investment in 4 Front Ventures, Inc.	Available-for-sale
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities
Host liability component of convertible promissory note	Other financial liabilities
Derivative financial instrument	Fair value through profit or loss

Segmental Reporting

Operating segments are components of the Company where separate financial information is available that is evaluated regularly by the Company's Chief Executive Officer who is the Chief Operating Decision Maker. The operational segments are determined based on the Company's management and internal reporting structure. Refer to Note 19 for details of the Company's segmental reporting.

New Standards, Interpretations and Amendments

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 does not expect significant impact on its financial statements from the adoption of this new standard.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

New Standards, Interpretations and Amendments (cont.)

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 leasee. The treatment of leases by the leasee will require capitalization of all leases resulting accounting treatment similar to finance leases under IAS 17 Leases. The new standard will result in an increase in lease assets and liabilities for the leasee. Under the new standard, the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest component recognized for each lease, in line with finance lease accounting under IAS 17 Leases. IFRS 16 will be applied prospectively for annual periods beginning on January 1, 2019. Based on current operations, the Company does not expect this standard to have significant financial reporting implications.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements requires management to apply judgment and make estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations with regards to future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates.

SIGNIFICANT ACCOUNTING ESTIMATES

Share-based payments

The Company issues options to employees and consultants as a form of compensation and to align incentives with those of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. Options are classified as employee or non-employee stock options. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For share-based payments for employee options, each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is estimated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payment transactions for non-employee options are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the options granted at the date the Company receives the goods or the services, estimated using the Black-Scholes option pricing model.

Convertible promissory notes

The Company uses the fair-value method of accounting for convertible debentures and derivative liabilities. Under this method, the convertible feature of the promissory note was measured at fair value upon recognition and is subsequently re-measured at each reporting date and the change in fair value is expensed in the reporting period. The fair value is estimated using the Black-Scholes option pricing model. Significant estimate is involved in assessing the terms and conditions of the conversion feature and in determining the appropriate volatility used in the model.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (cont.)

SIGNIFICANT ACCOUNTING ESTIMATES (cont.)

Property, plant and equipment and definite life intangible assets

The Company estimates useful life, residual value and depreciation methods based on industry norms, historical experience, market conditions and future cash flows. The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to obsolescence that may change the utilization of certain assets and the lack of available industry data.

Indefinite life intangible assets and goodwill

Indefinite life intangible assets and goodwill are reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired. Impairment of an asset occurs when its carrying value exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and value in use. The calculation is based on a discounted cash flow model, to arrive at cash flow projections the Company uses estimates of economic and market information over the projection period, including growth rates, estimates of future expected changes in operating margins, and cash expenditures. Other significant estimates include determination of an appropriate discount rate, estimates of capital expenditures and changes in future working capital requirements.

SIGNIFICANT ACCOUNTING JUDGMENTS

Going concern

Each reporting period, management exercises judgment in assessing whether there is a going concern issue by reviewing the Company's performance, resources and future obligations. Refer to Note 2 for management's assessment of going concern for the year ended December 31, 2016.

Business combinations

Judgement is required to determine when the Company gains control of an investment. This requires an assessment of the relevant activities of the investee, being those activities that significantly affect the investee's returns, including operating and capital expenditure decision-making; financing of the investee; the appointment, remuneration and termination of key management personnel; and when decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors.

Impairment on financial assets

At each reporting date the Company assesses whether there is 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 have 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.

Impairment on investments in associates

An impairment loss on an investment in associate is measured by comparing the recoverable amount of the investment with its carrying amount. The Company must assess a number of factors, such as the market conditions, potential buyers and the performance of the associate, in determining the recoverable amount.

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

5. REVERSE TAKEOVER TRANSACTION

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

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

In accordance with IFRS 3 *Business Combinations* ("IFRS 3"), the substance of the transaction was a reverse takeover ("RTO") of a non-operating company. The transaction did not constitute a business combination since ICH did not meet the definition of a business under IFRS 3. As a result, the transaction was accounted for as an asset acquisition with ICM being identified as the acquirer (legal subsidiary) and the Company being treated as the accounting subsidiary (legal parent) with the transaction being measured at the fair value of the equity consideration issued to ICH.

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

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

6. BUSINESS COMBINATION

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

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

6. BUSINESS COMBINATION (cont.)

The total cash paid to the owners of Organix amounted to $4,670,175. In accordance with the terms of the agreement, the consideration payable will be adjusted for profits or losses generated by Organix from December 5, 2016 to the date the Marijuana Enforcement Division ("MED") approves transfer of the cultivation and selling license from the previous owners of Organix to a third party. On a preliminary basis, the Company has estimated that profits of $275,175 will be generated by Organix during the period and accordingly, total preliminary consideration amounts to $4,395,000.

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

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

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

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

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

The Company incurred closing costs of $5,465 and legal expenses of $103,703 in relation to this transaction. No revenues or expenditures relating to the business combination have been recognized in these financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represent certain assets acquired from Organix, which were purchased on December 5, 2016 by two wholly-owned subsidiaries of ICM (a wholly-owned subsidiary of the Company), Scarlet Globemallow, LLC and Bergamot Properties, LLC. During the year ended December 31, 2016 additions of $2,189 and depreciation expense of $7,747 were recognized in the consolidated financial statements.

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

7. PROPERTY, PLANT AND EQUIPMENT (cont.)

The cost continuity of the account for the year ended December 31, 2016 is as follows:

	Balance at January 1, 2016 and 2015	Additions from acquisitions, net of depreciation	Additions	Balance at December 31, 2016
Office equipment	$ -	$ 5,449	$ -	$ 5,449
Grow equipment	-	112,284	960	113,244
Sales equipment	-	34,147	269	34,416
Leasehold improvements	-	284,337	960	285,297
Extraction equipment	-	30,472	-	30,472
Building – Jason St.	-	750,000	-	750,000
Land	-	750,000	-	750,000
Total	**$ -**	**$ 1,966,689**	**$ 2,189**	**$ 1,968,878**

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

	Balance at January 1, 2016 and 2015	Amortization	Balance at December 31, 2016
Office equipment	$ -	$ 107	$ 107
Grow equipment	-	2,948	2,948
Sales equipment	-	839	839
Leasehold improvements	-	1,153	1,153
Extraction equipment	-	563	563
Building – Jason St.	-	2,137	2,137
Total	$ -	$ **7,747**	$ **7,747**
Net book value	$ -		$ **1,961,131**

As of December 31, 2015, the Company had no property, plant and equity balances and no accumulated amortization.

8. INVESTMENT IN ASSOCIATE

During the current year, the Company provided a series of loans in the aggregate amount to $2,270,000 to Reynold, Greenleaf and Associates LLC ("RGA"), a company which provides consulting and management services to companies operating in the medical cannabis industry in New Mexico. RGA is considered a related party by virtue of connections to the key management team of the Company. The loans bore interest at a rate of 20% and were payable at the maturity date, which was the earlier of (a) closing of an investment in RGA by ICM in excess of $1,000,000; (b) the one-year anniversary of the date of the loan; or (c) an event of default.

On October 12, 2016 (the "Conversion Date"), the Company converted the loans, plus accrued interest of $101,272, to Class A-1 Units of RGA. On the Conversion Date, the total outstanding amount of $2,371,272 was converted into 229,774 Class A-1 Units at $10.32 per unit. At the Conversion Date and at December 31, 2016, the 229,774 Class A-1 Units represents 22.98% of the total equity of RGA. The Company has the ability to exercise significant influence over RGA as the Company holds more than 20% of the voting interests and can elect two of seven directors to the board of RGA. Accordingly, as of the Conversion Date, the Company has applied the equity method of accounting for its investment in RGA. No quoted market price exists for the investment.

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

8. INVESTMENT IN ASSOCIATE (cont.)

The net income of RGA for the period from the Conversion date to December 31, 2016 was $178,792.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method
		2016	2015		
Reynold, Greenleaf and Associates LLC	U.S.A.	22.98%	-	Associate	Equity method

		2016
Units acquired via conversion of loans	$	2,371,272
Share in profit of associate		36,116
Balance at December 31, 2016	$	**2,407,388**

Presented below is the summarized financial information for RGA as at December 31, 2016 and for the period from October 1, 2016 to December 31, 2016. These figures are derived from RGA's unaudited financial statements which were prepared for internal use.

Summarised financial information for associate

Summarised statement of financial position

As at		December 31, 2016
Current asset		
Cash	$	359,160
Other current assets		3,128,982
Total current assets		3,488,142
Non-current assets		704,787
Current liabilities		
Current liabilities		9,426
Other current liabilities		35,262
Total current liabilities		44,688
Net assets	**$**	**4,148,241**

Summarised statement of comprehensive income

For the period ended		December 31, 2016
Revenue		
Consulting income	$	475,089
Rental income		68,900
Interest expense		5,833
Revenue for the period	**$**	**538,156**

9. LOAN DUE FROM MAYFLOWER MEDICINALS, INC.

On July 1, 2016, the Company entered into an agreement (the “Mayflower Loan Agreement”) with Mayflower Medicinals, Inc. (“Mayflower”), to issue a secured promissory note for an amount not to exceed $1,300,000 to fund Mayflower’s license application fees to the State of Massachusetts and related expenses. On December 28, 2016, the parties entered into a First Amendment to the Mayflower Loan Agreement increasing the maximum amount available to be loaned to Mayflower by the Company to up to but not to exceed $3,000,000. Mayflower is a not-for-profit entity operating in the cannabis industry in Massachusetts and it is controlled by an officer of ICM.

As of December 31, 2016, the total amount advanced under the promissory note was $2,131,432 including accrued interest. The note bears interest at a rate of 16%, compounded daily and payable on a quarterly basis, starting one year after Mayflower commences sales of licensed products to patients (the “First Payment Date”). The maturity date is 7 years from the First Payment Date, and therefore the note is classified as non-current. Interest income on the note amounted to $123,536 and $1,043 for the years ended December 31, 2016 and 2015, respectively.

10. LOAN DUE FROM FWR INC.

On June 23, 2015, ICM issued a secured promissory note to FWR Inc. (“FWR”) for an amount not to exceed $915,000. The note bears interest at a rate of 20%, compounded and payable on a monthly basis. The principal payments for the note began on July 15, 2016 and the loan matures on June 15, 2020. On July 15, 2016, ICM entered into a temporary forbearance agreement with FWR whereby both parties agreed to postpone the principal payments until October 15, 2016. On October 26, 2016, the Company entered into a second temporary forbearance agreement with FWR whereby both parties agreed to postpone the principal payment until January 15, 2017. Subsequent to year-end, FWR and the Company have extended the forbearance of the principal payments. As of the issuance date of these financial statements, the principal payments are due May 15, 2017. As of December 31, 2016, the total amount advanced under the secured promissory note was $550,000 (2015 - $260,000) of which $99,647 (2015 - $39,507) is classified as current and $450,353 (2015 - $220,493) is classified as non-current. Interest income on the note amounted to $83,882 and $21,221 for the years ended December 31, 2016 and 2015, respectively.

11. INVESTMENT IN 4FRONT VENTURES, INC.

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

12. CONVERTIBLE PROMISSORY LOAN NOTES

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

The Notes do not have redemption, retraction, purchase for cancellation, surrender, sinking or purchase fund provisions. The Notes have a covenant requiring that, the Company maintain a minimum cash balance of $500,000, while the Notes remain outstanding and less than 80% of the original principal amount of the Notes have been converted by the payee. As of December 31, 2016, the Company was in compliance with this covenant.

In conjunction with the issuance of the Notes the Company issued 275,758 three-year warrants. Each warrant gives the holder the right to purchase one Class A share of the Company at an exercise price of $1.75. The fair value of the warrants of $195,446 at inception was determined using the Black-Scholes model. The warrant value is allocated to both the convertible promissory loan notes and the derivative liability. Debt issuance cost expense of $96,442 is included in the consolidated statement of comprehensive loss.

The conversion feature is a derivative liability and is required to be separated from the debt host liability and valued independently. In estimating the fair value of the derivative liability on initial recognition the Company used the Black-Scholes method, calculating a fair value of $541,480. As the financial instrument is designated as fair value through profit or loss it is revalued at each reporting date. As at December 31, 2016 the value of the derivative liability increased to $889,992 with the fair value movement being recognized in the statement of comprehensive loss.

The residual value from the instrument is assigned to the debt host liability which is valued on an amortized cost basis. During the year ended December 31, 2016 interest expense of $290,821 was recognized in the statement of comprehensive loss and as at December 31, 2016 the debt host liability amounts to $735,324.

On September 23, 2016, the Company issued 15,956 common shares with a fair value of $24,240 in satisfaction of the accrued interest due on the convertible promissory note of $19,945. As part of the conversion, a loss on settlement of debt of $4,295 was recorded.

On December 6, 2016, $25,000 of the promissory note was converted into 15,477 common shares of the Company with a fair value of $27,854 in satisfaction of $25,000 of principal and $526 of interest accrued on the convertible promissory note. As part of the conversion, a loss on settlement of debt of $2,328 was recorded.

13. FAIR VALUE

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

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

13. FAIR VALUE (cont.)

- 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, due to/from related parties and accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these financial instruments.

The promissory note receivable and loan to Mayflower Medicinals, Inc. were initially recognized at fair value and are subsequently measured on an amortized cost basis.

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

The Company's convertible promissory loan note and related derivative liability are allocated using their respective fair values using the Black-Scholes method and are therefore considered to be a Level 2 measurement.

The following table presents the fair value hierarchy for the Company's financial assets that are measured at fair value:

	December 31, 2016			December 31, 2015	
	Fair value measurement			Fair value measurement	
	Carrying value	**Level 2**	**Level 3**	**Carrying value**	**Level 3**
Financial assets:					
Investment in 4Front Ventures	$ 99,969	$ -	$ 99,969	$ 9,969	$ 99,969
Promissory note receivable	450,353	-	450,353	220,493	$ 220,493
Loan to Mayflower	2,131,432	-	2,131,432	206,313	$ 206,313
Total	**$ 2,681,754**	**$ -**	**$ 2,681,754**	**$ 436,775**	**$ 436,775**
Financial liabilities:					
Convertible promissory loan	1,275,000	735,324	-	-	-
Derivative liability	-	889,992	-	-	-
Total	**$1,275,000**	**$ 1,625,316**	**$ -**	$ **-**	$ **-**

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

13. FAIR VALUE (cont.)

During the year ended December 31, 2016 there were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy. The classification and respective fair value of financial instruments, as at December 31, 2016 and 2015 is shown in the table below:

AT DECEMBER 31, 2016	Loans and receivable	FVTPL	AFS	Other financial liabilities	Total
Financial assets					
Cash	$ 9,413,953	$ -	$ -	$ -	$ 9,413,953
Receivables	85,771	-	-	-	85,771
Due from related parties	517,828	-	-	-	517,828
Investment in 4Front	-	-	99,969	-	99,969
Promissory note receivable	550,000	-	-	-	550,000
Loan to Mayflower	2,131,432	-	-	-	2,131,432
Total financial assets	$ 12,698,984	$ -	$ 99,969	$ -	$ 12,798,953
Financial liabilities					
Account payable and accrued liabilities	$ -	$ -	$ -	$ 506,679	$ 506,679
Convertible promissory note	-	-	-	735,324	735,324
Due to related parties	-	-	-	318,194	318,194
Derivative liability on note	-	889,992	-	-	889,992
Total financial liabilities	$ -	$ 889,992	$ -	$ 1,560,197	$ 2,450,189

AT DECEMBER 31, 2015	Loans and receivable	FVTPL	AFS	Other financial liabilities	Total
Financial assets					
Cash	$ 211,717	$ -	$ -	$ -	$ 211,717
Receivables	52,821	-	-	-	52,821
Due from related parties	24,345	-	-	-	24,345
Investment in 4Front	-	-	99,969	-	99,969
Promissory note receivable	260,000	-	-	-	260,000
Loan to Mayflower	206,313	-	-	-	206,313
Total financial assets	$ 755,196	$ -	$ 99,969	$ -	$ 855,165

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

13. FAIR VALUE (cont.)

Financial liabilities										
Account payable and accrued liabilities	$	-	$	-	$	-	$	311,594	$	311,594
Convertible promissory note		-		-		-		-		-
Due to related parties		-		-		-		132,930		132,930
Derivative liability on note		-		-		-		-		-
Total financial liabilities	$	-	$	-	$	-	$	444,524	$	444,524

14. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

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.

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 significant interest-bearing loans and borrowings are all at fixed interest rates, therefore the interest rate risk is limited to potential changes on the cash held with financial institutions in Canada and in the United States of America. As interest on these balances is negligible, the Company considers interest rate 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 has shares in the private companies RGA and 4FrontVentures. The performance of the investee companies is monitored by the Company in order to assess the equity price risk and take actions to reduce risks where needed.

Credit risk
Credit risk is the risk of financial loss to the Company if a 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, receivables from related parties, other receivables, promissory notes receivable and loan to Mayflower Medicinals, Inc. The carrying amount of these financial assets represents the maximum credit exposure at December 31, 2016.

14. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont.)

Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. 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. Each related party and the counterparties for the notes and loan receivable have been considered to determine whether they pose a significant credit risk. Since the counterparties with large outstanding balances have high growth potential in revenues and do not have other significant debt outstanding, they have been assessed to have an acceptable level of credit risk.

Based on the aging of the other receivables presented below, all receivables apart from the notes and loan receivable described above, are under 30 days. Therefore, the Company does not believe it is exposed to significant credit risk.

	December 31, 2016	December 31, 2015
1-30 days	$ 85,771	$ 52,821
31-90 days	-	-
91+ days	2,681,432	-
Total	**$ 2,767,203**	**$ 52,821**

Currency risk

The Company has operations in Canada and the United States and is subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian and U.S. dollars, and the fluctuation of the rate these currencies will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company's exposure to foreign currency risk arises due to fluctuations between the Canadian and U.S. dollars.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

At December 31, 2016, the Company's Canadian dollar-denominated monetary assets and monetary liabilities in U.S. dollar equivalents are as follows:

	CAD denominated amounts (in U.S. dollar equivalents)
Cash	$ 8,533,281
Receivables	44,937
Prepaid expenses	50,768
Due from related parties	911,033
Accounts payable	(54,108)
Net exposure on equity	**$ 9,485,911**
Effect of +/- 10% change in currency	**948,591**

14. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont.)

Currency risk (cont.)

The following shows the impact on net loss for the year ending December 31, 2016.

		CAD denominated amounts (in U.S. dollar equivalents)
Revenues	$	2,017
Operating expenses		(619,108)
Listing expenses		(102,071)
Net exposure on net income (loss)	$	**719,162**
Effect of +/- 10% change in currency		**71,916**

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 on acceptable terms 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 December 31, 2016:

		Within one year		Between one and five years		More than five years
Accounts payables and accrued liabilities	$	506,679	$	-	$	-
Due to related parties		318,194		-		-
Convertible promissory note		-		735,324		-
	$	**824,873**	**$**	**735,324**	**$**	**-**

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue opportunities to deliver solutions for financing, developing and managing state-licensed cannabis cultivators and dispensaries throughout the United States. The Company has the ability to raise new capital through equity and debt issuances and/or through operations. In the management of capital, the Company includes the components of shareholders' equity as well as cash. The Company prepares annual estimates of expected expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations.

The Company is not exposed to any externally imposed capital requirements, nor were there changes in the Company's approach to capital management during the year.

15. 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, Class A shares, and preferred shares without par value.

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

Prior to the RTO

On January 22, 2015, ICM amended its limited liability company agreement. The capitalization of ICM was amended to be represented by issued and outstanding shares, 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 shares and 2,500,000 Class B shares. During the year ended December 31, 2015, the Company received additional capital contributions from new members' and issued 989,515 common shares and 1,255,000 Class A shares yielding total proceeds amounting to $2,254,515 less share issuance costs of $219,592.

During the 12 months ended December 31, 2016, the Company raised additional capital through the issuance of 4,093,550 Class A shares yielding proceeds amounting to $5,356,000 less share issuance costs of $88,779.

After the RTO

Upon completion of the RTO (Note 5), the Company issued a total of 11,255,000 Class A common and 5,083,065 common replacement shares to the previous shareholders of ICM and a further 600,001 common shares to the previous shareholders of ICH

On September 23, 2016, the Company settled $19,945 of interest in relation the convertible promissory notes by issuing 15,956 common shares. The fair value of the shares issued, estimated using the closing price of the prior day, was $24,240, and a loss on settlement of debt of $4,295 was recorded. On December 6, 2016, the Company settled $25,000 principal and $526 in accrued interest in relation to convertible promissory notes by issuing 15,477 common shares. The fair value of the shares issued, estimated using the public trading price of the shares at conversion, was $27,854 and a loss on settlement of debt of $2,328 was recorded.

On November 18, 2016, the Company closed a CAD $20,002,500 bought deal offering and a CAD $1,502,592 non-brokered private placement through the issuance of 9,525,000 units and 715,520 units, respectively, at CAD $2.10 per unit. Each unit consisted of one common share and one half of a warrant. Each full warrant is exercisable into one common share at an exercise price of CAD $3.00. The warrants are subject to a 30-day forced exercise provision if the Company's daily volume weighted average share price is greater than CAD $4.00 for 15 consecutive trading days. Finder's fees of 7% of the gross proceeds raised plus broker warrants to purchase up to an additional 7% of the number of units sold in the offering were paid to Canaccord Genuity Corp.

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

15. SHARE CAPITAL (cont.)

Stock options

In November 2015, ICM established the ICM 2015 Equity Compensation Plan (the "Plan"). The Plan authorized the issuance of up to 2,000,000 Class A shares. Options granted generally vest over one and a half to two years, and typically have a life of ten years. The option price under the Plan is determined in the sole discretion of management, but in no case, will it be less than 100% of the fair market value of a share on the grant date.

Upon closing of the RTO, the Company adopted a rolling stock option plan (the "ICH Plan"), in which the maximum number of common shares which can be reserved for issuance under the ICH Plan is 10% of the issued and outstanding shares of the Company. 1,300,000 options issued by ICM under the ICM 2015 Equity Compensation Plan were assumed by the ICH Plan. The exercise price of each option ("Option") shall not be less than the closing price of the common shares on the trading day immediately preceding the day on which the Option is granted, less any discount permitted by the CSE.

The continuity of stock options is as follows:

	December 31, 2016			December 31, 2015		
	Number		Weighted average exercise price ($CAD)	Number		Weighted average exercise price ($CAD)
Balance, beginning of the year	387,500	$	1.34	-	$	-
Issued	1,313,000		1.65	387,500		1.34
Exercised	(21,250)		1.68	-		-
Cancelled/Forfeited/Expired	(141,250)		(1.58)	-		-
Balance, end of the year	**1,538,000**	**$**	**1.57**	**387,500**	**$**	**1.34**

The options outstanding and exercisable at December 31, 2016 are as follows:

Outstanding options				Exercisable options		
Number Outstanding		Weighted average exercise price ($CAD)	Weighted average remaining contractual life	Number exercisable		Weighted average exercise price ($CAD)
345,000		1.34	8.90	283,875		1.34
145,000		1.68	9.19	145,000		1.68
50,000		1.68	9.34	18,750		1.68
360,000		1.68	9.36	270,000		1.68
200,000		1.68	9.38	81,250		1.68
100,000		1.68	9.39	43,750		1.68
273,000		1.50	9.70	90,762		1.50
65,000		1.76	9.75	28,188		1.76
1,538,000	**$**	**1.57**	**9.31**	**961,575**	**$**	**1.56**

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

15. SHARE CAPITAL (cont.)

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

	2016	2015
Risk-free interest rate	0.74% - 0.96%	0.88%
Dividend yield	0.00%	0.00%
Expected volatility	97.01% - 154.54%	154.54%
Expected option life	8.90 years – 9.75 years	10 years

Option-pricing models require the application of estimates and assumptions including the expected volatility. The Company uses expected volatility rates based upon historical data from comparable companies commensurate with the expected term. Changes in the underlying assumptions can materially affect the fair value estimates.

The related compensation expense for the years ended December 31, 2016 and 2015 was $1,064,238 and $164,306, respectively.

Warrants

The continuity of warrants for common shares is as follows:

	December 31, 2016			December 31, 2015		
	Number		Weighted average exercise price ($CAD)	Number		Weighted average exercise price ($CAD)
Balance, beginning of the year	-	$	-	-	$	-
Granted	6,104,200		2.86	-		-
Balance, end of the year	**6,104,200**	**$**	**2.86**	**-**	**$**	**-**

During the year ended December 31, 2016, the Company issued 275,758 warrants (fair value - $195,430) pursuant to the convertible promissory notes and an additional 50,000 warrants (fair value - $42,418) to ProActive Capital Resources Group. The Company also issued 4,762,500 for financing and 357,760 investor warrants (fair value - $2,487,550), and an additional 658,182 brokers warrants (fair value - $959,619), pursuant to the financing closed on November 18, 2016.

Full share equivalent warrants outstanding and exercisable as of December 31,2016:

Expiry date	Price per share ($CAD)	Warrants outstanding
February 10, 2019	2.26	106,061
February 24, 2019	2.26	169,697
February 8, 2021	1.74	50,000
November 18, 2018	3.00	4,762,500
November 18, 2018	3.00	357,760
November 18, 2018	2.10	658,182
	2.86	**6,104,200**

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

16. RELATED PARTY TRANSACTIONS

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

Last Dance Ventures
The Company utilizes the services and office space of Last Dance Ventures, LLC ("LDV"), a related party owned by the Company's officers, Hadley Ford and Randy Maslow. The rental costs were $107,323 and $67,152 for the years ended December 31, 2016 and 2015, respectively.

On October 1, 2015, ICM entered into an administrative services agreement with LDV. LDV provides full time equivalent staff to perform certain accounting, business development, recordkeeping, tax filing and other operating functions. The agreement provides for a monthly fee. For the years ended December 31, 2016 and 2015, the Company incurred administrative management fees of $840,000 and $190,000, respectively. As of December 31, 2016, and 2015, the amount due to LDV is $318,194 and $132,930 respectively and amount due from LDV is $317,726 and $Nil respectively.

FWR Inc.
On June 23, 2015, ICM entered into an agreement to provide management services to FWR Inc. ("FWR"), a related party through a family relationship with one of the Company's officers, Hadley Ford. The management fees are based on 10% of the fiscal year gross revenue of FWR and an additional 1% of the fiscal year gross revenues for each $50,000 by which the aggregate amount drawn by FWR under the loan exceeds $500,000 and commenced on July 1, 2015. Management fee income amounted to $67,461 and $24,345 for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, and 2015, the management fee receivable from FWR was $91,805 and $24,345, respectively, and is not expected to be collected within 12 months, and is therefore classified as non-current. The agreement also provides for the reimbursement by FWR of certain expenses incurred by ICM on behalf of FWR, which amounted to $35,383 and $23,615 for the years ended December 31, 2016 and 2015, respectively, and is shown as a reduction in administrative management fee. As of December 31, 2016, and 2015, the reimbursement receivable from FWR was $48,297 and $23,615, respectively, and is expected to be repaid within 12 months, and therefore, is classified as current.

Other
In addition to the above, as of December 31, 2016, the Company has a receivable due from a director of $30,000.

Key management compensation
Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to key management is as follows:

		2016		2015
Salaries and bonuses	$	286,224	$	-
Share-based payments		432,915		109,184
Directors' fees		12,089		-
	$	**731,228**	$	**109,184**

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

17. COMMITMENTS

ICM 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, ICM retained PCG on a 12-month term in exchange for a monthly cash fee of $5,000 and reimbursement of reasonable out-of-pocket expenses related to the services provided. Either party can terminate the agreement without cause by providing 30 days written notice to the other party.

On December 1, 2016, ICH entered into a lease for office space commencing January 16, 2017 and ending April 29, 2019.

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

The Company entered into an agreement with Baron Global Financial Canada Ltd. ("Baron") on February 4, 2016 to provide advisory and corporate finance services. Pursuant to the advisory services agreement, ICM retained Baron on a 12-month term upon listing on the Canadian Securities 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 (USD$37,776) and a monthly cash fee of CAD$12,000 plus applicable tax upon listing on the CSE and the Company is responsible for all reasonable out-of-pocket expenses related to the services. In addition, the Company granted 100,000 stock options to Baron.

Either party can terminate the agreement without cause by providing 30 days written notice to the other party.

18. INCOME TAXES

The tax expense differs from the theoretical amount that would arise using the tax rate applicable to profits of the Company for the years ending December 31, 2016 and December 31, 2015.

	December 31, 2016	**December 31, 2015**
Loss for the period before taxes	$ (5,055,732)	$ (1,315,748)
Statutory rate	35.00%	35.00%
Expected income recovery	(1,770,000)	(461,000)
Income taxes on non-Canadian subsidiaries	126,000	-
Non-deductible items	741,000	-
Change in non-recognized deferred tax assets	903,000	461,000
Income tax expense (recovery)	**$ -**	**$ -**

Deferred income tax assets are only recognized to the extent that the realization of tax loss carry-forwards is determined to be probable. As at December 31, 2016, the Company has not recognized any income tax assets or tax liabilities.

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

18. INCOME TAXES (cont.)

The Company has unrecognized deferred tax assets and deferred tax liabilities are as follows:

	December 31, 2016	December 31, 2015
Deferred tax assets		
Non-capital losses carried forward	$ 791,000	$ 292,000
Stock based compensation	365,000	2,000
Fair value derivative adjustment	87,000	58,000
Other	12,000	-
Deferred tax assets	**1,255,000**	**352,000**
Un-recognized deferred tax assets	**(1,255,000)**	**(352,000)**
Net deferred tax asset	**$ -**	**$ -**

For income tax purposes, as at December 31, 2016, the Company had $420,000 of Canadian tax losses available for carry-forward and further U.S. tax losses available for carry-forward of $1,948,000.

19. SEGMENT INFORMATION

Operating segments are components of the Company where separate financial information is available, that is evaluated regularly by the Company's Chief Executive Officer who is the Chief Operating Decision Maker. The operational segments are determined based on the Company's management and internal reporting structure. As at December 31, 2016, the Company had two geographical segments, being Canada and the United States. Segment information is summarized as follows:

	Canada	USA	Total
Statement of operations			
Operating income	$ 2,017	$ 389,634	$ 391,651
Operating expenses	(618,530)	(3,410,416)	(4,028,946)
Share of profit of equity-accounted investees	-	36,116	36,116
Other items	(812,155)	(642,398)	(1,454,553)
Net Loss	**$ (1,428,668)**	**$ (3,627,064)**	**$ (5,055,732)**
Statement of financial position			
Total assets	$ 9,546,173	$ 10,410,825	$ 19,956,998
Total liabilities	54,108	2,396,080	2,450,188
Net assets	**$ 9,492,065**	**$ 8,014,745**	**$ 17,506,810**
Other information			
Property, plant & equipment	$ -	$ 1,961,131	$ 1,961,131

20. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash transactions excluded from the December 31, 2016 consolidated statements of cash flows include: $750,001 of shares issued in the RTO transaction and $52,094 of shares issued as settlement for interest payable.

No non-cash transactions settled through the issuance of equity instruments were excluded from the December 31, 2015 consolidated statements of cash flows.

For the years ending December 31, 2016 and December 31, 2015, $Nil taxes have been paid.

21. EVENTS AFTER THE REPORTING PERIOD

Strategic Partnership and Credit Facility

On February 6, 2017, ICM entered into a strategic relationship with The Green Solution, LLC and certain of its affiliated Colorado entities (collectively, "TGS"). The strategic relationship includes an initial financing, by the Company to TGS, consisting of a $7,500,000 loan facility. In addition, TGS has entered into an advisory agreement to provide the Company with operational expertise and advice in support of the Company's investments in Massachusetts, Vermont, New Mexico and Colorado.

The Loan Facility has a term of one year, and interest on borrowings are payable at the rate of 14% during the first 4 months, escalating to 23% for the remaining 8 months.

Bought Deal Private Placement of Convertible Debentures

On February 28, 2016, ICH entered into an agreement with a syndicate of underwriters led by Canaccord Genuity Corp. and including Beacon Securities Limited pursuant to which the underwriters agreed to purchase, on a bought deal, private placement basis, a CAD$20,000,000 aggregate principal amount of unsecured convertible debenture (the "Convertible Debentures") at a price of CAD$1,000 per Convertible Debenture (the "Offering"). The Convertible Debentures commenced to bear interest from February 28, 2017 (the “Closing Date”) at 8.0% per annum, payable semi-annually on the last day of February and August of each year. The Convertible Debentures have a maturity date of February 28, 2019, 24 months from the Closing Date.

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

21. EVENTS AFTER THE REPORTING PERIOD (cont.)

The Convertible Debentures are subject to redemption, in whole or in part, by the Company at any time after 12 months upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the Convertible Debentures plus all accrued and unpaid interest up to and including the redemption date. Upon a change of control of the Company, holders of the Convertible Debentures have the right to require the Company to repurchase their Convertible Debentures, in whole or in part, on the date that is 30 days after providing notice of the change of control, at a price equal to 104% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon (the "Offer Price"). If 90% or more of the principal amount of the Convertible Debentures outstanding on the date of the notice of the change of control have been tendered for redemption, the Company will have the right to redeem all of the remaining Convertible Debentures at the Offer Price.

Commencement of Construction on Holliston, Massachusetts Cannabis Cultivation and Processing Facility

On March 2, 2017, the Company announced the commencement of the construction of a state-of-the-art cannabis cultivation and processing facility in Holliston, Massachusetts for the benefit of Mayflower.

Subsequent to year end, the Company has made additional advances to Mayflower with the same terms as the loan discussed in Note 9. As of the date of issuance of the financial statements, the Company has loaned $3.7 million to Mayflower and an additional $6.6 million is expected to be advanced to complete the construction of the cultivation and processing facility and three dispensaries. The amount of required capital will be funded from the Company’s current cash position.

Purchase of Breckenridge Dispensary

On March 3, 2017, Bergamot Properties LLC., a wholly-owned subsidiary of ICM, acquired from DB Land Holdings, Inc. a medical and recreational dispensary in the town of Breckenridge, Colorado, for cash consideration of $510,025.

Grant of Stock Options

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

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

All stock options are exercisable for a period of 10 years, subject to any earlier termination in accordance with their terms. The 835,000 options have the following vesting periods:

- 565,000 options vest at a rate of 12.5% on June 30, 2017, and 12.5% quarterly thereafter; and
- 270,000 options vest at a rate of 25% on June 30, 2017, and 25% quarterly thereafter.