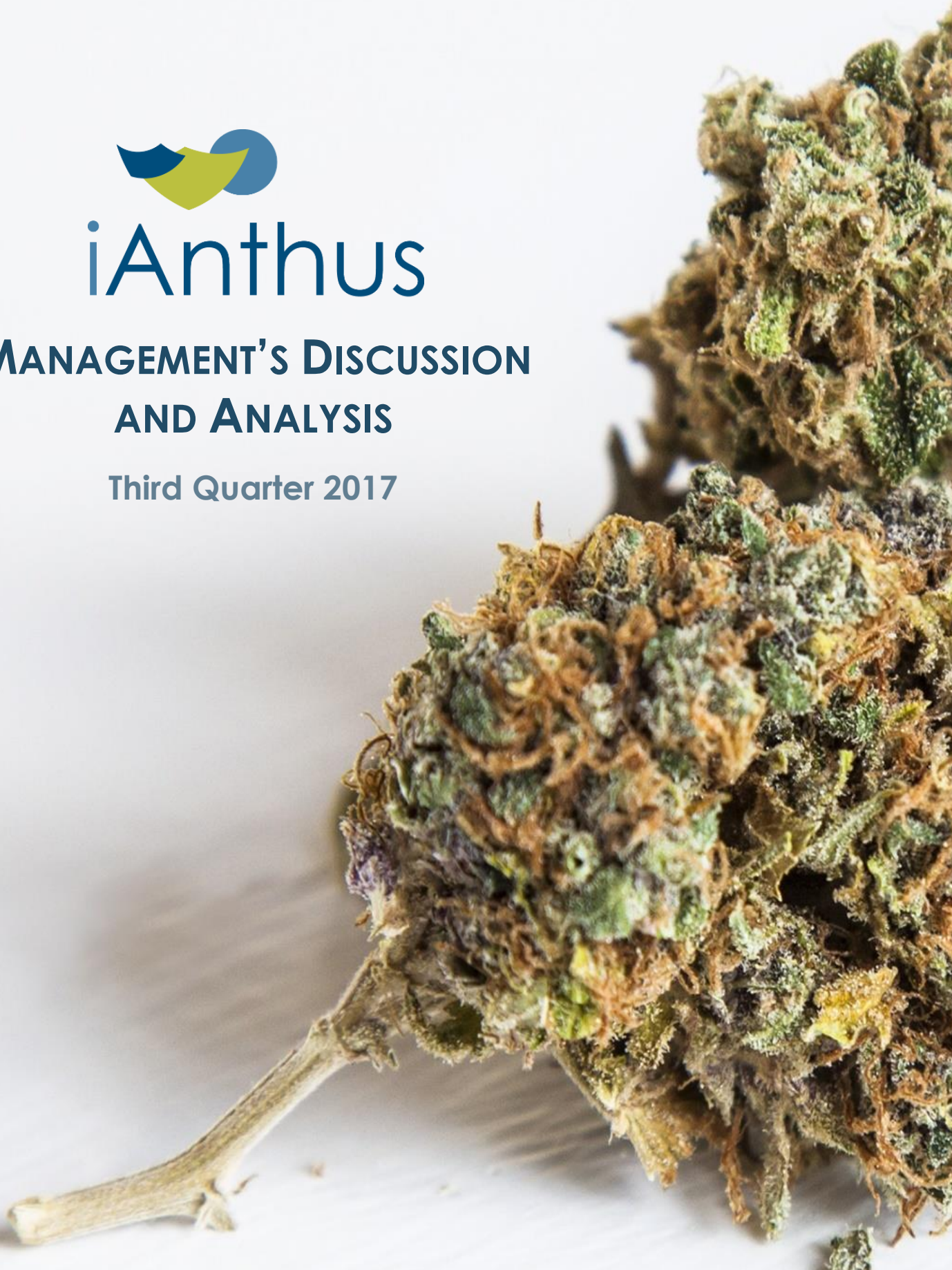




iAnthus

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Third Quarter 2017





INTRODUCTION

The following management discussion and analysis of the results of operations and financial condition ("MD&A") of iAnthus Capital Holdings, Inc. (the "Company" or "ICH", or "iAnthus"), prepared as of November 28, 2017, should be read in conjunction with the unaudited condensed interim consolidated financial statements of iAnthus for the three and nine months ended September 30, 2017 and 2016 and accompanying notes thereto. The condensed interim consolidated financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting* and therefore do not include all disclosures required in annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2016. All amounts are expressed in United States dollars unless noted otherwise.

This MD&A has been prepared in accordance with the MD&A disclosure requirements established under National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding iAnthus is available on the Company's website at www.ianthuscapital.com or through the SEDAR website at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: "believe", "expect", "anticipate", "intend", "estimate", "assume", "forecast" and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward-looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to implement fully its business strategies.

COMPANY OVERVIEW

iAnthus 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"). Following the RTO, the Company provides investors diversified exposure to best-in-class licensed cannabis cultivators, processors and dispensaries throughout the United States. Founded by entrepreneurs with decades of experience in investment banking, corporate finance, law and healthcare services, iAnthus provides a unique combination of capital and hands-on operating and management expertise. The Company harnesses these skills to acquire and operate a diversified portfolio of cannabis licenses and investments for its shareholders. The Company listed on the Canadian Securities Exchange (the "CSE") and began trading on September 7, 2016 under the ticker symbol "IAN". The Company is also listed for trading on the OTCQB, part of the OTC Markets Group, under ticker symbol "ITHUF".

iAnthus was formed to capitalize on the rapidly growing U.S. regulated cannabis markets and the unique opportunity that exists for providing capital investment and expert management services ("value-added capital") to licensed cultivators, product manufacturers and dispensaries. Twenty-eight U.S. states and the District of Columbia have now legalized the cultivation and sale of cannabis for medical purposes. In addition, eight states and the District of Columbia, Puerto Rico and Guam have completely legalized cannabis for both medical and recreational use by adults over the age of 21. Total legal cannabis sales in the U.S. were an estimated \$6.6 billion in 2016 and the industry's

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

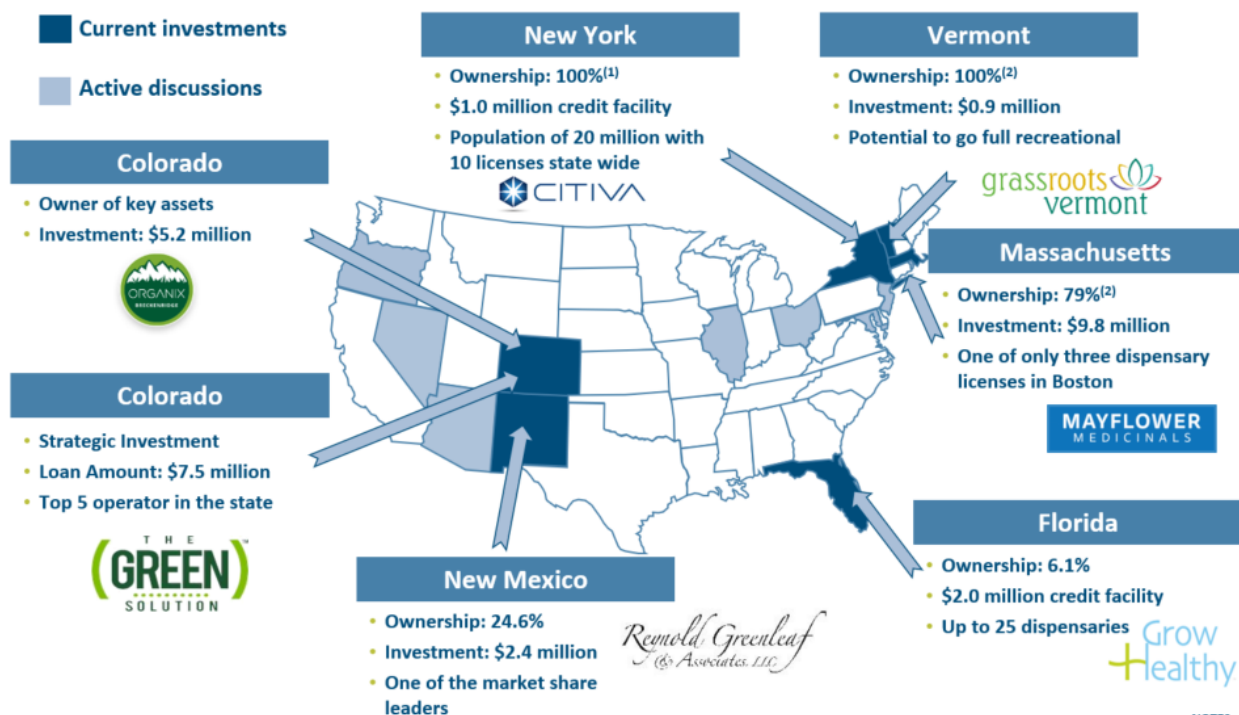
(All amounts expressed in U.S. dollars, unless otherwise stated)

annual growth rate is expected to accelerate to over 40% in 2018 and 2019 reaching an estimated \$22.8 billion in sales in 2020, according to The Cannabis Industry Annual Report: 2017 Legal Marijuana Outlook, published by New Frontier Data, a U.S. based data analytics firm focused on cannabis.

Despite the burgeoning legal cannabis industry in the U.S., cannabis remains a Schedule I substance under the Federal Controlled Substances Act of 1970. Capital scarcity is therefore expected to continue until cannabis is completely legalized by repeal of the federal prohibition on cannabis cultivation and sale. The high demand for legal cannabis and limited number of licenses under most state regulatory schemes combined with the artificially restricted availability of capital has created an environment for compelling investment opportunities.

iAnthus currently has seven investments in six states:

- Massachusetts;
- Vermont;
- New Mexico;
- Colorado;
- New York; and
- Florida.



NOTES
(1) Assuming completion of Citiva acquisition announced August 13, 2017. Transaction expected to close Q4 2017
(2) As of October 4, 2017, iAnthus has loaned Grassroots Vermont US\$900,000 and Mayflower Medicinals US\$9.8 million; iAnthus holds the right to convert its loans into majority controlled positions and anticipates the conversion to occur by Q4 2017







IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

SUMMARY OF INVESTMENTS

	Massachusetts	Vermont	New Mexico	Colorado		New York	Florida
	Mayflower Medicinals, Inc.	FWR Inc. d/b/a Grassroots Vermont	Reynold Greenleaf & Associates LLC	Organix, LLC	The Green Solution, LLC	Citiva Medical, LLC	GrowHealthy Holdings, LLC
 Type of Investment	Loan ⁽¹⁾	Loan ⁽¹⁾	24.6% Equity Ownership	Note 2	Strategic Partnership and Loan	Loan ⁽¹⁾	Loan ⁽¹⁾
 Investment Amount (\$US)	\$9.8 million ⁽³⁾	\$0.9 million ⁽⁴⁾	\$2.4 million	\$5.2 million	\$7.5 million	\$0.5 million	\$1.0 million
 Facilities	3 dispensaries 1 cultivation 1 processing	2 dispensaries 1 cultivation 1 processing	Nil ⁽⁶⁾	1 dispensary 1 cultivation	12 dispensaries 3 cultivation 1 processing	4 dispensaries 1 cultivation	25 dispensaries 1 cultivation 1 processing
 2018E Market Size (\$US)⁽⁴⁾	~\$457 million	~\$22.4 million	~\$61.0 million	~\$1.64 billion	~\$1.64 billion	~\$94.0 million	~\$152 million
 2020E Market Size (\$US)⁽⁴⁾	~\$1.02 billion	~\$32.7 million	~\$74.6 million	~\$1.76 billion	~\$1.76 billion	~\$236 million	~\$727 million
 Competition⁽⁵⁾	1 of ~35 licenses	1 of 5 licenses	Nil ⁽⁶⁾	1 of 4 local licenses	12 of over 1000	1 of 10 licenses	1 of 17 licenses

(1) The Company currently has loans to Grassroots Vermont, Mayflower Medicinals, Inc., Citiva Medical, LLC and GrowHealthy Holdings, LLC.

(2) On December 5, 2016, iAnthus acquired certain assets of Organix, LLC, 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 ski town of Breckenridge. The assets acquired include all real estate holdings of Organix LLC's affiliate, DB Land Holdings, Inc., consisting of a 12,000 sq. ft. cultivation facility in Denver, as well as all equipment and other tangible and intangible assets and all of the intellectual property of Organix, LLC, including its brands.

(3) Total investment amount contributed to date includes funds transferred to Mayflower Medicinals, Inc. and its affiliate, Pilgrim Rock Management, LLC, a related party owned by an officer of the Company, Randy Maslow. Pilgrim Rock Management, LLC was formed to manage the construction of the cannabis cultivation facility in Holliston, Massachusetts and a dispensary in Boston, Massachusetts in connection with the Company's investment in Mayflower.

(4) The Cannabis Industry Annual Report; 2017 Legal Marijuana Outlook – New Frontier; company estimates.

(5) State data and company estimates.

(6) RGA currently manages three cultivation operations in Albuquerque, New Mexico totalling 13,200 square feet and four dispensary locations, also in Albuquerque, New Mexico.

For additional information, refer to table on page 23 of the Management's Discussion and analysis

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)



Mayflower Medicinals, Inc ("Mayflower")

- Three dispensary locations allowed, local zoning laws lead to high barriers to entry;
- Flagship dispensary located in Boston on Harvard Ave. is one of three dispensaries in Boston;
- 36,000 sq. ft. cultivation and marijuana infused products facility; and
- The cultivation facility is within a modular industrial complex, which will present future opportunities for expanding capacity beyond the initial 36,000 sq. ft.



FWR Inc. (dba. Grassroots Vermont) ("FWR")

- One dispensary and 6,900 sq. ft. cultivation and processing facility in Brandon;
- Implemented largest statewide medical marijuana delivery service in Vermont; and
- Serves 577 active registered patients across the state.



Reynold Greenleaf & Associates LLC ("RGA")

- Management of four licenses which encompasses the following:
 - Six dispensaries with plans to add three more by end of 2017;
 - One manufacturing facility; and
 - 10,385 sq. ft. of cultivation space across three facilities with plans to add an additional 3,200 sq. ft. in 2017.



Organix, LLC ("Organix")

- 12,000 sq. ft. wholly-owned cultivation facility, and 1,500 sq. ft. dispensary in Breckenridge, a popular ski destination; and
- Organix grows and sells its products through its four cultivation licenses, two infused manufacturing licenses, and two dispensary licenses (medical and recreational).



The Green Solution, LLC ("TGS")

- Twelve current dispensary locations with six new openings in Colorado expected by the end of 2017;
- Approximately 300,000 sq. ft. of cultivation facilities;
- Top five operator in Colorado (approximately 4% statewide market share);
- Registered to offer franchises in 47 states; currently active in Florida, Oregon, Maryland, Nevada and Illinois;
- Agreement with Canadian Licensed Producer, OrganiGram Holdings Inc., to provide exclusive consulting and licensing of the TGS and NectarBee brand in Canada; and
- Over 50 awards won by NectarBee brand for extracted and infused products.

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)



Citiva Medical, LLC ("Citiva")

- One of the ten vertically integrated medical marijuana licenses in New York State;
- Four licensed dispensaries and cultivation facility to be built;
- 1 of 2 dispensaries in Brooklyn and the only dispensary approved for Staten Island; and
- Citiva's CEO is a highly successful New York City entrepreneur who founded a medical business with over \$50 million in annual revenues that includes a long-term care pharmacy, retail pharmacies, and a compounding pharmacy focused on pain management, with four locations in and around New York.



GrowHealthy Holdings, LLC ("GrowHealthy")

- Owns a state of the art cultivation and processing facility comprised of almost 200,000 sq. ft. on 33 acres in Lake Wales, Florida, which at the time of licensure was the largest cultivation facility in the state;
- Licensed to cultivate, process, transport, and dispense full-strength medical cannabis as a Medical Marijuana Treatment Center under the new Medical Use of Marijuana Act; and
- Licensed to build up to 25 dispensaries throughout Florida state.

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

REGULATORY ENVIRONMENT

Marijuana¹ remains illegal under U.S. federal law and is a Schedule I controlled substance. Even in those jurisdictions in which the use of medical marijuana has been legalized at the state level, its prescription is a violation of federal law. The United States Supreme Court has ruled in *United States v. Oakland Cannabis Buyers' Coop.* and *Gonzales v. Raich* that it is the federal government that has the right to regulate and criminalize cannabis, even for medical purposes. Therefore, federal law criminalizing the use of marijuana trumps state laws that legalize its use for medicinal purposes.

According to the Marijuana Policy Project, a pro-legalization group, medical marijuana is legal in 28 states and the District of Columbia, Puerto Rico and Guam. In addition, eight states and the District of Columbia have legalized recreational cannabis use. In 2013, the U.S. Department of Justice issued a memorandum (commonly referred to as the "Cole Memorandum") to the U.S. Attorneys' offices (federal prosecutors) directing that federal prosecution of individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs be given low priority. This federal policy was reinforced by the passage of a federal omnibus spending bill in 2014 (the "2014 Spending Bill") that included the Rohrabacher–Farr Amendment (as defined herein) which prohibits the use of federal funds to interfere in the implementation of state laws legalizing cannabis and state medical marijuana laws. The Department of Justice, which encompasses the Drug Enforcement Agency, was subject to the 2014 Spending Bill. "Rohrabacher-Farr Amendment" is the legislation first introduced by United States House of Representatives Maurice Hinchey, Dana Rohrabacher, and Sam Farr in 2003 and known as the Rohrabacher-Farr amendment (also known as the Rohrabacher-Blumenauer amendment) prohibiting the United States Justice Department from spending funds to interfere with the implementation of state medical cannabis laws. The amendment has been renewed numerous times, most recently on September 8, 2017, and is in effect until December 8, 2017.

The Rohrabacher–Farr amendment remained in the federal omnibus spending bill for the 2016 fiscal year that was signed into law by President Obama on December 18, 2015. In September 2016, the amendment was included in a short-term spending bill passed by Congress and signed into law, which allowed it to remain in effect through December 9, 2016 when it was again renewed pursuant to a further short-term spending bill until April 28, 2017. The amendment has been renewed numerous times, most recently on September 8, 2017, and is in effect until December 8, 2017.

The 2014 Spending Bill has been cited as evidence of the development of bi-partisan support in the U.S. Congress for legalizing the use of cannabis. However, it remains unclear whether the federal government will eventually repeal the federal prohibition on cannabis and there is no assurance that the Rohrabacher–Farr amendment will be extended past September 30, 2017. Political and regulatory risks also exist due to the recent election of Donald Trump to the U.S. Presidency, and the appointment of Sen. Jeff Sessions to the post of Attorney General with effect from February 9, 2017. Mr. Trump's positions regarding marijuana remain unclear. However, Sen. Sessions has been a consistent opponent of marijuana legalization efforts throughout his political career and has publicly commented that the Department of Justice will commit to enforcing federal laws on marijuana in an "appropriate way". It remains unclear what stance the Department of Justice under the new administration might take toward legalization efforts in U.S. states, but federal enforcement of the Controlled Substances Act and other applicable laws is possible.

¹ "Marijuana" and "Cannabis" are used interchangeably throughout this MD&A. Marijuana is generally dried flower and leaves and cannabis is a much broader category.

IANTHUS CAPITAL HOLDINGS, INC.**Management's Discussion and Analysis****For the three and nine months ended September 30, 2017 and 2016**

(All amounts expressed in U.S. dollars, unless otherwise stated)

QUARTERLY HIGHLIGHTS**INVESTOR HIGHLIGHTS**

	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Revenue	\$ 688,112	\$ 555,467	\$ 330,349	\$ 80,479
Working capital	9,600,809	15,196,529	19,695,835	8,354,019
Total invested capital	26,510,873	22,265,881	14,963,934	9,322,158
Cash	1,801,283	8,464,606	16,146,395	9,413,953

TOTAL INVESTED CAPITAL

The Company has included a non-IFRS measure for "total invested capital" in this MD&A to supplement its financial statements, which are presented in accordance with IFRS. For the quarters presented, the total invested capital is equal to the cumulative net cash used in investing activities figure from the Condensed Interim Consolidated Statements of Cash Flows. The Company believes that this measure provides investors with an improved ability to evaluate the performance of the Company. Non-IFRS measures do not have any standardized meaning prescribed under IFRS. Therefore, such measures may not be comparable to similar measures employed by other companies. The data is intended to provide additional insight and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

	Q3 2017	Q2 2017	Q1 2017	Total
Total cash used in invested capital	\$4,244,992	\$7,301,947	\$ 5,641,776	\$ 17,188,715

WORKING CAPITAL

The Company has included a non-IFRS measure for "working capital" in this MD&A to supplement its financial statements, which are presented in accordance with IFRS. The Company believes that this measure provides investors with an improved ability to evaluate the performance of the Company. Non-IFRS measures do not have any standardized meaning prescribed under IFRS. Therefore, such measures may not be comparable to similar measures employed by other companies. The data is intended to provide additional insight and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Current assets	\$ 12,132,769	\$ 17,188,742	\$ 21,402,180	\$ 10,068,883
Less current liabilities	2,531,960	1,992,213	1,706,345	1,714,864
Working capital	\$ 9,600,809	\$ 15,196,529	\$ 19,695,835	\$ 8,354,019

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

RECENT AND SIGNIFICANT DEVELOPMENTS

Citiva Medical, LLC and Citiva, LLC investment

On August 8, 2017, the Company signed a letter of intent to acquire Citiva Medical, LLC ("Citiva NY"), which holds one of the ten vertically integrated medical marijuana licenses in New York State and Citiva, LLC ("Citiva USA" and together with "Citiva NY", "Citiva"), the owner of certain regulated cannabis industry assets and intellectual property.

Further, in August 2017, the Company provided a promissory note of \$500,000 to Citiva at 5.0% interest per annum with a maturity date of August 18, 2018.

GrowHealthy Holdings, LLC and its affiliated Florida entities

On September 14, 2017, the Company entered into an agreement to provide a \$2,000,000 loan facility to GrowHealthy Holdings, LLC ("GrowHealthy"), with a term of twelve months and a blended interest rate of 12.5% over the term, initiating at a 5.0% annual rate until January 31, 2018 and escalating to 20.0% for the remainder of the term. The loan facility is secured by GrowHealthy's real estate holdings and related assets at its Lake Wales cultivation and processing facility. As part of the agreement, iAnthus has been granted exclusive rights to negotiate a further strategic relationship with GrowHealthy. As of November 27, 2017, the \$2,000,000 loan facility has been fully drawn.

GrowHealthy's subsidiary, McCrory's Sunny Hill Nursery, LLC, is one of the twelve current Florida Medical Marijuana Treatment Centers licensed to provide medical cannabis under Florida's medical marijuana law. In addition to the loan facility, the Company entered into exclusive negotiations with GrowHealthy regarding a further strategic relationship between the parties.

On October 12, 2017, the Company purchased 2,925,003 Class B Shares of for a total purchase price of \$3,000,000. The purchase represents approximately 6.1% of the issued and outstanding equity shares of GrowHealthy.

During November 2017, there were additional drawdowns amounting to \$1,000,000 on the Company's existing promissory note with GrowHealthy to secure a dispensary location and for construction costs of the cultivation facility. With these drawdowns, the loan facility is fully drawn.

Bridge Loan

On October 11, 2017, the Company issued promissory notes with a total principal amount of \$3,000,000. The notes had a 1 year maturity and accrued interest at the rate of 8%. Accrued interest of \$26,658 and the principal were repaid in full on November 21, 2017. Cash of \$1,652,880 was repaid and the remaining \$1,373,778 was applied to the Company's private placement completed in November 2017 in exchange for 1,033,000 Common Shares.

Public Offering and Private Placements

On November 21, 2017, the Company completed a public offering of 7,072,500 Common Shares at CAD\$1.70 per Common Share for gross proceeds to the Company of CAD\$12,023,250 (equivalent USD\$9,409,336). In connection with the offering, \$841,628 fees and 495,075 agents' warrants were issued to the agents. Each warrant is exercisable to purchase one Common Share at a price of CAD\$1.70 per share for a period of 2 years.

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

The Company also completed a non-brokered private placement at CAD\$1.70. The Company issued 2,182,491 Common Shares on November 21, 2017 and 495,000 Common Shares on November 27, 2017 for an aggregate 2,677,491 Common Shares and aggregate gross proceeds of CAD\$4,551,735 (USD\$3,574,193). The Common Shares issued in the private placement are subject to a statutory hold period until March 22, 2018. In connection with the private placement, 66,260 finders' warrants were issued and cash fees representing 7% of the Common Shares sold by certain finders were paid. Each warrant is exercisable to purchase one Common Share at a price of CAD\$1.70 per share for a period of 2 years.

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

DISCUSSION OF OPERATIONS

SUMMARY OF QUARTERLY RESULTS

The following is a summary of select financial information for the last eight quarters.

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Revenue	\$ 688,112	\$ 555,467	\$ 330,349	\$ 107,058	\$ 177,111	\$ 72,599	\$ 34,884	\$ 28,126
Comprehensive loss	(2,549,448)	(2,645,514)	(1,876,853)	(1,452,993)	(2,172,726)	(894,428)	(535,585)	(601,625)
Loss per share	(0.09)	(0.10)	(0.07)	(0.09)	(0.18)	(0.06)	(0.04)	(0.05)
Total assets	30,932,980	32,493,567	32,914,248	19,956,998	6,118,317	5,371,175	1,836,259	859,237
Non-current liabilities	13,437,035	14,353,824	13,438,164	735,324	1,097,143	424,642	703,576	-

RESULTS OF OPERATIONS

Revenues

For the three months ended September 30, 2017

- Management fees increased by \$25,857 compared to the three months ended September 30, 2016. This is caused by a higher management fee rate as a result of a higher loan balance during the quarter.
- \$71,318 was earned from leasing properties and equipment to Organix. The assets were purchased in December 2016, so no income from leasing was generated for the three months ended September 30, 2016.
- Interest income increased by \$412,694 compared to the three months ended September 30, 2016. This is a result of increased drawdowns on outstanding loan balances.

For the nine months ended September 30, 2017

- Total revenues increased by \$1,289,334 in the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016. The main driver was the increase in interest income as a result of additional loans made by the Company.
- Management fees increased by \$55,608 compared to the nine months ended September 30, 2016 as a result of an increase in sales at FWR and additional drawdowns on the loan facility.
- \$205,192 was earned from leasing properties and equipment to Organix. The assets were purchased in December 2016, so no income from leasing was generated for the nine months ended September 30, 2016.
- Interest income increased by \$1,027,402 compared to the nine months ended September 30, 2016. Interest income has increased as a result of new loans made by the Company to TGS and additional drawdowns on existing loans with Mayflower and FWR.

IANTHUS CAPITAL HOLDINGS, INC.**Management's Discussion and Analysis****For the three and nine months ended September 30, 2017 and 2016**

(All amounts expressed in U.S. dollars, unless otherwise stated)

Operating Expenses

As the Company continues to expand its portfolio of investments and to search for new investment opportunities, operating expenses in the current period are higher than in the previous period overall.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Operating expenses:				
Depreciation and amortization	\$ 94,297	\$ -	\$ 277,923	\$ -
Administrative and other expenses	347,584	366,461	1,270,853	648,297
Wages and salaries	657,791	38,798	1,417,817	38,798
Share-based compensation	762,989	324,938	1,613,444	696,124
Legal and professional fees	403,129	274,727	1,104,960	554,081
Consulting fees	165,460	325,134	972,656	873,170
Total operating expenses	\$ 2,431,250	\$ 1,330,058	\$ 6,657,653	\$ 2,810,470

Depreciation and Amortization

- For the three months ended September 30, 2017, depreciation and amortization are consistent with depreciation and amortization in previous quarters of the year as there have been no significant fixed asset additions. The Company did not have depreciable assets prior to December 2016, so there was no depreciation and amortization in the comparative period.
- For the nine months ended September 30, 2017, the Company's depreciation was higher than in the prior year because the Company did not have depreciable assets prior to December 2016, so there was no depreciation and amortization in the comparative period.

Administrative and Other Expenses

	<i>Three months ended</i>		<i>Nine months ended</i>	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Administrative and other expenses:				
Advertising and promotion	\$ 4,024	\$ 40,073	\$ 24,632	\$ 76,925
Audit and accounting	105,954	171,427	524,191	253,235
Insurance	3,273	28,346	6,960	72,394
Transfer agent and regulatory	22,229	11,822	112,107	19,531
Travel and entertainment	113,295	29,297	294,992	91,488
Other	98,809	85,496	307,971	134,724
Total administrative and other expenses	\$ 347,584	\$ 366,461	\$ 1,270,853	\$ 648,297

IANTHUS CAPITAL HOLDINGS, INC.**Management's Discussion and Analysis****For the three and nine months ended September 30, 2017 and 2016**

(All amounts expressed in U.S. dollars, unless otherwise stated)

- For the three months ended September 30, 2017, most expense categories are higher compared to the three months ended September 30, 2016. However, the advertising and promotion expenses and audit and accounting expenses were higher in 2016 as a result of the Company's reverse takeover transaction and initial public offering in August 2016 and September 2016, respectively.
- For the nine months ended September 30, 2017, expenses have increased overall compared to the nine months September 30, 2016 due to increased business activity during the current period. Audit and accounting fees were higher as the Company engaged a new audit firm to conduct a full year audit and quarterly reviews. The Company also engaged two additional external accounting firms to assist the Company in the preparation of tax returns and advise on other complex accounting matters. Transfer and regulatory fees were also incurred as the Company is now publicly listed. Further, increased travel costs were also incurred as a result of increased deal sourcing and analysis throughout the U.S.

Wages and Salaries & Share-based Compensation

- For the three months ended September 30, 2017, the Company's salaries are higher compared to the previous quarters and the prior year period. During the quarter, the agreement with Last Dance Ventures, LLC ("LDV") was terminated. LDV provided full time equivalent staff to perform certain business development, record keeping, tax filing and other operating functions. These functions were brought in-house and as a result, the Company's salaries have increased this quarter.
- For the nine months ended September 30, 2017, wages and salaries and share-based compensation expenses continued to increase as the Company continues to grow and hire additional employees.

Legal and Professional Fees

- For the three months ended September 30, 2017, legal and professional fees are consistent with previous quarters in the year. However, they are higher compared to the fees incurred in the three months ended in September 30, 2016 as a result of increased deal flow (including both contemplated and closed deals).
- For the nine months ended September 30, 2017, the Company's usage of legal and professional services has increased as a result of increased deal flow in the Company.

Consulting Fees

	<i>Three months ended</i>		<i>Nine months ended</i>	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Consulting fees:				
General	\$ 1,762	\$ -	\$ 2,534	\$ -
Management fee	-	210,000	420,000	630,000
Financial consulting	53,727	-	163,278	-
Marketing and promotional	97,221	12,633	265,697	65,139
Other due diligence and closing costs	12,750	102,501	121,147	178,031
Total consulting fees	\$ 165,460	\$ 325,134	\$ 972,656	\$ 873,170

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

- For the three months ended September 30, 2017, management fees decreased as a result of the termination of the agreement with LDV. Other consulting fee categories are higher as a result of increased deal flow (including both contemplated and closed deals).
- For the nine months ended September 30, 2017, consulting fees are higher overall as a result of increased deal flow and activity in the Company.

Other Items

For the three months ended September 30, 2017

- Interest and accretion expenses are consistent with those incurred in the first two quarters of 2017 and higher than in the three months ended September 30, 2016. This is because no new long-term debt has been issued by the Company this quarter. Interest expense of \$330,643 was accrued in the three months ended September 30, 2017 compared to \$26,214 in the three months ended September 30, 2016. The accretion expense was \$388,500 in the three months ended September 30, 2017 compared to \$56,301 in the three months ended September 30, 2016.
- The change in fair value of the derivative liability is a result of a lower share price at the end of the quarter and a shorter expected life as the expiry date becomes closer.

For the nine months ended September 30, 2017

- Total interest and accretion expenses incurred during the nine months ended September 30, 2017 were \$1,724,629 compared to \$176,478 in the nine months ended September 30, 2016. The significant increase was a result of the convertible debentures financing closed in February 2017.
- The listing expense was incurred as part of the Company's initial listing and thus there is no expense in 2017 because the Company listed in September 2016.
- The Company's investment in associate was converted in December 2016, therefore there was no equity pick-up for the nine months ended September 30, 2016.

Total Assets

The total assets of the Company have increased significantly during the nine months ended September 30, 2017 as compared to December 31, 2016. Notable increases have come from the following accounts.

- Promissory notes receivable have increased by \$9,604,514 primarily as a result of new loan facilities of \$7,500,000 made to TGS, \$1,000,000 to GrowHealthy and \$500,000 to Citiva.
- Loans receivable have increased by \$1,656,039 as a result of drawdowns and accrued interest on the loan outstanding to Mayflower.
- Balances due from related parties have increased significantly as a result of the \$6,533,412 loan that the Company has provided to Pilgrim for the construction of the cannabis cultivation in connection with the Company's investment in Mayflower.
- Investment in associate has increased by \$214,382 to \$2,621,770 as of September 30, 2017 compared to \$2,407,388 as of December 31, 2016. This is due to an increase in the Company's pro rata share of RGA's net income which has improved from prior periods.

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

Non-current Liabilities

- Non-current liabilities of the Company have increased by \$12,701,711 due to the convertible debentures financing closed in February 2017.
- The convertible promissory notes payable are due within the next 12 months, thus their classification has changed from non-current to current liabilities.

IANTHUS CAPITAL HOLDINGS, INC.**Management's Discussion and Analysis****For the three and nine months ended September 30, 2017 and 2016**

(All amounts expressed in U.S. dollars, unless otherwise stated)

LIQUIDITY AND CAPITAL RESOURCES**CASHFLOWS**

	<i>Nine months ended</i>	
	September 30, 2017	September 30, 2016
Net cash generated from (used in):		
Operating activities	\$ (4,877,696)	\$ (2,173,928)
Investing activities	(17,188,715)	(4,118,976)
Financing activities	14,073,132	7,209,443
Net increase (decrease) in cash	\$ (7,993,279)	\$ 916,539

Operating Activities

The cash used in operating activities during the nine months ended September 30, 2017 was primarily driven by the net loss of \$6,652,574 incurred by the Company during the period. Adjustments made for significant non-cash items include \$277,923 related to depreciation and amortization expenses, \$1,613,444 of share based compensation for the Company's employees and external consultants, \$1,263,242 interest income and \$214,382 of profit from investment in associate earned but not yet received in cash, \$1,724,629 non-cash accretion on long-term debt and associated interest expense and a \$231,336 increase in accounts payable and accrued liabilities.

Investing Activities

During the nine months ended September 30, 2017, the Company made a number of investments. During the first quarter, the Company entered into a strategic relationship and loan facility with TGS. During the second quarter, the loan facility with TGS of \$7,500,000 loan was fully drawn, and the Company invested \$500,000 in connection with the purchase of the Breckenridge dispensary facility for Organix. During the third quarter, the Company advanced \$500,000 to Citiva pursuant to a secured promissory note, and \$1,000,000 to GrowHealthy in a loan facility agreement. Over the year, the Company invested \$6,533,411 through Pilgrim and had additional drawdowns on its existing loans of \$1,267,453 to Mayflower and \$350,000 to FWR. During the year, the Company received interest of \$102,918 from the loan to FWR and \$536,206 from TGS.

Financing Activities

Management expects to raise more capital in the future as the Company continues to execute on its strategic initiatives to acquire licensed dispensaries, processors and cultivators throughout the U.S. During the nine months ended September 30, 2017, the Company raised significant capital through the issuance of convertible debentures resulting in CAD\$20,000,000 (USD\$15,096,000) proceeds to the Company less financing costs of CAD\$1,087,500 (USD\$820,845).

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

WORKING CAPITAL AND FINANCING

Working Capital

As of September 30, 2017, the Company had working capital of \$9,600,809 compared to \$8,354,019 at December 31, 2016 and cash of \$1,801,283 compared to \$9,413,953 at December 31, 2016. The Company constantly monitors and manages its cash flow to assess the liquidity necessary to fund its operations.

Working capital provides funds for the Company to meet its operational and capital requirements. Management expects the Company to have adequate funds available on hand to meet the Company's planned growth and expansion of the business over the next 12 months.

The current covenant related to convertible promissory notes requires that the Company maintain a minimum cash balance of \$500,000. As at September 30, 2017, the Company was in compliance with this covenant.

Debt Financing

Convertible Debentures

On February 28, 2017, 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 (equivalent to \$15,096,000 at issuance) aggregate principal amount of unsecured convertible debenture (the "Convertible Debentures") at a price of CAD\$1,000 (equivalent to \$755 at issuance) per Convertible Debenture. 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"). Beginning June 29, 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.

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.

At issuance, the fair value of the liability component was estimated to be CAD\$17,509,150 (equivalent to \$13,215,907 at issuance) and the residual of CAD\$2,490,850 (equivalent to \$1,880,093 at issuance) was allocated as the fair value of the conversion feature. The market rate of interest assumed in calculating the fair value was estimated to be 15%. Issuance costs of CAD\$1,087,500 were allocated proportionately with CAD\$952,060 (\$718,615) as a debit against the liability component and CAD\$135,440 (\$102,230) as a debit against the equity component.

During the three and nine months ended September 30, 2017, interest expense of \$304,934 and \$707,600, respectively (September 30, 2016 - \$Nil and \$Nil) and accretion expense of \$311,666 and \$728,415, respectively (September 30, 2016 - \$Nil and \$Nil) was recognized. As at September 30, 2017 the debt host liability amounts to \$13,437,035 (December 31, 2016 - \$Nil).

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

During the second quarter of 2017, the Company issued 48,387 common shares for the conversion of CAD\$150,000 (equivalent to \$113,310) of the convertible debentures. During the third quarter of 2017, 190,321 common shares have been issued and CAD\$18,503 (\$13,870) of accrued interest has been paid pursuant to the conversion of debentures.

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 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.

The terms of the Notes contain a covenant requiring the Company to 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 September 30, 2017 and 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 common share of the Company at an exercise price of CAD\$2.24. The warrants are classified as an equity instrument and recognized at fair value with no subsequent revaluation.

The conversion feature is a derivative liability and is required to be separated from the debt host liability and valued independently. As the conversion feature is designated as fair value through profit or loss it is revalued at each reporting date using the Black-Scholes valuation model. As at September 30, 2017, the Company used a volatility of 100.4%, dividend yield of 0.0% and discount rate of 0.7%. The fair value at September 30, 2017 was calculated to be \$791,739 (December 31, 2016 - \$889,992). For the three and nine months ended September 30, 2017, the Company recognized a decrease in fair value of \$159,530 and \$98,253, respectively, in the statement of comprehensive loss. For the three and nine months ended September 30, 2016, the Company recognized an increase in fair value of \$120,815 and \$83,936, respectively.

The residual value from the instrument was assigned to the debt host liability which is valued on an amortized cost basis. At September 30, 2017 the debt host liability amounted to \$947,648 (December 31, 2016 - \$735,324).

During the three and nine months ended September 30, 2017, interest expense of \$25,709 and \$76,290 was accrued, respectively (September 30, 2016 - \$26,214 and \$41,666). During the three and nine months ended September 30, 2017, accretion expense of \$76,834 and \$212,324 was accrued, respectively (September 30, 2016 - \$56,301 and 134,812).

On September 23, 2016, the Company issued 15,956 common shares in satisfaction of accrued interest due on the convertible promissory note of \$19,945. On December 6, 2016, the Company issued 15,477 common shares in satisfaction \$25,000 of principal and \$526 of accrued interest. On June 19, 2017, the Company issued 9,845 common shares in satisfaction \$20,165 of accrued interest.

FINANCIAL INSTRUMENTS

Certain risks relating to the financial instruments held by the Company are discussed below.

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

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

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 capital 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 financing.

Going concern risk

The Company's ability to continue in the normal course of operations is dependent on its ability to raise financing sufficient to maintain operations and there are no assurances that the Company will be successful in achieving this goal. For the nine months ended September 30, 2017, the Company reports a net loss of \$6,652,574, operating cash outflows of \$4,877,696 and, as of that date, an accumulated deficit amounting to \$13,415,292. 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.

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 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 period.

Derivate financial instruments

The Company carries the derivative liability on the convertible promissory debentures issued in February 2016 at fair value, re-measured at the end of each reporting period using the Black-Scholes valuation model. As at September 30, 2017, the Company used a volatility of 100.4%, dividend yield of 0% and a risk-free rate of 0.71%. The fair value at September 30, 2017 was calculated to be \$791,739 (December 31, 2016 - \$889,992). The movement in fair value of \$159,530 and \$98,253 were recognized in the condensed interim consolidated statement of loss and comprehensive loss for the three and month periods ended September 30, 2017 and September 30, 2016, respectively.

OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

The Company has entered into certain contractual obligations as follows:

	<1 Year	1-2 Years	3-5 Years	Total
USD – denominated				
Convertible Promissory Notes	\$ 1,378,397	\$ -	\$ -	\$ 1,378,397
SLG Graybar Mesne Lease LLC	197,905	203,347	578,631	979,883
North 6 th Agency, Inc.	90,000	-	-	90,000
Kanan Corbin Schupak & Aronow, Inc.	24,000	-	-	24,000
Equisolve, Inc.	24,888	-	-	24,888
Total USD – denominated	\$ 1,715,190	\$ 203,347	\$ 578,631	\$ 2,497,168
CAD – denominated				
Convertible Debentures	\$ 1,540,800	\$ 20,030,400	\$ -	\$ 21,571,200
Baron Global Financial Canada, Ltd.	48,000	-	-	48,000
KRC Canada Corp.	60,000	25,000	-	85,000
Total CAD - denominated	\$ 1,648,800	\$ 20,055,400	\$ -	\$ 21,704,200

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

At September 30, 2017, the Company had leases for office spaces with KRC Canada Corp., expiring April 29, 2019 and SLG Graybar Mesne Lease LLC, expiring May 31, 2022.

The Company has a commitment to continue engaging with Baron Global Financial Canada Ltd. To provide advisory and corporate finance services until February 2018.

The Company has commitments to continue its relationship for three months to a year from September 30, 2017 with the marketing firms North 6th Agency, Inc. and Kanan Corbin Schupak & Aronow, Inc. (dba. KCSA Strategic Communications) for investor public relations services.

The Company has engaged Equisolve, Inc to provide website design services until November 2018.

RELATED PARTY BALANCES AND TRANSACTIONS

	September 30, 2017	September 30, 2016
Due from RGA	\$ 30,000	\$ -
Due from FWR, owned by a family member related to an officer to ICM	953,135	140,102
Due from Pilgrim, controlled by an officer of ICM	6,533,411	714,896
Due from Mayflower, controlled by an officer of ICM	3,787,471	929,579
Due from director	341,674	-
Total due from related parties	\$ 11,645,691	\$ 1,784,577
Due to LDV, owned by officers of ICM	-	236,652
Total due to related parties	\$ -	\$ 236,652

RG A

In 2016, 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. At September 30, 2017 the reimbursement due from the RGA loan conversion was \$30,000 (December 31, 2016 - \$30,000).

LDV

The Company used the services and office space of LDV, a related party owned by two of the Company's officers. The rental costs were \$4,021 and \$65,006 for the three and nine months ended September 30, 2017, respectively (September 30, 2016 - \$26,651 and \$79,466).

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 three and nine months ended September 30, 2017, the Company incurred administrative management fees of \$Nil and \$420,000, respectively (September 30, 2016 - \$210,000 and \$630,000). At September 30, 2017 and December 31, 2016, the amount due to LDV is \$Nil and \$318,194, respectively, and amount due from LDV is \$Nil and \$317,726, respectively.

The agreement with LDV was terminated during the third quarter of 2017. The Company has brought the operating functions previously performed by LDV in-house. All outstanding balances to and from LDV have been fully settled as of September 30, 2017.

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

FWR

On June 23, 2015, ICM entered into an agreement to provide management services to 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 \$45,652 and \$104,362 for the three and nine months ended September 30, 2017, respectively (September 30, 2016 - \$19,795 and \$48,754). As of September 30, 2017 and December 31, 2016, the management fee receivable from FWR was \$196,167 and \$91,805, 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 \$Nil for the three and nine months ended September 30, 2017, and \$5,834 and \$25,247 for the three and nine months ended September 30, 2016, respectively, and this is presented as a reduction in administrative management fee. As of September 30, 2017, the reimbursement receivable from FWR was \$48,297 (December 31, 2016 - \$48,297), and is expected to be repaid within 12 months, and therefore, is classified as current.

Pilgrim

As of September 30, 2017, the Company has provided \$6,533,412 (December 31, 2016 - \$Nil) to Pilgrim Rock Management, LLC, a related party owned by an officer of the Company. Pilgrim was incorporated to manage the construction of the cannabis cultivation facility in Holliston, Massachusetts and a dispensary in Boston, Massachusetts in connection with the Company's investment in Mayflower. Due to the nature of the transaction, there no terms for interest, repayment or security on the balance have been formalized.

Loan due from Mayflower

On July 1, 2016, the Company entered into an agreement (the "Mayflower Loan Agreement") with Mayflower Medicinals, Inc., 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, principal of \$4,000,000. Mayflower is a not-for-profit entity operating in the cannabis industry in Massachusetts and it is controlled by an officer of ICM.

At September 30, 2017, the total principal amount advanced under the loan was \$3,286,418 plus accrued interest receivable of \$501,053. At December 31, 2016, principal outstanding was \$2,018,965 plus accrued interest receivable of \$112,467. The note bears interest at a rate of 16%, compounded monthly 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 \$146,755 and \$384,191 for the three and nine month periods ended September 30, 2017, respectively. Interest income on the note amounted to \$48,577 and \$53,482 for the three and nine month periods ended September 30, 2016, respectively.

Other

As of September 30, 2017, the Company had a loan due from a director with a balance of CAD\$425,000 (USD\$340,545). The total loan facility is up to CAD\$500,000 (USD\$385,296) and the loan accrues 2.5% interest due upon the maturity of the loan. The loan is repayable on demand and is expected to be repaid within the next 12 months, therefore the Company has classified the balance as current. No director loan existed at December 31, 2016.

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

Interest accrued on the loan for the three and nine months ended September 30, 2017 was CAD\$1,409 (USD\$1,129) and CAD\$1,409 (USD\$1,129), respectively (September 30, 2016 - \$Nil and \$Nil).

SHARE CAPITAL

The following share capital data is as of November 28, 2017.

	Balance
Common Shares issued and outstanding	26,350,778
Class A Common Shares issued and outstanding	11,255,000
Options to purchase Common Shares	2,865,500
Options to purchase Class A Common Shares	1,125,000
Warrants	1,698,320
Debentures	6,164,518
Convertible promissory notes	772,727
Fully diluted shares outstanding	50,232,343
Escrowed shares	4,500,169

RISKS AND RISK MANAGEMENT

The key risks and risk management strategies are disclosed in full in the Company's consolidated financial statements and accompanying management discussion and analysis as at December 31, 2016. The risks and risk management strategies remain unchanged for the period.

NEW ACCOUNTING PRONOUNCEMENTS

No new standards have been implemented during the period and all significant accounting policies are consistent with those at year end.

IFRS 7 Financial instruments: Disclosure

Amended to require additional disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 Financial Instruments ("IFRS 9"). This amendment is 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 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 has evaluated the potential areas of impact from the new standard as follows:

- *Solely payments of principal and interest ("SPPI") test for receivables:* The Company's current investments are short-term in nature and do not appear to contain features that would violate the SPPI test. The non-current loans and promissory notes receivable do not appear to contain features that would violate SPPI. The Company concludes that this area is unlikely to have an impact.

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

- *Measurement of unlisted equity investments:* The Company already measures its equity investments at fair value through profit or loss. The Company concludes that this area is unlikely to have an impact.
- *Option to record gains/losses of investments through OCI:* IFRS 9 allows entities to record the fair value fluctuations on equity investments through other comprehensive income. The Company will elect to continue to record its fair value fluctuations on equity investments in profit and loss. The Company concludes that this area is unlikely to have an impact.
- *Impairment of receivables:* IFRS 9 introduces a new expected credit loss methodology for assessing impairment of receivables, which estimates potential losses based on forward looking information, rather than incurred loss events. Once the standard is in effect, January 1, 2018, the Company will apply the new methodology and assess its receivables for impairment.

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.

IFRS 16 Leases

The new standard will replace IAS 17 Leases ("IAS 17") and eliminates the classification of leases as either operating or finance leases by the lessee. The treatment of leases by the lessee will require capitalization of all leases resulting accounting treatment similar to finance leases under IAS 17. The new standard will result in an increase in lease assets and liabilities for the lessee. Under the new standard, the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest component recognized for each lease, in line with finance lease accounting under IAS 17. IFRS 16 will be applied retrospectively. Based on the Company's current leasing arrangements, this standard is expected to have an effect on the financial reporting and the Company is currently assessing the implications of the new standard.




STAFF NOTICE 51-352: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

On October 16, 2017, the Canadian Securities Administrators published Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

As a result of the Company's investments in certain United States entities (as described herein), the Company is subject to Staff Notice 51-352 and accordingly provides the following disclosure:

IANTHUS CAPITAL HOLDINGS, INC.
Management’s Discussion and Analysis
For the three and nine months ended September 30, 2017 and 2016
(All amounts expressed in U.S. dollars, unless otherwise stated)

The Company currently operates in the United States as more specifically described below. Investment amounts listed below are as of November 28, 2017.

	Massachusetts	Vermont	New Mexico	Colorado	New York	Florida	
	Mayflower Medicinals, Inc. (“Mayflower”)	FWR Inc. d/b/a Grassroots Vermont (“FWR”)	Reynold Greenleaf & Associates LLC (“RGA”)	Organix, LLC (“Organix”)	The Green Solution, LLC (“TGS”)	Citiva Medical, LLC (“Citiva Medical”)	GrowHealthy Holdings, LLC (“GrowHealthy”)
 Type of Investment⁽¹⁾	Loan ⁽²⁾	Loan ⁽²⁾	24.6% Equity Ownership	Note 3	Strategic Partnership and Loan	Loan ⁽²⁾	Loan ⁽²⁾ and 6.1% Equity Ownership
 Investment Amount (\$US)	\$11.7 million ⁽⁴⁾	\$0.9 million ⁽¹⁾	\$2.4 million	\$5.2 million	\$7.5 million	\$0.5 million	\$2.0 million loan and acquisition of approximately 6.1% of the issued and outstanding equity shares for a purchase price of \$3.0 million
 Permitted Number of Facilities	3 dispensaries 1 cultivation 1 processing	2 dispensaries 1 cultivation 1 processing	Nil ⁽⁵⁾	1 dispensary 1 cultivation	12 dispensaries 3 cultivation 1 processing	4 dispensaries 1 cultivation	25 dispensaries 1 cultivation 1 processing

Notes:

- ⁽¹⁾ The investments do not have any characteristics which may be perceived as ‘equity-like’ such as conversion rights into equity or royalties. Notwithstanding the foregoing, the Company reserves its right to discuss early repayment of the loans and may, from time to time, consider converting one or more loans into equity. The Company also holds a non-material preferred stock position in 4Front Ventures, Inc. (“4Front”) purchased for US\$99,969. The Company’s equity position in 4Front is approximately 0.3% of 4Front’s issued and outstanding shares. The Company understands that 4Front, through various subsidiaries, holds a direct interest in only one license in the United States; specifically, a 65% interest in one dispensary license in the State of Maryland. Such dispensary is not operational yet and the Company’s interest in 4Front is not material. For the purpose of Staff Notice 51-352, the Company’s preferred stock position in 4Front is classified as “indirect” involvement in the United States cultivation or distribution industry because 4Front has a direct interest in a dispensary.
- ⁽²⁾ The Company currently has loans to Mayflower, FWR, TGS, Citiva Medical and GrowHealthy. The Company’s investments in Mayflower, FWR, TGS, and Citiva Medical are classified as “ancillary” involvement in the United States cannabis industry for the purpose of Staff Notice 51-352. The Company’s non-controlling equity interest in RGA is also classified as “ancillary” involvement for the purpose of Staff Notice 51-352 because RGA provides ancillary services being financial and management services. Conversely, GrowHealthy is classified as “indirect” involvement in the United States cultivation or distribution industry for the purpose of Staff Notice 51-352. If the Company completes its proposed transaction with Citiva Medical and Citiva LLC, then the Company will have direct involvement in the United States cultivation or distribution industry in the State of New York.
- ⁽³⁾ On December 5, 2016, the Company acquired certain assets of Organix, the owner and operator of a Colorado medical and adult use marijuana operation with a cultivation facility in Denver, Colorado and a fully-integrated medical and adult use dispensary located in the ski town of Breckenridge, Colorado. The assets acquired include all real estate holdings of Organix’s affiliate, DB Land Holdings, Inc., consisting of a 12,000 square foot cultivation facility in Denver, as well as all equipment and other tangible and intangible assets and all of the intellectual property of Organix including its brands. The foregoing assets are held by the Company’s subsidiaries, Scarlet Globemallow and Bergamot Properties and are classified as “ancillary” involvement in the United States cannabis industry for the purpose of Staff Notice 51-352. The Colorado Marijuana Enforcement Division regulates Colorado’s marijuana regulatory program. Applicable regulation in Colorado requires licensed operators and a portion of its shareholders to be resident of Colorado and accordingly, iAnthus, as a publicly listed company, is unable at this time to acquire a direct license under Colorado’s marijuana regulatory program. For further information on the license holder in Colorado see: “– Nature of Investments in the United States – Summary of Colorado Investments.”
- ⁽⁴⁾ Total Investment Amount contributed to date includes funds transferred to Mayflower and its affiliate, Pilgrim Rock Management, LLC (“Pilgrim Rock”), a related party as Randy Maslow (an officer and director of the Company), is the sole manager and holds a controlling interest. Pilgrim Rock was formed to manage the construction of the cannabis cultivation facility in Holliston, Massachusetts and a dispensary in Boston, Massachusetts in connection with the Company’s investment in Mayflower. Mayflower is a Massachusetts non-profit corporation; accordingly, Mayflower does not have any shares issued and outstanding. Mayflower is governed by a board of directors comprised of five directors. Randy Maslow (director and officer of the Company) is one of the directors and John Henderson (officer of the Company) is also a director. The three other directors of Mayflower are: (i) a member of the Company’s advisory board (Jamie Lewis) and (ii) two other directors who are arm’s length to the Company.
- ⁽⁵⁾ RGA currently manages three cultivation operations in Albuquerque, New Mexico totalling 13,200 square feet and four dispensary locations, also in Albuquerque, New Mexico. See “– Nature of Investments in the United States – Summary of New Mexico Investment”.

Nature of Investments in the United States

Summary of Massachusetts Investment

On July 1, 2016, the Company entered into the loan agreement (the “**Mayflower Loan Agreement**”) with Mayflower Medicinals, Inc. (“**Mayflower**”), a non-profit healthcare organization dedicated to providing medical cannabis products and services in a safe, secure and professionally managed environment. As of the September 30, 2017, the Company loaned US\$3,286,418 in support of the license application process and the securing of compliant real estate and local approval. Subsequent to September 30, 2017, the Company provided an additional US\$449,469 to Mayflower to be used for working capital purposes. The Mayflower Loan Agreement bears interest at a rate of 16%, compounded monthly and payable on a quarterly basis, starting one year after Mayflower commences sales of products to its patients (the “**First Payment Date**”). The maturity date is seven years after the First Payment Date. The Mayflower Loan Agreement is considered a related party transaction because Mr. Randy Maslow and Mr. John Henderson, officers of the Company, serve as board members of Mayflower.

As of September 30, 2017, Mayflower has applied for three medical cannabis licenses in the Commonwealth of Massachusetts.

Mayflower has commenced the construction of a cannabis cultivation and processing facility in Holliston, Massachusetts. The Company anticipates that Mayflower will ultimately operate out of four locations – one cultivation and manufacturing facility totalling 36,000 square feet, and three retail locations. The space will be dedicated to cultivation, manufacturing cannabis infused products and cannabis concentrates, such as vaporizer pen cartridges.

Mayflower has also granted the Company an exclusive right to negotiate a licensing, management services and financing agreement with Mayflower to provide certain capital financing, intellectual property licensing, real estate, equipment leasing and management services. It is anticipated that the Company and a strategic partner will form a separate, limited liability company (the “**LLC Management Entity**”) that will be 79% owned by iAnthus to provide such services to Mayflower. The terms and fees related to such services and required capital expenditures are currently being negotiated between the management teams of Mayflower and the Company. The Company anticipates that the parties will enter into a definitive agreement once Mayflower has secured its third medical cannabis license, which the Company expects to occur during 2017. The Company anticipates that it will be entitled to nominate the majority of the directors serving on the board of directors of the LLC Management Entity.

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

As of September 30, 2017, the Company provided US\$6,533,412 to Pilgrim Rock. Pilgrim Rock was incorporated to manage the construction of the cannabis cultivation facility in Holliston, Massachusetts and a dispensary in Boston, Massachusetts in connection with the Company's investment in Mayflower. Due to the nature of the transaction, no terms for interest, repayment or security on the balance have been formalized. Subsequent to September 30, 2017, the Company provided an additional US\$1,411,451 to Pilgrim Rock for the construction of the cannabis cultivation facility in Holliston, Massachusetts and the dispensaries in connection with the Company's investment in Mayflower.

As of September 30, 2017, the Company has invested US\$9,336,687 in support of Mayflower's operations through Mayflower and Pilgrim Rock. An incremental US\$1,300,000 from September 30, 2017 is expected to be invested to complete the build-out of the cultivation and processing facility. The Company expects Mayflower to lease one additional retail location (three total), the exact location of which is in the process of being finalized. The Company expects that the costs associated with the build-out of the retail locations to be US\$2,000,000, and will include interior/exterior design, construction, and equipment.

For the purposes of Staff Notice 51-352, the Company's loan to Mayflower is classified as "ancillary" involvement in the United States cultivation or distribution industry. The applicable regulations in the Commonwealth of Massachusetts are summarized below.

Summary of Massachusetts Regulations

The Commonwealth of Massachusetts has authorized the cultivation, possession and distribution of marijuana by certain licensed Massachusetts marijuana businesses. The Massachusetts Department of Public Health regulates Massachusetts's marijuana regulatory program. The Company is advised by legal counsel and/or other advisors in connection with Massachusetts's marijuana regulatory program. The Company only engages in transactions with Massachusetts marijuana businesses that hold licenses that are in good standing to cultivate possess and/or distribute marijuana in Massachusetts in compliance with Massachusetts's marijuana regulatory program. To the extent required by Massachusetts's marijuana regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Massachusetts marijuana businesses. The Company and its investee (Mayflower) are in compliance with Massachusetts's marijuana regulatory program.

Summary of Vermont Investment

The Company entered into a lending facility and management services agreement in 2015 to finance FWR. FWR is one of the four medical cannabis license holdings in the State of Vermont. As of September 30, 2017, the Company had provided FWR with a credit facility of US\$915,000. The Company is currently working with FWR to convert a portion of the existing balance into a sale/leaseback facility with a management company owned by the Company, which will provide a broad range of real estate and equipment leasing, intellectual property licensing and professional services to FWR. As a not-for-profit corporation, FWR does not have equity owners. Ms. Alexandra Ford serves as one of the four board members that oversee FWR. Ms. Ford is the sister of Hadley Ford (a director and officer of the Company).

On September 29, 2016, FWR successfully launched its delivery service state-wide in Vermont which allows FWR to deliver medical cannabis to patients across the state.

For the purposes of Staff Notice 51-352, the Company's loan to FWR is classified as "ancillary" involvement in the United States cultivation or distribution industry. The applicable regulations in the State of Vermont are summarized below.

Summary of Vermont Regulations

The State of Vermont has authorized the cultivation, possession and distribution of marijuana by certain licensed Vermont marijuana businesses. The Vermont Department of Public Health regulates Vermont's marijuana regulatory program. The Company is advised by legal counsel and/or other advisors in connection with Vermont's marijuana regulatory program. The Company only engages in transactions with Vermont marijuana businesses that hold licenses that are in good standing to cultivate, possess and/or distribute marijuana in Vermont in compliance with Vermont's marijuana regulatory program. To the extent required by Vermont's marijuana regulatory program, the Company has fully disclosed and/or registered each financial interest iAnthus holds in such Vermont marijuana businesses. The Company and its investee (FWR) are in compliance with Vermont's marijuana regulatory program.

Summary of New Mexico Investment

RGA was formed on April 2, 2014 for the primary purpose of serving as: (i) a branding, marketing and consulting company to license and/or sublicense certain technology and product names, (ii) a holding company for acquiring, leasing, and/or managing real estate, fixtures and equipment, and (iii) an entity that enters into financial transactions to support operating companies. RGA currently manages three cultivation operations in Albuquerque, New Mexico totaling 13,200 square feet and four dispensary locations, also in Albuquerque, New Mexico. Working with the Company, RGA is currently instituting an expansion of its cultivating facilities and dispensaries, as well as developing a production strategy to provide value-added cannabis-infused products for its license holders and others in the State of New Mexico.

In January 2016, the Company entered into a loan agreement with RGA (the "RGA Loan Agreement"). As of September 30, 2016, the Company loaned an aggregate of US\$2,270,000 to RGA. The loan bore interest at a rate of 20% and was convertible into Class A-1 units of RGA. On October 12, 2016, the Company converted the loan into 229,774 Class A-1 units of RGA, representing a 24.6% ownership stake in RGA. The RGA Loan Agreement was considered a related party transaction because the founder and CEO of RGA, Willie Ford, is a shareholder of the Company and is the brother of Hadley Ford (a director and officer of the Company). 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.

For the purposes of Staff Notice 51-352, the Company's investment in RGA is classified as "ancillary" involvement in the United States cultivation or distribution industry. The applicable regulations in the State of New Mexico are summarized below.

IANTHUS CAPITAL HOLDINGS, INC.
Management’s Discussion and Analysis
For the three and nine months ended September 30, 2017 and 2016
(All amounts expressed in U.S. dollars, unless otherwise stated)

Summary of New Mexico Regulation

New Mexico has authorized the cultivation, possession and distribution of marijuana by certain licensed New Mexico marijuana businesses. The New Mexico Department of Health regulates New Mexico’s marijuana regulatory program. The Company is advised by legal counsel and/or other advisors in connection with New Mexico’s marijuana regulatory program. The Company only engages in transactions with New Mexico marijuana businesses that hold licenses that are in good standing to cultivate, possess and/or distribute marijuana in New Mexico in compliance with New Mexico’s marijuana regulatory program. To the extent required by New Mexico’s marijuana regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such New Mexico marijuana businesses. The Company and its investee (RGA) are in compliance with New Mexico’s marijuana regulatory program.

Summary of Colorado Investments

(i) Organix

On December 5, 2016, the Company, through its wholly-owned subsidiary, iAnthus Capital, acquired certain assets of Organix, the owner and operator of a Colorado medical and adult-use cannabis operation with a cultivation facility in Denver, Colorado and a medical and adult-use dispensary located in the town of Breckenridge, Colorado. The assets acquired include all real estate holdings of Organix’s affiliate, DB Land Holdings, Inc. (“DB”), consisting of a 12,000 square foot cultivation facility in Denver, as well as all equipment and other tangible and intangible assets and all of the intellectual property of Organix, including its brands (the “Organix Assets”). The purchase price of the Organix Assets was US\$4.670 million, subject to certain purchase price adjustments to be determined over a portion of the 2017 fiscal year. The foregoing assets are held by Scarlet Globemallow and Bergamot Properties.

In a related transaction, Bellflower, LLC (“Bellflower”), a Colorado limited liability company, agreed to acquire all cannabis inventory and licenses to cultivate, manufacture and sell cannabis-based products from Organix for US\$300,000 (the “Bellflower Transaction”). The Company holds no ownership interest in Bellflower and accordingly, Bellflower is an arm’s length party to the Company. Upon completion of the Bellflower Transaction, the Company, through Scarlet Globemallow and Bergamot Properties, provides a broad range of real estate, financing, intellectual property licensing and professional services to Bellflower. Scarlet Globemallow and Bergamot Properties were formed to provide long term contractual services to Bellflower and potentially other licensed cannabis operators in Colorado. Scarlet Globemallow has acquired substantially all of the Organix Assets and serves as a branding, marketing, financing, equipment leasing and professional services company to Bellflower and potentially to other licensed cannabis operators in Colorado. Bergamot Properties acquired and now holds all the applicable real estate and master leasehold interests associated with Organix’s operations and serves as a lessor of real property to Bellflower.

On March 3, 2017, Bergamot Properties acquired a medical and adult-use dispensary in the town of Breckenridge, Colorado from DB for total consideration of US\$510,025. Organix currently leases the property from Bergamot Properties.

For the purposes of Staff Notice 51-352, the assets held by the Company’s subsidiaries, Scarlet Globemallow and Bergamot Properties, are classified as “ancillary” involvement in the United States cannabis industry for the purpose of Staff Notice 51-352.

(ii) TGS

On February 6, 2017, iAnthus Capital entered into a strategic relationship with TGS, an operator of 12 retail stores and a number of cultivation and processing facilities in the state of Colorado.

The strategic relationship includes a loan facility of US\$7,500,000 (the “TGS Loan Facility”) which has a term of one year. Interest on borrowings are payable at the rate of 14% during the first four months, escalating to 23% for the remaining eight months. As of September 30, 2017, the total amount drawn down, including accrued interest, was US\$7,744,467.

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. TGS, through its affiliate TGS National, has agreed to facilitate introductions to franchisee operators in multiple states across the United States, presenting the Company with significant opportunities for additional financing and equity-based investment partnerships with TGS National’s franchisee operators.

For the purposes of Staff Notice 51-352, the Company’s loan to TGS is classified as “ancillary” involvement in the United States cultivation or distribution industry. The applicable regulations in the State of Colorado are summarized below.

Summary of Colorado Regulations

Colorado has authorized the cultivation, possession and distribution of marijuana by certain licensed Colorado marijuana businesses. The Colorado Marijuana Enforcement Division regulates Colorado’s marijuana regulatory program. The Company is advised by legal counsel and/or other advisors in connection with Colorado’s marijuana regulatory program. The Company only engages in transactions with Colorado marijuana businesses that hold licenses that are in good standing to cultivate, possess and/or distribute marijuana in Colorado in compliance with Colorado’s marijuana regulatory program. To the extent required by Colorado’s marijuana regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Colorado marijuana businesses. The Company, the Company’s subsidiaries, Scarlet Globemallow and Bergamot Properties, and its investee (TGS) are in compliance with Colorado’s marijuana regulatory program.

IANTHUS CAPITAL HOLDINGS, INC.
Management’s Discussion and Analysis
For the three and nine months ended September 30, 2017 and 2016
(All amounts expressed in U.S. dollars, unless otherwise stated)

Summary of New York Investment

On August 14, 2017, the Company announced that it had signed a letter of intent to acquire 100% of Citiva Medical, which holds one of the 10 vertically integrated medical cannabis licenses in New York State, and Citiva USA, the owner of certain regulated cannabis industry assets and intellectual property.

On August 18, 2017, the Company provided a secured promissory note of US\$500,000 to Citiva Medical at 5% interest per annum, with a maturity date of August 18, 2018.

Summary of Florida Investment

On September 14, 2017, the Company announced it had entered into an agreement to provide a US\$2 million credit facility to GrowHealthy (the “**GrowHealthy Loan Facility**”). GrowHealthy’s subsidiary, McCrory’s Sunny Hill Nursery, LLC, is one of the 12 current Florida Medical Marijuana Treatment Centers licensed to provide medical cannabis under Florida’s medical marijuana law. In addition to the GrowHealthy Loan Facility, the Company entered into exclusive negotiations with GrowHealthy regarding a further strategic relationship between the parties.

The GrowHealthy Loan Facility is in the amount of US\$2 million, with a term of 12 months and a blended interest rate of 12.5% over the term, initiating at a 5% annual rate until January 31, 2018 and escalating to 20% for the remainder of the term. The GrowHealthy Loan Facility is secured by GrowHealthy’s real estate holdings and related assets at its Lake Wales cultivation and processing facility. As part of the agreement, the Company has been granted exclusive rights to negotiate a further strategic relationship with GrowHealthy.

On October 12, 2017, the Company announced that it purchased 2,925,003 Class B Shares of GrowHealthy for a total purchase price of US\$3,000,000. For further information on GrowHealthy and the exclusivity agreement the Company has with GrowHealthy and GrowHealthy’s affiliates.

For the purposes of Staff Notice 51-352, the Company’s investment in GrowHealthy is classified as “indirect” involvement in the United States cultivation or distribution industry because the Company has a non-controlling interest in GrowHealthy. The applicable regulations in the State of Florida are summarized below.

Summary of Florida Regulation

Florida has authorized the cultivation, possession and distribution of marijuana by certain licensed Florida marijuana businesses. The Florida Department of Health, Office of Medical Marijuana Use regulates Florida’s marijuana regulatory program. The Company is advised by legal counsel and/or other advisors in connection with Florida’s marijuana regulatory program. The Company only engages in transactions with Florida marijuana businesses that hold licenses that are in good standing to cultivate, possess and/or distribute marijuana in Florida in compliance with Florida’s marijuana regulatory program. To the extent required by Florida’s marijuana regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Florida marijuana businesses. The Company and its investee (GrowHealthy) are in compliance with Florida’s marijuana regulatory program. In addition to the foregoing description, Staff Notice 51-352 also requires additional disclosure for issuers with an “indirect” involvement in the United States cultivation and distribution industry.

The applicable regulations in the State of Florida are summarized below.

(i) Registration and Certification

In order to become a licensed Medical Marijuana Treatment Center (“**MMTC**”), each applicant must pass a background check and submit audited certified financial statements. The MMTC is to provide an organizational chart illustrating the supervisory structure, including all owners, officers, board members, managers, and employees.

An applicant must also demonstrate that all owners, officers, board members, and managers have passed a level-2 background check. In addition, each owner, officer, board member, and manager must be fingerprinted.

Each applicant must employ a Medical Director to supervise the activities of the MMTC. The Medical Director can only be employed by one MMTC.

The MMTC must also demonstrate it has been registered to do business in Florida for the prior five consecutive years and that the applicant possesses a valid certificate of registration issued by the Department of Agriculture and Consumer Services.

(ii) Inspections

An MMTC needs to be prepared to be inspected prior to receiving approval from the Department of Health to be authorized to begin cultivation, processing, and dispensing. The MMTC is to have inspection processes in place to handle pests that endanger or threaten the horticulture or agriculture of the state of Florida.

(iii) Security Requirements

As part of the MMTC application, the applicant must provide information about the MMTC’s security plan, including the following: (i) plan to ensure a sanitary and safe processing facility; (ii) an alarm system that secures all entry points and perimeter windows and is equipped with motion detectors, pressure switches and duress, panic and hold-up alarms; (iii) video surveillance that: (a) records continuously for 24 hour per day, (b) has cameras in fixed places that allow for the clear identification of persons and activities in the controlled areas of the premises, including grow rooms, processing rooms, storage rooms, disposal rooms/areas and point of sale

IANTHUS CAPITAL HOLDINGS, INC.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2017 and 2016
(All amounts expressed in U.S. dollars, unless otherwise stated)

rooms, (c) has the capability of recording clear images and displays the time and date of the recording, and (d) demonstrates a plan for retention of recordings for at least 45 days; and (iv) outdoor lighting.

In addition, the applicant must show a storage plan for each cultivation, processing, dispensing, and delivery facility, including the following: safes, vaults, climate control, plans to ensure all medical marijuana is stored in a secured locked room or vault; and plans to ensure at least 2 security personnel are on the premises where the cultivation, processing, and storage occur, at all times.

(iv) Operations

As part of the MMTC application, the applicant must provide information about the MMTC's infrastructure, including the following: (i) communication systems; (ii) facility odor mitigation; and (iii) back-up systems for all cultivation and processing systems.

The MMTC must demonstrate it has a cultivation plan that will ensure consistent supply of safe medical marijuana for patients that addresses the following: (i) the applicant's expertise cultivating medical marijuana; (ii) the proper conditions and techniques for cultivating marijuana; and (iii) the steps the applicant will take to ensure a sanitary and safe cultivation facility.

(v) Record Keeping and Inventory Tracking

MMTC's must have diversion and trafficking prevention procedures, including the following: (i) a plan for tracking and securing medical marijuana throughout an applicant's supply chain, which includes a seed-to-sale system; (ii) descriptions of an inventory control system for medical marijuana and derivative products; and (iii) a description of personal qualifications and experience with chain of custody or other tracking mechanisms.

In addition, MMTC's must have a transportation plan, including the following information: (i) proposed vehicles to be used for the business, including transporting between an MMTC's facility and delivering to patients; (ii) vehicle tracking systems; (iii) vehicle security systems, including plan to incorporate separate locking compartments to store any medical marijuana product or delivery devices; and (iv) the use of transportation manifests that are generated from the seed-to-sale tracking system, including (a) the departure date, (b) name, location, address and license number of the originating MMTC, (c) quantity and form of product to be delivered, (d) arrival date and estimated time of arrival, (e) name and signature of the employee delivering the product. These transportation manifests will be retained for a period of at least 3 years.

Summary of Maryland Investment

The Company holds a non-material preferred stock position in 4Front purchased for US\$99,969. The Company's equity position in 4Front is approximately 0.3% of 4Front's issued and outstanding shares. The Company understands that 4Front, through various subsidiaries, holds a direct interest in only one license in the United States; specifically, a 65% interest in one dispensary license in the State of Maryland. Such dispensary is not operational yet and the Company's interest in 4Front is not material.

The Company, and to the best of the Company's knowledge, its investee (4Front), are in compliance with Maryland's medical marijuana regulatory program. In addition to the foregoing description, Staff Notice 51-352 also requires additional disclosure for issuers with an "indirect" involvement in the United States cultivation and distribution industry.

The applicable regulations in the State of Maryland are summarized below.

Summary of Maryland Regulation

(i) Registration and Certification

The Maryland Medical Cannabis Commission (the "MMCC") grants medical cannabis grower, processor, and dispensary licenses. A licensee may hold a license in each category to obtain vertical integration. The applicant must first seek pre-approval from the MMCC in order to be granted a license. As part of the pre-approval application, the applicant must submit information related to its operations; safety and security; medical cannabis professionalism; retail management factors; business and economic factors; and other additional factors that may apply.

In order to become a licensed medical cannabis dispensary, each applicant must submit an application detailing the location of the proposed dispensary, the personal details of each principal officer or director, and operating procedures the dispensary will use. An owner, a member, an employee, a volunteer, an officer, or a director of a dispensary must undergo a criminal background check and register as a dispensary agent.

Once licensed, the medical cannabis dispensary is required to submit to the MMCC quarterly reports including the following information: (i) the number of patients served; (ii) the county of residence of each patient served; (iii) the medical condition for which medical cannabis was recommended; (iv) the type and amount of medical cannabis dispensed; and (v) if available, a summary of clinical outcomes, including adverse events and any cases of suspected diversion. The medical cannabis dispensary must not include any patient personal information in the quarterly report.

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

(ii) Inspections

A medical cannabis dispensary is inspected by the MMCC prior to receiving approval from the MMCC to be authorized to begin cultivation, processing, and dispensing.

(iii) Safety and Security Requirements

As part of the medical cannabis dispensary application, the applicant must provide information about the dispensary's operating procedures consistent with the oversight regulations established by the MMCC, including the following: (i) storage of cannabis and products containing cannabis only in enclosed and locked facilities; (ii) security features and procedures; (iii) how the dispensary will prevent diversion; and (iv) safety procedures.

As part of the safety and security requirements, the applicant must detail how the premises will be constructed to prevent unauthorized entry, including a designation of a secured room meeting high-security requirements. The applicant must describe how it would train all registered dispensary agents on safety procedures, including responding to: (i) a medical emergency; (ii) a fire; (iii) a chemical spill; and (iv) a threatening event including: (1) an armed robbery, (2) an invasion, (3) a burglary, or (4) any other criminal incident.

The applicant must describe its security and surveillance plan with information including the following: (i) an alarm systems that covers all perimeter entry points, windows, and portals at the premises that: (a) will be continuously monitored; (b) detects smoke and fire capabilities; (c) detects power loss capabilities; (d) includes panic alarm devices mounted at convenient, readily-accessible locations through the licensed premises; (e) inclusion of a second, independent alarm system to protect where records are stored on-and off-site and where any secure room holds medical cannabis; (f) equipped with auxiliary power to continue operation for at least 48 hours; (ii) a video surveillance that: (a) records continuously for 24 hours per day for 365 days a year without interruption, (b) has cameras in fixed places that allow for the clear facial identification and of activities in the controlled areas of the premises, including where medical cannabis is packaged, tested, processed, stored, or dispensed, (c) has the capability of recording clear images and displays the time and date of the recording, and (d) demonstrates a plan for retention of recordings for at least 30 days.

(iv) Operations

As part of the dispensary application, the applicant must provide information about the dispensary's operations, including the following: (i) communication systems; (ii) facility odor mitigation; and (iii) back-up systems for all cultivation and processing systems. The applicant must establish a standard operating procedure of all aspects of the receipt, storage, packaging, labeling, handling, tracking, and dispensing of products containing medical cannabis and medical cannabis waste.

In addition, the applicant must provide information about the dispensary's medical cannabis professionalism, including the following information: (i) experience, knowledge, and training in training dispensary agents in the science and use of medical cannabis; and (ii) use of a clinical director.

The applicant must also provide information about the dispensary's retail management operations, including the following: (i) a detailed plan to preserve the quality of the medical cannabis; (ii) a plan to minimize any negative impact on the surrounding community and businesses; (iii) a detailed inventory control plan; and (iv) a detailed medical cannabis waste disposal plan.

The business and economic factors of the dispensary business must also be detailed, including the following information: (i) a business plan demonstrating a likelihood of success, demonstrating sufficient business ability and experience on the part of the applicant, and providing for appropriate employee working conditions, benefits, and training; (ii) demonstration of adequate capitalization; and (iii) a detailed plan evidencing how the dispensary will enforce the alcohol and drug free workplace policy.

Additional information the applicant must also provide includes the following: (i) demonstration of Maryland residency among the owners and investors; (ii) evidence that the applicant is not in arrears regarding any tax obligation in Maryland or other jurisdictions; and (iii) the medical cannabis extracts and medical cannabis-infused products proposed to be dispensed with proposed cannabinoid profiles, including varieties with high cannabidiol content, and the varieties of routes of administration.

(v) Record Keeping and Inventory Tracking

Maryland requires use of a seed-to-sale tracking system. The applicant must create and use a perpetual inventory control system that identifies and tracks the stock of medical cannabis from the time it is delivered or produced to the time it is delivered to a grower or qualified caregiver. The applicant must describe how it will assure the integrity of the electronic manifest and inventory control system and that a cannabis transportation agent will continue the chain of custody to a dispensary agent.

The applicant must retain attendance records and ensure dispensary agents are trained on the record retention and standard operating procedure.

Compliance with Applicable State Law in the United States

Each investee complies with applicable U.S. state licensing requirements as follows: (1) each investee is licensed pursuant to applicable U.S. state law to cultivate, possess and/or distribute marijuana in such state; (2) renewal dates for such licenses are docketed by legal counsel and/or other advisors; (3) random internal audits of the investee's business activities are conducted by the applicable state regulator and by the respective investee to ensure compliance with applicable state law; (4) each employee is provided with an employee handbook that outlines internal standard operating procedures in connection the cultivation, possession and distribution of marijuana to ensure that all marijuana inventory and proceeds from the sale of such marijuana are properly accounted for and tracked and using scanners to confirm each customer's legal age and the validity of each customer's drivers' license; (5) each room that marijuana inventory and/or proceeds from the sale of such

IANTHUS CAPITAL HOLDINGS, INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017 and 2016

(All amounts expressed in U.S. dollars, unless otherwise stated)

inventory enter is monitored by video surveillance; (6) software is used to track marijuana inventory from seed to sale; and (7) each investee is contractually obligated to the Company to comply with applicable state law in the United States in connection with the cultivation, possession and/or distribution of marijuana.

The Company's United States legal counsel reviews, from time to time, the licences and documents referenced above in order to confirm such information and identify any deficiencies.

Each investee that is a license holder (specifically, Mayflower, FWR, TGS, Citiva Medical, GrowHealthy and 4Front) holds licenses that are in good standing to cultivate, possess and/or distribute marijuana in its respective state in the United States in compliance with its respective state marijuana regulatory program. To the knowledge of the Company, no investee has experienced any material non-compliance and no investee is subject to any notices of violation by its respective regulatory authority.

Cole Memorandum and Continued Review of Changes in Law

Aside from complying with applicable state law of the United States, each investee takes the following steps to ensure its marijuana operations are conducted in a manner consistent with the United States federal enforcement priorities articulated in the memorandum dated August 29, 2013 addressed to "All United States Attorneys" from James M. Cole, Deputy Attorney General of the United States, and having the subject line "Guidance Regarding Marijuana Enforcement" (the "Cole Memorandum"). Pursuant to the Cole Memorandum, such enforcement priorities are to: (1) prevent the distribution of marijuana to minors by using scanners to confirm each customer's legal age and the validity of each customer's driver's license; (2) prevent revenue from marijuana from going to criminal enterprises, gangs and cartels by conducting background checks on each owner of an investee, employee and/or prospective employee and by ensuring that all marijuana inventory and proceeds from the sale of such marijuana are properly accounted for and tracked; (3) prevent the diversion of marijuana from states where it is legal under state law in some form to other states by only dispensing marijuana through licensed dispensaries located in states where marijuana is legal under state law in some form and not dispensing any quantity of marijuana to a customer in excess of the legal limits under applicable state law (e.g., 2 ounces); (4) prevent state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity by prohibiting the sale of any inventory other than marijuana inventory and accessories; (5) prevent violence and the use of firearms in the cultivation and distribution of marijuana by ensuring that each room that marijuana inventory and/or proceeds from the sale of such inventory enter is monitored by video surveillance, prohibiting employees from bringing firearms on the premises and ensuring that safes are used to store large amounts of proceeds from the sale of marijuana inventory; (6) prevent drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use by prohibiting the consumption of marijuana on the premises, prohibiting the usage of harmful pesticides on marijuana inventory and testing marijuana inventory to confirm a lack of harmful pesticides and ideal cannabinoid levels; (7) prevent the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands by only cultivating, possessing or dispensing marijuana on private property with all requisite licenses and permits to cultivate, possess and/or distribute marijuana on such private property; and (8) prevent marijuana possession or use on federal property by only cultivating, possessing and dispensing marijuana on private property with all requisite licenses and permits to cultivate, possess and/or distribute marijuana on such private property.

The Company's United States legal counsel reviews, from time to time, each investee's procedures with respect to the Cole Memorandum in order to confirm if each investee's operations are conducted in a manner consistent with the Cole Memorandum.

In addition, the Company, along with its United States legal counsel and other professional advisors, regularly monitor the activities of the Trump Administration for evidence if the Company will contravene the Rohrabacher-Farr Amendment or the guidance provided in the Cole Memorandum.

Ability to Access Public and Private Capital

The Company has historically, and continues to have, robust access to equity and debt financing from the public and prospectus exempt (private placement) markets in Canada. Specifically: (i) in November, 2016, the Company closed an equity bought deal offering and concurrent non-brokered private placement for gross proceeds of approximately \$21,500,000; (ii) in February 2017, the Company closed a convertible debenture brokered private placement for gross proceeds of \$20,000,000; and (iii) in connection with this Offering, the Company also expects to close the Concurrent Private Placement for gross proceeds of up to \$4,600,000.

If such equity and/or debt financing was no longer available in the public markets in Canada due to changes in applicable law, then the Company expects that it would have access to raise equity and/or debt financing privately.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.