



iAnthus

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of iAnthus Capital Holdings, Inc. (the "Company", "ICH" or "iAnthus"), prepared as at November 27, 2018, should be read in conjunction with the condensed interim consolidated financial statements of iAnthus for the three and nine months ended September 30, 2018 and 2017 and accompanying notes thereto. 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, as well as the Company's Annual Information Form ("AIF") for the year ended December 31, 2017, is available on the Company's website at www.ianthuscapital.com or through the SEDAR website at www.sedar.com.

The Company has reviewed the guidance outlined in the Canadian Securities Administrators Staff Notice 51-357 – Staff Review of Reporting Issuers in the Cannabis Industry, including the impact that capitalization of direct and indirect costs related to biological assets would have on an issuer's statement of profit and loss. The Company expects to prepare such supplemental information and include such supplemental information in its Management Discussion & Analysis beginning in Q4 2018.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results "may", "could", "would", "might", or "will" be taken, occur or to achieve. Statements such as those about expected number of users of medical marijuana, the Company's ability to become a leader in the field of medical marijuana and the Company's ability to achieve profitability without further equity financing or at all are all forward looking statements.

Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors" in the AIF and in the Company's Short-Form Prospectus dated October 3, 2018. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

Mayflower



grassroots
vermont



GrowHealthy

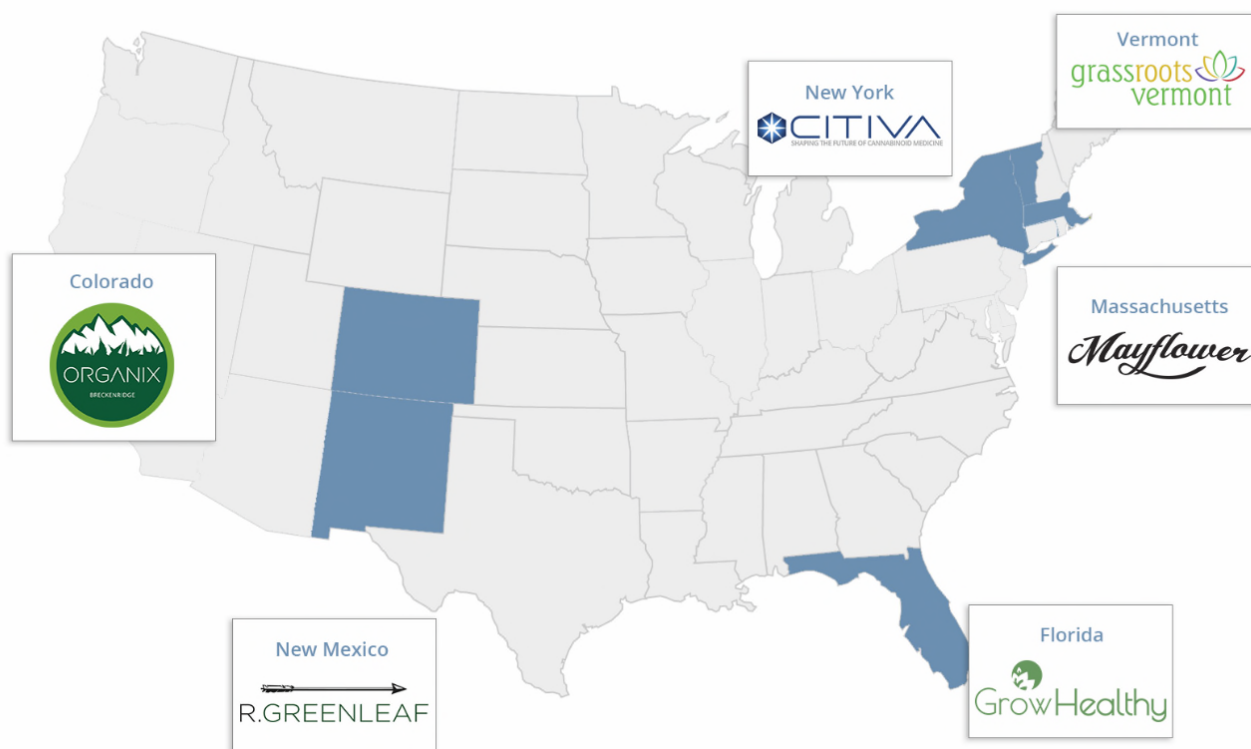
COMPANY OVERVIEW

iAnthus provides investors diversified exposure to best-in-class licensed cannabis cultivation, product manufacturing, and dispensary operations throughout the United States. iAnthus is capitalizing on the rapidly growing U.S. regulated cannabis market and the unique opportunity that exists for well-capitalized and professionally managed cultivation, processing and retail operations.

The Company is listed on the Canadian Securities Exchange (the "CSE") under the ticker symbol "IAN" and is quoted on the OTCQX, part of the OTC Markets Group, under the ticker "ITHUF".

iAnthus currently encompasses operations and investments in six states:

Current Investments / Operations



The Company's subsidiaries are defined on page 37.

SUMMARY OF OPERATIONS & INVESTMENTS

OPERATIONS CONTROLLED BY THE COMPANY



POPULATION ⁽¹⁾	20.0 Million	6.8 Million	0.6 Million	21.0 Million
EQUITY OWNERSHIP	100%	100%	100% ⁽²⁾	100% ⁽³⁾
COMPETITION ⁽⁴⁾	1 of 10 Licenses	1 of ~35 Licenses	1 of 5 Licenses	1 of 14 Licenses
2018 ESTIMATED MARKET SIZE ⁽⁵⁾	\$219.0 Million	\$380.0 Million	\$22.0 Million	\$456.0 Million
DISPENSARIES ⁽⁶⁾	4 Dispensaries	3 Dispensaries	2 Dispensaries	30 Dispensaries ⁽⁷⁾
CULTIVATION ⁽⁶⁾	1 Cultivation Facility 49,700 sq ft	1 Cultivation Facility 36,000 sq ft	1 Cultivation Facility 6,900 sq ft	1 Cultivation Facility 260,000 sq ft
ESTIMATED PRODUCTION CAPACITY (per annum)	2,400kg	2,625kg	200kg	18,000kg

OTHER INVESTMENTS

R.GREENLEAF



POPULATION ⁽¹⁾	2.1 Million	5.5 Million
INVESTMENT	24.6% Equity Interest	\$5.3 Million Investment
2018 ESTIMATED MARKET SIZE ⁽⁵⁾	\$199.0 Million	\$1.7 Billion
FACILITIES	1 Management Service Company	1 Dispensary 1 Cultivation Facility

(1) Populations according to the United States Census Bureau from www.censusreporter.org (2018)

(2) The Company owns 100% of Pakalolo, LLC, the sole member of FWR, Inc. d/b/a Grassroots Vermont ("GRVT") (a not-for-profit corporation)

(3) Acquisition of the GrowHealthy Holdings, LLC ("GrowHealthy") assets includes an option to acquire an affiliate, McCrory's Sunny Hill Nursery, LLC ("McCrory's") which holds one of only 14 issued licenses to cultivate, process and dispense medical cannabis from the Florida Department of Health

(4) Licenses currently issued in the applicable state

(5) Estimated 2018 market size according to The Arcview Group



(6) Refers to the maximum allowable number of dispensaries and cultivation facilities under current State legislation

(7) The maximum allowable number of dispensaries per license holder increases by five dispensaries per 100,000 patients in the registry

CORPORATE HIGHLIGHTS

Landmark Transaction

On October 18, 2018, the Company announced the acquisition of MPX Bioceutical Corporation's ("MPX") U.S. assets, positioning the Company as one of the largest U.S. regulated cannabis operators and expanding the Company's footprint to 10 states.

			Pro Forma
Footprint	6 States	5 States	10 States⁽¹⁾
Addressable Population	56 million	63 million	112 million
Cultivation/Processing Facilities	8	6	14
Dispensaries	46	10	56

(1) The combined entity, assuming the transaction closes, will be in 10 states because both the Company and MPX have operations in Massachusetts.

Strengthened Balance Sheet

On October 10, 2018, iAnthus announced the closing of its CAD\$34.5 million bought deal financing, allowing the Company to further build out its multi-state retail and cultivation operation and continue to pursue strategic acquisition targets in additional states.

MASSACHUSETTS HIGHLIGHTS



Flagship Dispensary Open in Boston

On July 19, 2018, Mayflower Medicinals Inc. ("Mayflower") opened its flagship dispensary in Boston, making it one of only two operating within Boston city limits.

Increased Production and Greater Product Variety

- Mayflower was cultivating 4,206 plants consisting of 37 unique strains and processing various CO₂ oils and distillates at the close of Q3 2018.
- Annual production capacity of 2,625kg plant material has been achieved.
- Mayflower has partnered with Azuca – founded by Ron Silver, chef of popular New York City restaurant, Bubby's – to introduce a fast-acting cannabis infused edibles line created in Mayflower's commercial kitchen.

First Wholesale Sales

- With increased cultivation yields and production, Mayflower began selling wholesale product as it awaits the opening of its additional dispensaries.

Retail Footprint

- The design phase for Mayflower's 3,000 square foot Lowell dispensary, its second in the state, has been completed and construction is expected to begin in Q1 of 2019 with an expected opening date in the first half of 2019.



FLORIDA HIGHLIGHTS



Ramping up Retail and Production

Rapidly Expanding Our Retail Footprint

- GrowHealthy has executed 16 dispensary leases statewide, including the key markets of West Palm Beach, Miami, Tampa and Orlando.
- Significant progress has been made on the construction of GrowHealthy's flagship dispensary in West Palm Beach and a dispensary in Brandon, both of which are scheduled to open in the coming weeks.
- On October 23, 2018, the Company opened its new distribution hub in Deerfield Beach. Patients living throughout South Florida can now place and receive orders within 24 hours, seven days a week.

Improved Cultivation Capacity and Facility Upgrades

- Several upgrades to the 200,000 square foot Lake Wales cultivation facility are being completed, including the installation of a state-of-the-art roof chiller system and Codema rolling benches, which will add additional surface area for cultivating plants.
- Construction has started on the expansion of GrowHealthy's 15,000 square foot processing and extraction lab, which is expected to be completed in Q1 2019.
- GrowHealthy is in the design phase of an external shade house which will add 60,000 square feet upon completion.

Increasing Patient Count

- GrowHealthy had 748 unique patients in Q3, up from 162 in Q2, representing a 361.7% increase.

NEW YORK HIGHLIGHTS

Continued Buildout of Cultivation Facility and Dispensaries

Brooklyn Dispensary Construction Complete

- Construction on Citiva's flagship dispensary in Brooklyn is now complete and it is expected to open before the end of the year.
- The 2,000 square foot dispensary is located across from the Barclays Center, one of the most highly trafficked areas in New York City. It is expected to be one of three dispensaries in Brooklyn, which is New York City's most populous borough with approximately 2.6 million residents.
- To coincide with the opening of this dispensary, Citiva has purchased two energy- and fuel-efficient vehicles to begin delivery sales across New York City.

Retail Footprint

- Citiva executed a lease in Q3 for its dispensary in Wappingers Falls, one of only two dispensaries to be located in Dutchess County. Construction is underway with an expected opening date in early Q1 2019.
- Site selection and lease negotiations for the Company's two additional dispensaries in Staten Island and Chemung County are ongoing.

Cultivation Facility Construction Ramping Up

- Sitework at Citiva's Warwick cultivation and processing facility neared completion at the end of Q3. The facility is on target to be completed in the first half of 2019. Citiva entered into a wholesale agreement to supply its dispensaries with a wide range of products ahead of production at the Warwick facility.



VERMONT HIGHLIGHTS

Increased Cultivation Capacity

Grassroots Vermont continues to focus on increasing cultivation and production capacity following significant upgrades to its cultivation and processing facility in Brandon, Vermont.



Cultivation and Retail Expansion

- Grassroots Vermont is in the process of doubling annual production capacity from 200kg to 400kg of plant material as the buildout of a new cultivation room, drying room and storage vault commences.
- Construction of Grassroot Vermont's second dispensary in Vermont is expected to begin in Q1 2019, pending state approval of the location.

Legalization of Recreational Cannabis

- On July 1, 2018, Vermont became the ninth state to legalize full adult use marijuana, and is the first state to do so through the legislative process. Legislation legalizing the licensed commercial sale of adult-use marijuana is expected to be introduced in the upcoming legislative session.



LEGALIZATION OF CANNABIS IN THE U.S.

In the United States, the use and possession of cannabis is prohibited under federal law, as cannabis is classified as a Schedule I substance under the Controlled Substances Act of 1970 ("CSA"). At the state level, however, laws regarding the medical and/or recreational use of cannabis vary greatly, and in many states conflict with federal law.

The medical use of cannabis is permitted by thirty-three (33) states as well as the District of Columbia and the territories of Guam and Puerto Rico. The medical use of cannabis in the U.S. is generally protected under federal law by what is commonly referred to as the Rohrabacher Amendment¹, a congressional budget rider that prohibits the U.S. Department of Justice ("DOJ") from using federal funds to prosecute individuals acting strictly in accordance with state laws that permit and regulate the medical use of marijuana. The "adult" or "recreational" use of cannabis is legal in ten (10) states (Alaska, California, Colorado, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont, and Washington) and the District of Columbia. The commercial distribution of cannabis by licensed businesses is allowed in all those jurisdictions where cannabis has been legalized for recreational use, except Maine, Vermont and the District of Columbia.

In August 2013, DOJ issued a guidance memorandum (the "Cole Memorandum") to the U.S. Attorney's Offices around the country stating that, given the DOJ's limited resources, the enforcement of federal marijuana prohibition would be de-prioritized in states that had adopted strict cannabis laws and regulations, provided that individuals and businesses operating in those states strictly comply with such state cannabis laws and unless the lack of enforcement would undermine eight (8) federal priorities, most notably including preventing the distribution of regulated cannabis to minors and preventing the diversion of regulated cannabis into the black market.

On January 4, 2018, former Attorney General Jeff Sessions rescinded the Cole Memorandum, as he had similarly previously rescinded several other Obama Administration DOJ guidance memoranda. This action was met with objections from both state and federal elected officials of both major U.S. political parties, particularly those from states where adult and/or medical cannabis programs have been adopted under state law.

Nevertheless, most experts believe that rescission of the Cole Memorandum has not fundamentally altered the DOJ policy around federal cannabis enforcement. Various U.S. Attorneys have the same wide discretion to prosecute or not to prosecute such cases as they possessed prior to the memo's rescission.

On March 10, 2018, former Attorney General Sessions announced that federal prosecutors would not prioritize the prosecution of small-time marijuana cases, but instead focus its resources on the prosecution of illegal marijuana-growing operations on national parklands and black-market gangs that traffic marijuana and other narcotics.

On November 7, 2018 (after the end of the Company's fiscal quarter), Mr. Sessions tendered his resignation as United States Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General. It is unclear what impact, if any, Mr. Sessions' resignation will have on the enforcement of federal regulation of cannabis in the United States.

On April 11, 2018, President Trump expressed his support to Senator Cory Gardner of Colorado for a legislative state's rights approach to the issue. In June, Senators Gardner and Elizabeth Warren of Massachusetts introduced a Senate bill titled "Strengthening the Tenth Amendment Through Entrusting States" (the "STATES Act"). A companion bill was simultaneously introduced in the House of Representatives as well. The STATES Act would essentially adopt a federalist approach that will permit states to determine for themselves the legality of marijuana in their states, free of federal interference.

These developments, coupled with the fact that regulated medical and adult use marijuana is supported by the vast majority of the American electorate, reinforces the Company's belief that the likelihood of the federal government taking action against state-licensed cannabis companies operating within the strict confines of their applicable state law is minimal. Refer to "Regulatory Environment: Issuers with United States Cannabis-Related Assets" for further discussion.

¹ The "Rohrabacher Amendment" is also referred to as the "Leahy Amendment" when referenced in relation to the U.S. Senate.

MASSACHUSETTS UPDATE

Mayflower has a license to operate one cannabis cultivation and production facility and up to three dispensaries in Massachusetts. The Company has obtained the final approval to sell at its Boston dispensary and has received a provisional certificate of registration for its second dispensary location in Lowell. The application for a third Registered Marijuana Dispensary ("RMD") is pending before the Massachusetts Department of Public Health ("DPH").

The Market

With a population of 6.8 million residents in the Commonwealth of Massachusetts, the Company is poised to meet the growing demand for medical cannabis by offering a wide range of products in the form of flower, tinctures, concentrates, oils and vaporizers.

In addition to the medical market, the adult use program began in Massachusetts on July 1, 2018. Mayflower was granted Priority Certification, permitting the Company to submit an adult-use application with priority status. Mayflower submitted its applications for adult-use cultivation and processing operations after hosting a community outreach meeting in Holliston on September 13, 2018. The Company is currently working through a community process as part of the City of Boston's adult-use application and is in the Request for Proposal process with the municipality of Worcester, seeking a Host Community Agreement for an adult-use cannabis dispensary. Multiple community meetings have been hosted in Worcester and Mayflower is awaiting the outcome of the selection process.



MASSACHUSETTS UPDATE

Cultivation and Production

Mayflower continues its cannabis cultivation and production at its 36,000 square foot facility in Holliston. At the end of the quarter, Mayflower was cultivating 4,206 plants consisting of 37 unique strains. With capacity to produce up to 2,625kg of plant material annually, Mayflower began selling wholesale products during the quarter, comprised of flower and trim. The Company expects to continue to pursue this revenue source as it awaits the opening of its additional dispensaries.

In July 2018, the Company purchased new extraction and processing machinery which has accelerated CO₂ oil and distillate production, allowing Mayflower to offer a greater variety of concentrates to its patients. Mayflower has also partnered with Azuca – founded by Ron Silver, chef of popular New York City restaurant Bubby's – to introduce a fast-acting cannabis infused edibles line created in Mayflower's commercial kitchen.

Retail

On July 19, 2018, Mayflower opened the doors of its flagship dispensary in the Allston-Brighton neighborhood of Boston, making it one of only two dispensaries currently operating within Boston's city limits. Since opening, Mayflower reached its 1,000-unique patient mark on November 1, 2018. Moreover, during the month of October 2018, Azuca products, including shortbread cookies, chocolate coins, pate du fruit, sweeteners, and syrups were officially launched at the Boston dispensary.

In addition to the Boston location, Mayflower has a provisional certificate of registration to operate a second RMD in Lowell, the fourth largest city in Massachusetts. The design phase for the 3,000 square foot dispensary has been completed and construction is expected to begin in Q1 2019 with an anticipated opening date in the first half of 2019.

Mayflower's Patient Home Delivery Program also continues to expand. Launched on June 25, 2018, the program currently services 17 towns and the Company plans to continue to offer delivery throughout the Commonwealth.



FLORIDA UPDATE

GrowHealthy, through its affiliate, McCrory's, holds one of only 14 licenses from the Florida Department of Health to grow and sell medical cannabis in the state. The Medical Marijuana Treatment Center ("MMTC") license allows the Company to operate one cultivation and processing facility and as well as open up to 30 dispensaries.

The Market

The Florida medical cannabis market continued to expand in the third quarter with the addition of approximately 40,000 registered patients. This resulted in approximately 170,000 patients in the registry at the end of Q3 2018, making Florida the fourth largest medical cannabis patient registry in the United States. Furthermore, over 200 qualified ordering physicians were enrolled during the quarter, resulting in approximately 1,700 registered physicians at the end of Q3 2018. As of November 16, 2018, there were 1,839 physicians and 193,083 patients in the registry.

Cultivation and Production

Construction upgrades are underway at GrowHealthy's 200,000 square foot Lake Wales facility and the upgrades are expected to be completed in the first quarter of 2019. These improvements are expected to double production capabilities by expanding the growing canopy for flowering plants to 29,500 square feet. This would increase annual production levels and leave significant room to continue to build out the grow facility in modular phases as market demand grows.

The Company is concurrently in the design phase of an external shade house, which will add 60,000 square feet of cultivation space upon completion. Construction is expected to be completed by the end of 2019 and it is estimated that the shade house will generate nearly 200kg of plant source material per harvest.

Construction has also commenced on the Company's 15,000 square foot processing and extraction lab, which is expected to significantly reduce processing times while expanding product offerings with the addition of a commercial grade kitchen to produce edibles. With this expansion, GrowHealthy further plans to introduce new product lines including topicals, capsules, and metered flower in Q4 2018, as well as edibles and distillate oil products with cannabis-derived terpenes.



FLORIDA UPDATE

Retail

GrowHealthy continued to develop its patient base this quarter, serving 748 unique patients, up from 162 last quarter. The Company has begun deliveries from its Deerfield Beach location, which is available to patients seven days a week throughout South Florida. In order to support the expanded delivery region, GrowHealthy purchased three additional vans during the quarter, bringing the fleet to a total of eight vehicles.

In addition to the improved delivery program, the Company expects its first two dispensaries in Florida to open in Q4 2018. This includes GrowHealthy's 4,500 square foot flagship location in West Palm Beach and a dispensary in Brandon. These two dispensaries will also serve as distribution hubs for delivery and are strategically located to enable accessibility for patients across the state.

During the quarter, GrowHealthy executed 11 dispensary leases, bringing the total secured leases across the state to 16. The leases cover all corners of the state and include major cities such as Miami, Oakland Park (Fort Lauderdale), West Palm Beach, Tampa, and Orlando, which have a combined population of 3.7 million residents. The leased retail space totals more than 52,000 square feet.



NEW YORK UPDATE

Citiva holds one of only ten medical marijuana licenses issued under the New York State Medical Cannabis Program. Recognized as a Registered Organization ("RO") by the state, Citiva's license provides the Company with access to approximately 20 million residents in New York. The license currently allows for one cultivation and processing facility and up to four dispensaries.

The Market

The New York medical marijuana market experienced significant growth in the third quarter, adding approximately 12,900 certified patients. As of November 20, 2018, there were 81,409 patients in the state, making New York's patient registry the sixth largest in the United States. With a penetration rate of less than 0.41% of the overall population, management anticipates rapid patient growth as the program expands. The regulatory environment surrounding the medical marijuana program in New York State also continued to move in a positive direction during the quarter. On July 12, 2018, the New York Department of Health ("DOH") announced that certified patients in the state could begin to use medical marijuana as a replacement for opioids, joining Illinois and Pennsylvania as the only states embracing medical marijuana to combat the opioid crisis. According to the DOH, over 8 million opioid prescriptions were issued in New York in 2017.

Further, after launching a recreational marijuana study earlier this year, New York Governor Andrew Cuomo announced in August 2018 that he has established a 20-member task force to draft a bill implementing recommendations from the DOH to legalize and regulate cannabis for recreational use in the state. If the bill were to pass, New York would become one of the largest recreational cannabis markets in the United States.



Artistic rendering of cultivation facility

Cultivation and Production

Following the purchase of 8.5 acres of land in Warwick, NY, the Company continues to progress towards the completion of Phase 1 of the build-out of its cultivation and processing facility. On July 31, 2018, Citiva held a groundbreaking ceremony commemorating the start of construction. Site work has since concluded and the project is on schedule to be operational within the first half of 2019. Upon completion, the 49,700 square foot facility will have an estimated yearly production of 2,400kg of medical cannabis. The state-of-the-art building will implement high-end technologies and cultivation practices to maximize efficiencies and production. This will include a positive pressure air system, mobile containers, desiccant dehumidification systems, acrylic glazing, and a unified program for environmental, irrigation and lighting controls. These advanced processes will enable Citiva to achieve perpetual harvesting to ensure full capacity throughout the year. In addition, the remaining acreage owned by Citiva can support future expansion of up to 125,000 square feet of total cultivation and processing space, allowing the Company the ability to build out additional module phases as the market demand in New York State increases.

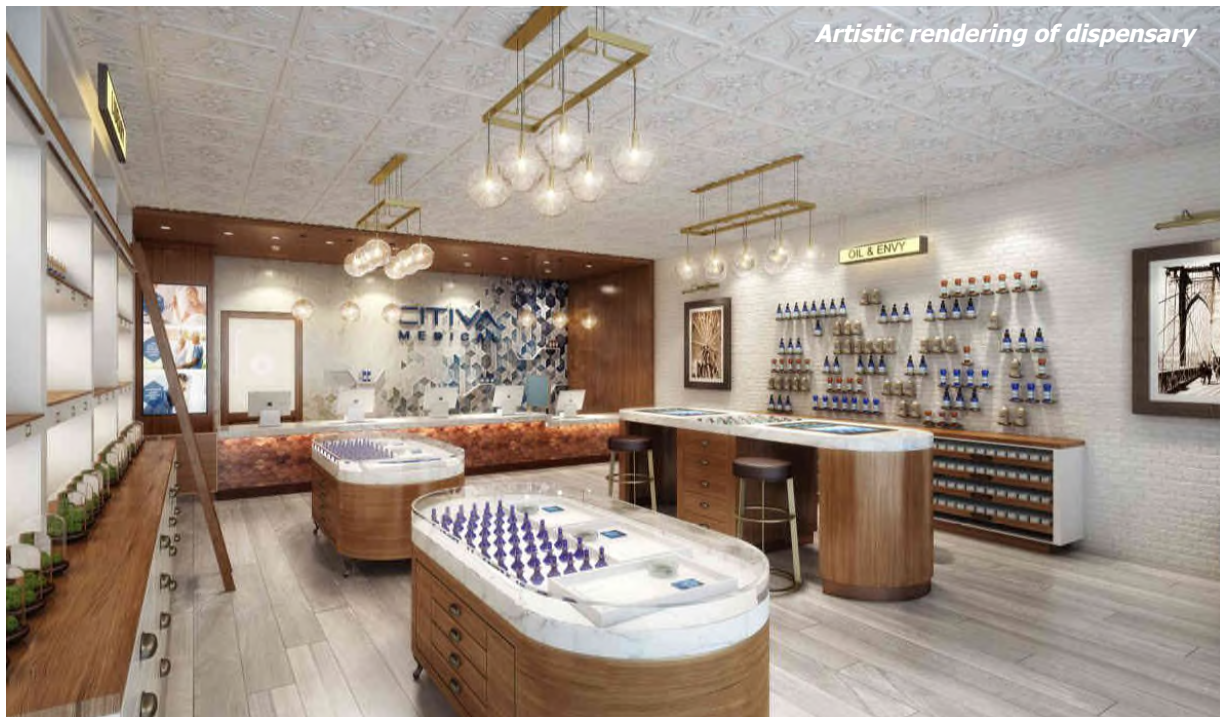
NEW YORK UPDATE

Retail

Construction at Citiva's flagship Brooklyn, New York, dispensary is substantially complete and is expected to open before the end of the year. The 2,000 square foot dispensary is located across from the Barclays Center, one of the most highly trafficked areas in New York City. It is expected to be one of three dispensaries in Brooklyn, which is New York City's most populous borough with approximately 2.6 million residents. To coincide with the opening of this dispensary, Citiva has also purchased two vehicles to begin delivery sales throughout New York City.

In September 2018, the Company executed a lease for a dispensary location in Wappingers Falls, New York. The 2,340 square foot location will be one of only two dispensaries licensed to operate in Dutchess County. Dutchess and the adjacent counties have a combined population of over one million residents with only four licensed dispensaries expected to service the area. Construction on this second dispensary location is presently underway with an expected opening date in early Q1 2019. Site selection and lease negotiations for the Company's two additional dispensaries in Staten Island and Chemung County are ongoing.

During the quarter, Citiva entered into a wholesale purchase agreement with another Registered Organization in New York, providing Citiva's dispensaries with a wide range of products including vapes, capsules, and tinctures. Management expects that this strategy will provide exceptional value as the Company gains market share in this highly-desirable medical marijuana market ahead of the Warwick cultivation and processing facility coming online in 2019. To further garner market share and establish itself as a market leader within the state, the Company has significantly ramped up its medical outreach program targeting the key boroughs of Manhattan, Brooklyn and Staten Island. To date, the team has engaged with 150 physicians and conducted 50 presentations to physicians and their staff. The goal of the program is to develop strong relationships with local physicians, educate them on the medical benefits of cannabis and build brand awareness in advance of dispensary openings.



VERMONT UPDATE

GRVT holds one of only five medical marijuana licenses issued by the State of Vermont. The license allows for one cultivation and processing facility and up to two dispensary locations. The Company currently operates out of one dispensary and a 6,900 square foot cultivation and processing facility in Brandon, Vermont. The second expected dispensary location is currently awaiting state approval.

The Market

On July 1, 2018, Vermont became the ninth state to legalize recreational marijuana, and is the first state to do so through the legislative process. A bill to permit and regulate the commercial sale of adult-use marijuana is expected to be introduced in the upcoming legislative session.

Cultivation and Production

As of September 30, 2018, GRVT was cultivating 29 different strains and had a total plant count of 752, reflecting a 16.0% and 84.3% increase, respectively, from Q2 2018. GRVT continues to focus on enhancing the quality of its products and increasing the assortment available to patients while it cultivates new varieties of higher-yielding strains.

Since the completion of cultivation and production upgrades earlier in the year, GRVT has focused on increasing cultivation and production capacity at its facility. Further construction – which is expected to begin in Q1 2019 – include building an additional cultivation room, another drying room, and a new storage vault. As a result of these upgrades, cultivation and production capacity is expected to double from 200kg to 400kg of plant material annually. Management anticipates that the added capacity will allow GRVT to meet expected growing demand once its second dispensary is opened.

Retail

GRVT's Brandon dispensary has expanded its selection of products to include clones. The State of Vermont permits patients to purchase up to seven clones in a 30-day period, supplementing the normal product allowance. The Company believes this will be a profitable addition to the current product assortment. Subsequent to the quarter, GRVT made its first sale of clones.

GRVT's expected second dispensary, located in Williston, Vermont, is within a five-mile radius of four of the five most populous municipalities in the state. Pending state approval of the location, construction of the 2,400 square foot dispensary is expected to begin in Q1 2019.



COLORADO UPDATE

Located in the popular ski-town of Breckenridge, Colorado, Organix, LLC ("Organix") has a local market share estimated to be greater than 35%. Colorado is one of the ten states in the U.S. that has legalized both recreational and medical marijuana.

Key highlights at Organix for the quarter are as follows:

- Revenues during Q3 2018 were \$884,664 compared to \$626,930 in Q3 2017, which represents an increase of 41.1%;
- The number of transactions in Q3 2018 increased by 77.4% compared to Q2 2018 and by 156.6% compared to Q1 2018; and
- Overall revenues increased by 31.2% from \$2,202,603 in the first nine months of 2017 to \$2,889,135 in the same period in 2018.

While the Company does realize certain revenue through rental and leasing arrangements with Organix, current state regulatory restrictions prevent iAnthus from consolidating the financial results of Organix. However, there is substantial momentum behind certain proposed legislative changes in Colorado that may permit the Company to consolidate the financial results of Organix in the future.



SUMMARY OF QUARTERLY RESULTS

	Q3 2018		Q2 2018		Q1 2018		Q4 2017	
Sales revenues	\$	939,098	\$	255,610	\$	225,076	\$	-
Other revenues		135,300		277,935		444,424		833,301
Net loss		(10,021,080)		(35,435,426)		(645,168)		(7,078,907)
Net loss – Adjusted¹	\$	(6,936,767)	\$	(9,748,809)	\$	(4,900,482)	\$	(6,879,072)
Loss per share		(0.15)		(0.61)		(0.01)		(0.25)
Loss per share – Adjusted ¹		(0.10)		(0.17)		(0.11)		(0.26)
Diluted loss per share		(0.15)		(0.61)		(0.01)		(0.25)
Diluted loss per share – Adjusted¹	\$	(0.10)	\$	(0.17)	\$	(0.11)	\$	(0.26)
Total assets		137,272,456		142,167,150		123,994,199		45,821,471
Total non-current liabilities		31,654,815		30,863,706		1,236,306		14,803,736

¹ Non-GAAP measure: These figures are adjusted to remove the effects of the revaluation of derivative instruments and financial liabilities as reported in the "Change in fair value" line item and to remove the effects of the accretion on settlement of the January 2018 debentures as reported in the "Accretion expenses" line item shown in the condensed interim consolidated statement of loss and comprehensive loss as this line is a non-cash, accounting loss movement on the revaluation of instruments and may not provide a fair representation of the quarterly activities of the Company. Refer to Non-GAAP Measures for additional measures.

The following is a summary of quarterly results for the last eight quarters:

	Q3 2018		Q2 2018		Q1 2018		Q4 2017		Q3 2017		Q2 2017		Q1 2017		Q4 2016	
Revenues	\$	1,074,398	\$	533,545	\$	669,500	\$	833,301	\$	688,112	\$	555,467	\$	330,349	\$	107,058
Net loss		(10,021,080)		(35,435,426)		(645,168)		(7,078,907)		(2,209,283)		(2,551,622)		(1,876,853)		(1,452,993)
Net loss per share – basic		(0.15)		(0.61)		(0.01)		(0.25)		(0.09)		(0.10)		(0.07)		(0.09)
Net loss per share – diluted		(0.15)		(0.61)		(0.01)		(0.25)		(0.09)		(0.10)		(0.07)		(0.09)

SUMMARY OF QUARTERLY RESULTS

With the opening of its first dispensary in Massachusetts and delivery sales steadily increasing in Florida, the Company posts its highest quarter of sales revenues to date. Sales revenues in Q3 2018 have increased by 267.4% compared to sales revenues in the previous quarter. The Company anticipates sales revenues to continue to grow, throughout the remainder of the year, as the first dispensaries in New York and Florida are on schedule to open before the end of 2018.

Construction of new facilities and upgrades at existing facilities continued during the quarter as projects advanced across the Company's subsidiaries. Inventory levels and biological asset levels have increased this quarter as a result of expanded cultivation activities in advance of the upcoming openings of new dispensaries.

During the quarter, the Company also elected the right to convert its outstanding convertible debentures early and issue shares for the repayment of its convertible promissory notes outstanding. As a result, the Company has settled all but one long-term debt instrument. At September 30, 2018, the Company's note payable to Gotham Green Partners ("GGP") is the sole outstanding debt instrument.



DISCUSSION OF OPERATIONS

SALES REVENUES & GROSS PROFIT

The following represents the cannabis sales revenues and gross profit generated by each segment for the three months ended September 30, 2018:

	For three months ended September 30, 2018				
		Vermont	Massachusetts	Florida	Total
Sales revenues	\$	196,231	\$ 592,767	\$ 150,100	\$ 939,098
Cost of goods sold		(82,264)	(546,858)	(97,025)	(726,147)
Gross profit before fair value adjustment on biological assets	\$	113,967	\$ 45,909	\$ 53,075	\$ 212,951
Fair value adjustment on biological assets, net costs		636,798	661,186	1,117,058	2,415,042
Gross Profit	\$	750,765	\$ 707,095	\$ 1,170,133	\$ 2,627,993

The following represents the cannabis sales revenues and gross profit generated by each segment for the nine months ended September 30, 2018:

	For nine months ended September 30, 2018				
		Vermont	Massachusetts	Florida	Total
Sales revenues	\$	586,026	\$ 592,879	\$ 240,879	\$ 1,419,784
Cost of goods sold		(201,458)	(546,883)	(139,272)	(887,613)
Gross profit before fair value adjustment on biological assets	\$	384,568	\$ 45,996	\$ 101,607	\$ 532,171
Fair value adjustment on biological assets, net costs		651,849	1,489,230	4,159,503	6,300,582
Gross Profit	\$	1,036,417	\$ 1,535,226	\$ 4,261,110	\$ 6,832,753

The sales revenues, cost of goods sold, gain on fair value of biological assets and gross profit were \$Nil for the three and nine months ended September 30, 2017.

DISCUSSION OF OPERATIONS

The Company consolidates the financial results of the operations in Vermont, Massachusetts, Florida and New York. This leads to the recognition of cannabis sales revenues, costs of goods sold and gains on fair value of biological assets in all segments, except New York where cultivation, production, and retail operations have not yet commenced. Cannabis sales revenues, cost of goods sold and gains on fair value of biological assets did not exist for the Company as of the three and nine months ended September 30, 2017, as these entities were not controlled by the Company at that time and were therefore not consolidated for accounting purposes.

Vermont

Operations at GRVT continued to progress over the quarter. The Company continues to focus on building a strong patient base through fostering positive relationships with the patients at the Brandon dispensary and via its state-wide delivery program. GRVT also has started offering a more diverse product set and has added clones to its assortment of products available for purchase.

At the cultivation and processing facility, the gains recognized from the transformation of biological assets are higher compared to the previous quarters as a result of the completion of the first phase of upgrades earlier this year. With the newly renovated space, the increased cultivation space is now fully utilized.

Massachusetts

Mayflower opened its first dispensary in Q3 2018. Located in the Allston-Brighton neighborhood of Boston, sales at the flagship location resulted in the recognition of revenues from cannabis sales as well as the sale of accessories. In addition to its retail sales, Mayflower began selling wholesale products during the quarter. Both streams of revenue are projected to increase as the Company continues to pursue wholesale contracts and the expected second and third dispensaries open in 2019. The expansion into the adult-use market, pending approval from the DPH, is expected to also significantly add to future sales revenues.

Biological asset gains continue to be recognized during the quarter as a result of the cultivation facility managing plant count to better utilize the available capacity. This allows Mayflower to bolster its inventory levels to support the Company's retail expansion plans.

Florida

GrowHealthy continues to generate sales revenues from delivery and recognize gains on the transformation of biological assets. With its first set of dispensaries scheduled to open over the next two quarters, it is expected that revenues will increase significantly.

DISCUSSION OF OPERATIONS

OTHER REVENUES

	Three months ended		Nine months ended	
	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017
Investment income	\$ -	\$ 116,970	\$ -	\$ 309,554
Interest income	8,280	570,010	558,965	1,263,242
Other income	127,020	1,132	298,694	1,132
TOTAL	\$ 135,300	\$ 688,112	\$ 857,659	\$ 1,573,928

The investment and other income lines record the Company's revenues from management fees and the lease income generated from fixed assets held in the Company's two wholly-owned subsidiaries, Scarlet Globemallow, LLC ("Scarlet") and Bergamot Properties, LLC ("Bergamot"). Investment income in 2018 is \$Nil as these related to management fees from companies which have now been acquired.

Interest income was recognized during the year as a result of the Company's loan facilities and bank balances. The main driver of interest income was the \$7,500,000 credit facility issued to The Green Solution, LLC ("TGS"), which was fully repaid in June 2018.

OPERATING EXPENSES

Depreciation and Amortization

Following the acquisitions in Florida, New York, Vermont and Massachusetts, the Company's depreciable asset base has increased significantly. The assets acquired include all real estate holdings, equipment and other tangible and intangible assets and all intellectual property.

Depreciation and amortization increased from \$94,297 in the three months ended September 30, 2017 to \$668,399 in the same period in 2018. Depreciation and amortization increased from \$277,923 in the nine months ended September 30, 2017 to \$1,796,418 in the same period in 2018.

Administrative and Other Expenses

Administrative and other expenses increased from \$347,584 in the three-month period ending September 30, 2017 to \$1,907,557 in the same period in 2018 and from \$1,270,853 in the nine-month period ending September 30, 2017 to \$4,569,178 in the same period in 2018.

Compared to the same quarter in the prior year, administrative expenses are higher as a result of the acquisitions in Florida, New York, Vermont and Massachusetts, as this resulted in consolidating the expenses incurred by the subsidiaries, including rent expenses, utility fees, insurance expenses, IT and other technology related expenses, research and development, repairs and maintenance, and state regulatory fees. Administrative expenses in Q3 2018 are in line with the previous two quarters, with slight increases quarter over quarter as activity across the Company's portfolio continues to accelerate.

DISCUSSION OF OPERATIONS

Wages and Share-based Compensation

	Three months ended		Nine months ended	
	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017
Wages and salaries	\$ 2,778,707	\$ 657,791	\$ 7,263,294	\$ 1,417,817
Share-based compensation	1,676,252	762,989	5,680,883	1,613,444
TOTAL	\$ 4,454,959	\$ 1,420,780	\$ 12,944,177	\$ 3,031,261

Compared to the same periods in the prior year, the Company's human capital grew substantially as operations have been consolidated across Massachusetts, Vermont, Florida and New York, resulting in increased wages and salaries expenses. During the year, there have also been significant increases in headcount across the subsidiaries as build-out of the teams continues. At the corporate level, the Company has made additions to its management, operations and finance teams and has brought several functions in-house by establishing new departments, including human resources, marketing, legal and IT.

In line with these additions to wages and salaries expenses throughout the Company, the share-based compensation expense has increased as the Company has issued employee stock options as part of its compensation packages to attract top talent in a competitive and highly specialized job market.

Wages and salaries expenses and share-based compensation in Q3 2018 are in line with the previous two quarters.

Legal, Professional and Consulting Fees

	Three months ended		Nine months ended	
	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017
Legal and professional fees	\$ 914,941	\$ 403,129	\$ 3,786,622	\$ 1,104,960
Consulting fees	928,461	165,460	3,124,793	972,656
TOTAL	\$ 1,843,402	\$ 568,589	\$ 6,911,415	\$ 2,077,616

DISCUSSION OF OPERATIONS

Legal and professional fees for the three and nine months ending September 30, 2018 have increased compared to the same period in 2017 as the Company has continued to require legal and accounting expertise in navigating complex acquisition and investment structures in order to acquire licenses and operators in additional states. In addition, securing additional financing, and ensuring compliance with state and local regulations in expanded jurisdictions, has increased costs.

As the Company continues to grow in size and complexity through acquisitions and organic growth, the services of external consultants are critical to support the Company and these initiatives. Compared to 2017, significant advisory fees were incurred related to due diligence, tax consulting and valuation work performed in connection with acquisitions and investments as well as biological assets.

Legal, professional and consulting fees in Q3 2018 are in line with the previous two quarters.

OTHER ITEMS

Interest and Accretion Expense

	Three months ended		Nine months ended	
	Sept. 30, 2018	Sept. 30, 2017	Sept. 30, 2018	Sept. 30, 2017
Interest expense	\$ 1,314,554	\$ 330,643	\$ 3,462,978	\$ 783,890
Accretion expense	2,065,858	388,500	15,327,819	940,739
TOTAL	\$ 3,380,412	\$ 719,143	\$ 18,790,797	\$ 1,724,629

As a result of the following actions during the quarter, the Company's only outstanding debt instrument at September 30, 2018, is the note outstanding with GGP.

- On July 16, 2018, the Company elected to exercise its right to convert all of the principal amount outstanding of the February 2017 Convertible Debentures and unpaid accrued interest up to July 13, 2018 into common shares of the Company where the conversion was completed on August 15, 2018;
- On August 15, 2018, the remaining principal on the Convertible Promissory notes of \$975,000 and accrued interest were fully repaid through the issuance of 617,588 common shares; and
- The interest expense and accretion expense are expected to continue at the same levels as Q3 2018 in the upcoming quarters unless the Company issues additional debt instruments. The accretion expense in Q2 2018 was a result of the early repayment of the January 2018 debentures and was a one-time, non-cash expense.

DISCUSSION OF OPERATIONS

CAPITAL RAISES AND FINANCINGS

October 2018 Bought Deal

On October 10, 2018 the Company closed its bought deal offering of 5,188,800 common shares of the Company at CAD\$6.65 per common share for aggregate gross proceeds of CAD\$34,505,520 (equivalent \$26,558,900). The net proceeds were CAD\$32,114,554 (equivalent \$24,718,573) after deducting finder's fees of up to 7.0% of the gross proceeds raised plus legal and other issuance costs. CAD\$748,125 (equivalent \$575,832) was received during the quarter for this financing has been recorded as shares to be issued on September 30, 2018.

GGP \$50.0 million financing

On May 14, 2018, the Company issued \$40,000,000 in High Yield ("HY") Notes to GGP. The HY Notes accrue interest at 13.0%, have a three-year maturity, and are convertible into shares of the Company at \$3.08 per share. The HY Notes include warrants to purchase, in aggregate, up to 6,670,372 shares of the Company at \$3.60 per share. Concurrently with the issuance of the HY Notes, the Company issued \$10,000,000 of 3,891,051 Units of the Company (the "Units"). Each Unit is comprised of one Class A Share of the Company at \$2.57 per share and a warrant to purchase one Common Share of the Company at a price of \$3.86 per share.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Company and the majority of its subsidiaries are in the development stage and financing requirements therefore fluctuate from period to period. Management constantly monitors and manages its cash flow to assess the liquidity necessary to fund both operations and development.

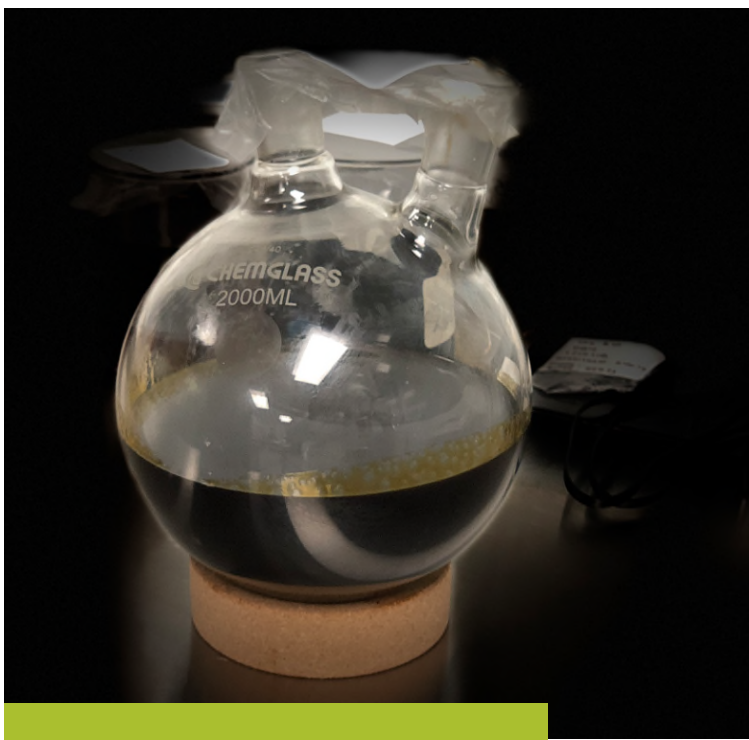
The Company has historically had, and continues to have, access to equity and debt financing from the public and prospectus-exempt (private placement) markets. Specifically: (i) in November 2016, the Company closed an equity bought deal offering and concurrent non-brokered private placement for gross proceeds of CAD\$21,505,092 (equivalent \$20,002,500); (ii) in February 2017, the Company closed a convertible debenture brokered private placement for gross proceeds of CAD\$20,000,000 (equivalent \$15,096,000) which the full principal amount outstanding of the debentures and unpaid accrued interest thereon up to July 13, 2018 have been converted into common shares of the Company; (iii) in November of 2017 the Company closed a public offering of Common Shares for gross proceeds of CAD\$12,023,250 (equivalent \$9,409,336) along with a non-brokered private placement of Common Shares for further proceeds of CAD\$4,551,735 (equivalent \$3,574,193); (iv) in January 2018, the Company closed a non-brokered private placement of debentures for gross proceeds of \$20,000,000, which on May 16, 2018 has been fully repaid including accrued interest of \$978,082; (v) in May 2018, the Company received a \$50,000,000 investment from GGP, in the form of high-yield senior secured notes and Class A Shares; (vi) in October 2018, the Company closed its bought deal offering of 5,188,800 common shares of the Company at CAD\$6.65 per common share for aggregate gross proceeds of CAD\$34,505,520 (equivalent \$26,558,900). If such financing were no longer available in the public markets due to changes in applicable law, the Company expects that it would have access to raise financing privately. However, there are no guarantees that such financing would be available.

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 that are acceptable. The Company's potential inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect on future profitability.

The Company has complied with all covenants during the period. Management believes that the Company will continue to be able to meet all its covenants through the balance of this fiscal year.

See Note 2 to our condensed interim consolidated financial statements relating to our Going Concern disclosure.



LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Cash was \$15,646,665 at September 30, 2018, compared to \$6,175,287 at December 31, 2017. The increase in cash was largely due to the funds raised through financing activities, offset by the cash outflows from investing and operating activities.

Cash Flow from Operating Activities

Cash used in operating activities during the nine months ended September 30, 2018 was \$18,958,508 compared to \$4,877,696 during the nine months ended September 30, 2017. The increase was a result of the overall increase in the level of activity and complexity in the operations of the Company. Significant cash outflows from operating activities were primarily related to wages and salaries, legal fees, professional fees, and consulting fees over the period.

Cash Flow from Investing Activities

Cash used in investing activities during the nine months ended September 30, 2018 was \$16,029,868 compared to \$17,188,715 during the nine months ended September 30, 2017.

During the nine months ended September 30, 2018, the Company made the following significant investments:

- \$14.5 million – cash used in the acquisition of GrowHealthy's assets in January 2018;
- \$6.3 million – purchase of property, plant, and equipment;
- \$3.6 million – cash used in the acquisition of Citiva in February 2018; and
- \$0.2 million – promissory note issued to Citiva Jamaica LLC.

During the nine months ended September 30, 2018, the Company received the following cash flows from investments:

- \$7.5 million – full principal repayment on promissory note receivable due from TGS; and
- \$1.2 million – interest payment on promissory note receivable due from TGS.

Cash Flow from Financing Activities

Cash generated from financing activities during the nine months ended September 30, 2018 was \$45,468,570 compared to \$14,073,132 during the nine months ended September 30, 2017. Significant sources of financing during the nine months ended September 30, 2018 include:

- \$20.0 million from the non-brokered private placement of debentures issued by the Company in January 2018, which the Company fully repaid with accrued interest on May 16, 2018;
- \$46.0 million from the GGP financing through the issuance of \$40.0 million of debt and \$10.0 million of equity net issuance costs of \$4.0 million; and
- \$1.9 million from the exercise of warrants from previous rounds of financing.

LIQUIDITY AND CAPITAL RESOURCES

CONTRACTUAL OBLIGATIONS

The following table presents the Company's significant contractual obligations as at September 30, 2018.

	< 1 YEAR	1-2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
USD DENOMINATED					
Payables and accrued liabilities	\$ 2,502,257	\$ -	\$ -	\$ -	\$ 2,502,257
Long-term debt	5,257,777	5,286,667	43,250,000	-	53,794,444
Operating leases	2,921,866	5,261,473	5,090,407	8,845,798	22,119,544
Consultants and advisors	665,672	112,380	-	-	778,052
Construction contracts	5,263,692	-	-	-	5,263,692
TOTAL USD DENOMINATED	\$ 16,611,264	\$ 10,660,520	\$ 48,340,407	\$ 8,845,798	\$ 84,457,989

CAD DENOMINATED					
Payables and accrued liabilities	\$ 495,576	\$ -	\$ -	\$ -	\$ 495,576
Operating leases	233,184	394,368	147,888	-	775,440
TOTAL CAD DENOMINATED	\$ 728,760	\$ 394,368	\$ 147,888	\$ -	\$ 1,271,016

Long-term debt consists of convertible debentures. The Company's contractual obligations include consultants, advisors, construction contracts and leases for the Company's offices, dispensaries, cultivation facilities, vehicles, and computer software in Massachusetts, New York, Florida, Vermont, and Toronto, Canada.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements at September 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

SHARE CAPITAL

The following table presents the Company's share capital information as at November 27, 2018.

	NUMBER OUTSTANDING
Common Shares issued and outstanding	58,722,261
Class A Common Shares issued and outstanding	15,440,704
Options to purchase Common Shares	3,478,250
Options to purchase Class A Common Shares	1,200,000
Class A Convertible Restricted Voting Share Options	1,125,500
Warrants	20,933,995
HY Notes	12,970,169
Fully diluted shares outstanding	113,870,879

ADDITIONAL INFORMATION

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense.

The critical accounting estimates and judgements are disclosed in full in the Company's consolidated financial statements and accompanying management's discussion and analysis as at December 31, 2017.

CHANGES IN ACCOUNTING POLICIES

The Company has implemented the following IFRS standards effective for reporting periods commencing January 1, 2018. These standards have been discussed in greater detail within Note 19 in the notes to the condensed interim consolidated financial statements.

- *IFRS 7 Financial instruments: Disclosure*
- *IFRS 9 Financial Instruments*
- *IFRS 15 Revenue from Contracts with Customers*

The following IFRS standard has been recently issued by the IASB. The Company is assessing the impact of this new standard on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined to not have a significant impact to the Company have been excluded herein. This standard has been discussed in greater detail within Note 19 in the notes to the condensed interim consolidated financial statements.

- *IFRS 16 Leases*

FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes.

The financial instruments and related risk management strategies are disclosed in full in the Company's consolidated financial statements and accompanying management discussion and analysis as at December 31, 2017. The instruments and risk management strategies remain unchanged for the current quarter.

NON-GAAP MEASURES

To increase clarity for readers, the Company has included the following non-GAAP measures of non-cash losses for the nine months ended September 30, 2018.

Depreciation and amortization	\$	(1,796,418)
Share-based compensation		(5,680,883)
Accretion expense		(15,327,819)
Change in fair value on instruments		(9,187,797)
Profits from investment in associate		304,278
Foreign exchange gain		235,394
Foreign exchange gain on translation		219,262
Non-cash losses	\$	(31,233,983)

ADDITIONAL INFORMATION

TRANSACTIONS WITH RELATED PARTIES

Reynold Greenleaf & Associates, LLC ("RGA")

The Company's wholly-owned subsidiary, iAnthus Capital Management, LLC ("ICM"), converted its loan to RGA into Class A-1 units of RGA, an entity owned by an individual with a familial relationship with an officer and director of the Company, Hadley Ford. The Company is to be reimbursed \$30,000 from RGA in connection with certain legal fees and expenses incurred as a result of the financing. As at September 30, 2018, the reimbursement due from the RGA was \$30,000.

Effective December 31, 2017, the Company entered into a series of transactions which resulted in the acquisition of 100% of the sole member of GRVT, a non-profit corporation (refer to Note 4 in the notes to the consolidated financial statements). From its historical transactions, GRVT had amounts due to RGA and its affiliates and as a result of the acquisition, the Company has included a due to related parties balance of \$31,873 as at September 30, 2018.

Other

As at September 30, 2018, the Company had a loan due from an officer and director of the Company, Hadley Ford, with a balance of CAD\$500,000 (equivalent \$391,267). The maximum amount of the loan facility is CAD\$500,000 (equivalent \$391,267) and the loan accrues 2.5% interest due upon the maturity of the loan. The loan is payable on demand and is expected to be repaid within the next 12 months. Interest accrued on the loan for the quarter ended September 30, 2018 was CAD\$13,596 (equivalent \$10,536).

	September 30, 2018		December 31, 2017	
Due from RGA	\$	30,000	\$	30,000
Director's loans outstanding		391,267		398,565
TOTAL DUE FROM RELATED PARTIES	\$	421,267	\$	428,565
Due to RGA and affiliates		31,873		81,056
TOTAL DUE TO RELATED PARTIES	\$	31,873	\$	81,056

SUBSEQUENT EVENTS

SUBSEQUENT EVENTS

October 2018 Bought Deal

On October 10, 2018 the Company closed its bought deal offering of 5,188,800 common shares of the Company at CAD\$6.65 per common share for aggregate gross proceeds of CAD\$34,505,520 (equivalent \$26,558,900). The net proceeds were CAD\$32,114,554 (equivalent \$24,718,573) after deducting finder's fees of up to 7.0% of the gross proceeds raised plus legal and other issuance costs. CAD\$748,125 (equivalent \$575,832) was received during the quarter for this financing has been recorded as shares to be issued on September 30, 2018.

iAnthus and MPX Bioceutical Corporation Business Combination

On October 18, 2018, the Company and MPX Bioceutical Corporation ("MPX") signed an arrangement agreement pursuant to which the Company will combine with MPX, excluding a new entity to be called MPX International, which will hold all of the non-U.S. businesses of MPX.

The arrangement agreement provides that existing MPX shareholders will be entitled to receive 0.1673 common shares of iAnthus for each common share of MPX held, representing a consideration of approximately CAD\$1.28 (equivalent \$0.98) per MPX common share. In addition, each MPX shareholder will receive common shares of the newly formed MPX International.

The arrangement agreement provides that MPX is subject to non-solicitation provisions and provides that the special committee of MPX may, under certain circumstances, terminate the arrangement agreement in favour of an unsolicited superior proposal, subject to a termination fee of CAD\$25,000,000 paid to the Company and subject to a right to match the superior proposal. The arrangement agreement will be carried out by way of plan of arrangement under the Business Corporations Act (British Columbia) and will require the approval of at least 66 2/3% of the votes cast by MPX shareholders at a special meeting expected to take place in January 2019.

Closing remains subject to approval of the shareholders of MPX, court approval, the approval of the CSE, applicable regulatory approvals and the satisfaction of certain other closing conditions customary in transactions of this nature. There can be no assurance that such transaction will be completed.

Subsequent Capital Activity

Subsequent to September 30, 2018, the Company issued 1,121,811 common shares as the result of warrant exercises, stock option exercises, and Class A conversions.



iAnthus





REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

Canadian Securities Administrators Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities (“Staff Notice 51-352”) 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.

In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess the disclosure contained herein, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. 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.

Operation

The Company currently operates in the United States as more specifically described below.

	Massachusetts ⁽¹⁾	Vermont ⁽¹⁾	New Mexico ⁽¹⁾	Colorado ⁽¹⁾	New York ⁽¹⁾	Florida ⁽¹⁾
	Mayflower Medicinals, Inc. (“Mayflower”)	FWR Inc. d/b/a Grassroots Vermont (“GRVT”)⁽²⁾	Reynold Greenleaf & Associates LLC (“RGA”)	Organix, LLC (“Organix”)	Citiva Medical, LLC (“Citiva Medical”)	McCrorry’s Sunny Hill Nursery, LLC d/b/a GrowHealthy (“McCrorry’s”)⁽³⁾
 Type of Investment⁽¹⁾	Equity ownership (100%)	Equity ownership (100%)	Equity ownership (24.6%)	Note 4	Equity ownership (100%)	Equity ownership (100%)
 Permitted Number of Facilities	3 dispensaries 1 cultivation 1 processing	2 dispensaries 1 cultivation 1 processing	Nil ⁽⁵⁾	1 dispensary 1 cultivation	4 dispensaries 1 cultivation 1 processing	30 dispensaries 1 cultivation 1 processing

Notes:

- (1) For further details on the Company’s operations in the United States, see the section entitled “Regulatory Environment: Issuers with United States Cannabis-Related Assets” included in the AIF.
- (2) The Company owns 100% of Pakalolo, LLC, the sole member of GRVT (a not-for-profit corporation).
- (3) The Company owns 100% of GHHIA, which holds an exclusive 40-year management contract to operate the medical cannabis business associated with the MMTC license issued to McCrorry’s.
- (4) 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, LLC and Bergamot Properties, LCC 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 the section entitled “Nature of Investments in the United States – Investments in Colorado” included in the AIF.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

- (5) RGA currently manages two cultivation operations in Albuquerque, New Mexico totaling approximately 25,000 square feet and six dispensary locations, five in Albuquerque and one in Grants, New Mexico.
- (6) The Company confirms that no investee has experienced any non-compliance and no investee is subject to any notices of violation by its respective regulatory authority.

For further disclosure regarding the Company's U.S. cannabis investments and compliance with Staff Notice 51-352, see the section entitled "Regulatory Environment: Issuers with United States Cannabis-Related Assets" included in the AIF.

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 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 licenses and documents referenced above in order to confirm such information and identify any deficiencies.

Each investee that is a license holder (specifically, Mayflower, GRVT, Citiva, and McCrory's) holds licenses that are in good standing to cultivate, possess and/or distribute marijuana in its respective state. Each license holder is in compliance with its respective state's marijuana regulatory program. No investee has experienced any non-compliance and no investee is subject to any notices of violation by its respective regulatory authority.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

The Company's Balance Sheet and Operating Statement Exposure to U.S. Marijuana Related Activities

The following represents the portion of certain assets on the Company's condensed interim consolidated statement of financial position that pertain to U.S. cannabis activity as at September 30, 2018:

Balance Sheet Line Item	Percentage which relates to Investments/Holdings with U.S. marijuana-related activities
Receivables and prepaid assets	32%
Notes receivable	0%
Inventory and biological assets	100%
Other current assets	19%
Investments and investments in associates	100%
Property, plant and equipment	99%
Intangible assets and goodwill	100%
Other assets	92%
Payables and accrued liabilities	73%
Interest payable	0%
Derivative liabilities	0%
Financial liabilities	0%
Other liabilities	94%
Long-term debt	0%
Deferred tax liabilities	0%

Income Statement Line Item	Percentage which relates to Investments/Holdings with U.S. marijuana-related activities
Gross profit	100%
Other revenues	83%
Operating expenses	39%
Other items	1%

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

Readers are cautioned that the foregoing financial information, though extracted from the Company's financial systems that supports its annual financial statements, has not been audited in its presentation format and accordingly is not in compliance with IFRS based on consolidation principles.

United States Federal Overview

In the United States, thirty-three (33) states, Washington D.C. and Puerto Rico have legalized medical marijuana, and ten (10) states and Washington D.C. have legalized "adult use" or "recreational" marijuana. At the federal level, however, cannabis currently remains a Schedule I drug under the CSA. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities including, without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

Although federally illegal, the U.S. federal government's approach to enforcement of such laws trended toward non-enforcement. On August 29, 2013, the DOJ issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses.

However, on January 4, 2018, the Cole Memorandum was rescinded by former Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, former Attorney General Sessions also issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the former Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

The Company and its legal counsel continuously monitor statements and guidance issued by U.S. Attorneys regarding the risk of enforcement action in connection with marijuana-related activities in jurisdictions in which the Company conducts marijuana-related activities. U.S. Attorneys in the jurisdictions in which the Company conducts marijuana-related activities have issued the following statements or guidance regarding the risk of enforcement action in connection with marijuana-related activities:

(1) Colorado

Jason R. Dunn is the U.S. Attorney for the District of Colorado. Mr. Dunn has issued no public statements or guidance regarding the risk on enforcement in connection with marijuana-related activities.

(2) Florida

Maria Chapa Lopez is the U.S. Attorney for the Middle District of Florida, Christopher P. Canova is the U.S. Attorney for the Northern District of Florida and Ariana Fajardo Orshan is the U.S. Attorney for the Southern District of Florida. Ms. Lopez, Mr. Canova and Ms. Fajardo have issued no public statements or guidance regarding the risk of enforcement in connection with marijuana-related activities.

(3) Maryland

Robert K. Hur is the U.S. Attorney for the District of Maryland. Mr. Hur has issued no public statements or guidance regarding the risk of enforcement in connection with marijuana-related activities.

(4) Massachusetts

Andrew E. Lelling is the U.S. Attorney for the District of Massachusetts. On January 24, 2018, Mr. Lelling issued the following statements: "Marijuana cultivation and trafficking is unambiguously illegal under federal law"; "That said, the number one enforcement priority from my office is the opioid crisis"; "Twenty-one hundred people in Massachusetts were killed by opioid overdoses, not marijuana overdoses"; "The number one drug enforcement priority for us is not marijuana, it's opioids"; "Historically, the marijuana cases that we have pursued have almost always been bulk importation of marijuana from Canada or from Mexico accompanied by money laundering." On July 10, 2018, Mr. Lelling further stated that his office's marijuana enforcement would be focused on: (1) overproduction by licensed cultivations, (2) the targeted sale of cannabis to minors, and (3) organized crime and interstate transportation of drug proceeds.

(5) New Mexico

John C. Anderson is the U.S. Attorney for the District of New Mexico. Mr. Anderson has issued no public statements or guidance regarding the risk of enforcement in connection with marijuana-related activities.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

(6) New York

Richard Donoghue is the U.S. Attorney for the Eastern District of New York, Grant C. Jaquith is the U.S. Attorney for the Northern District of New York, Geoffrey Berman is the U.S. Attorney for the Southern District of New York and James P. Kennedy is the U.S. Attorney for the Western District of New York. Mr. Donoghue, Mr. Jaquith, Mr. Berman and Mr. Kennedy have issued no public statements or guidance regarding the risk of enforcement in connection with marijuana-related activities.

(7) Vermont

Christina E. Nolan is the U.S. Attorney for the District of Vermont. In January of 2018, Ms. Nolan issued the following statement: "We're going to use the principles we've long used in all drug cases to prioritize our finite resources." In January of 2018, Kraig LaPorte, a spokesman for Ms. Nolan, issued the following statements: "U.S. Attorney Nolan is continuing to focus on the heroin issue in Vermont, drug trafficking, violence associated with drug trafficking and gun violence." "That remains her focus."

Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. From a purely legal perspective, the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Department of the Treasury issued a memorandum in February of 2014 (the "FinCEN Memorandum") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a "suspicious activity report" ("SAR") as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated.

On the same day the FinCEN Memorandum was published, the DOJ issued a memorandum (the "2014 Cole Memorandum") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memorandum has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

However, former Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum can act as a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

Enforcement of U.S. Federal Laws

For the reasons set forth above, the Company's existing investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction. See "Risk Factors" section of this MD&A.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical or adult-use cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult use cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations. See "Risk Factors" section of this MD&A.

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical or adult-use cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See "Risk Factors" section of this MD&A.

U.S. Enforcement Proceedings

Although the Cole Memorandum and 2014 Cole Memorandum have been rescinded, one legislative safeguard for the medical marijuana industry remains in place: Congress has used a rider provision in the FY 2015, 2016 and 2017 Consolidated Appropriations Acts (formerly referred to as the "Rohrabacher-Farr Amendment" and, currently, the "Leahy Amendment") to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana license holders and patients operating in compliance with state and local law. In September 2018, Congress passed the Continuing Appropriations Act, 2019 that extends the deadline of the March 2018 omnibus spending bill until December 7, 2018. If the Leahy Amendment is not renewed upon expiration in subsequent spending bills, there can be no assurance that the federal government will not seek to prosecute cases including medical cannabis businesses that are otherwise compliant with state law.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

Massachusetts

In 2017, the Company acquired an 80.0% controlling interest in Pilgrim Rock Management, LLC ("Pilgrim"), the affiliated management company that provides intellectual property licensing, professional and management services, real estate and equipment leasing, and certain other services to Mayflower, a formerly not-for-profit corporation and the holder of the RMD licenses in Massachusetts. The remaining 20.0% of Pilgrim was acquired in April 2018, which gave the Company a 100% ownership of Pilgrim, which in turn was the sole member of the not-for-profit corporation Mayflower. On July 31, 2018, Mayflower was converted under Massachusetts law into a for-profit corporation, which is now 100% owned by the Company.

Upon the completion of construction in December 2017, Mayflower received a final Certificate of Registration from the Massachusetts Department of Public Health (the "DPH") and began operations at the Holliston, Massachusetts cannabis cultivation and processing facility in January 2018. The first harvest took place on April 20, 2018 and the first dispensary, located in Boston, opened July 19, 2018. On June 25, 2018, Mayflower launched its delivery program, which now serves the municipalities of Arlington, Ashland, Boston, Brookline, Cambridge, Charleston, Chelsea, East Boston, Everett, Holliston, Malden, Medford, Milford, Milton, Quincy, Revere, Sherborn, Somerville and Watertown.

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 dispensing locations. The Holliston facility will be dedicated to cultivation and the manufacturing of cannabis infused products and cannabis concentrates including edibles, vaporizer pen cartridges, tinctures, and topicals. The Company has received a provisional Certificate of Registration and signed a lease for a second dispensary in Lowell.

For the purposes of Staff Notice 51-352, the assets held by the Company's subsidiaries, Pilgrim and Mayflower, are classified as "direct" involvement in the United States cultivation or distribution industry.

Massachusetts has authorized the cultivation, processing, possession and distribution of cannabis by certain licensed Massachusetts cannabis businesses. Currently, the DPH regulates Massachusetts' cannabis regulatory program. State law requires that the Medical Use of Marijuana Program be transferred from the DPH to the Cannabis Control Commission by December 31, 2018. The Commission also regulates the adult use marijuana program. The Company is advised by legal counsel regarding compliance with Massachusetts' cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with Massachusetts' cannabis regulatory program. The Company only engages in transactions with Massachusetts cannabis businesses that hold licenses that are in good standing to cultivate, possess and/or distribute cannabis in Massachusetts in compliance with Massachusetts' cannabis regulatory program. To the extent required by Massachusetts' cannabis regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Massachusetts cannabis businesses (i.e., Mayflower). The Company and its investee (Mayflower) are in compliance with Massachusetts' cannabis regulatory program. In addition to the foregoing description, Staff Notice 51-352 requires additional disclosure for issues with a "direct" involvement in the United States cultivation or distribution industry.

The applicable regulations in the Commonwealth of Massachusetts are summarized below.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

(i) Registration and Certification

The DPH grants vertically-integrated, medical cannabis cultivation, processing and dispensary licenses. To obtain a license to cultivate, process and/or dispense cannabis, each applicant must file an application detailing the applicant's business structure, management profile, operations profile, capitalization, architectural plans and the proposed location of business operations.

(ii) Inspections

The DPH may inspect a license holder at any time without prior notice to determine the license holder's compliance with state law and regulatory requirements. All areas of an RMD, all dispensary agents and activities, and all records are subject to such inspection.

(iii) Security Requirements

A license holder must implement sufficient security measures to deter and prevent unauthorized entrance into areas containing cannabis and theft of cannabis. A license holder is required to use and maintain security alarms, locks, surveillance equipment, safes, a lit outside perimeter and additional safeguards as required by the DPH if the DPH determines that additional safeguards are necessary. A license holder's written operating procedures must contain a policy requiring the immediate dismissal of any employee that diverts cannabis or engages in unsafe practices.

(iv) Operations

A license holder must maintain a set of detailed written operating procedures regarding security measures, employee security policies, hours of operations, pricing, inventory storage, record keeping procedures, quality control, staffing plan and records, emergency procedures, employee termination procedures, a list of board members and executives, and cash handling procedures. Each license holder must maintain minimum liability insurance coverage. A license holder's employees are required to complete training prior to performing job functions. Furthermore, a license holder is required to abide by packaging and labelling requirements and edible cannabis products cannot bear a reasonable resemblance to any product available for consumption as a commercially available candy. License holders are required to provide educational materials about cannabis to customers.

(v) Record Keeping and Inventory Tracking

Massachusetts requires license holders to maintain written records for a period of at least two (2) years regarding operating procedures, inventory, seed-to-sale tracking, personnel, financials and waste disposal. Each license holder is required to track cannabis inventory from seed-to-sale, including by tagging all cannabis inventory. A license holder is required to conduct a monthly inventory of cannabis inventory.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

Vermont

In 2017, the Company acquired 100% of Pakalolo, LLC, ("Pakalolo") the sole member of GRVT, a not-for-profit medical marijuana license holder in Vermont.

As a not-for-profit corporation, GRVT does not have equity owners. Ms. Alexandra Ford serves as one of the three board members that oversee GRVT. Ms. Ford is the sister of Hadley Ford (a director and officer of the Company). Pakalolo, as the sole member of GRVT, has the right to elect the board of directors of GRVT.

On January 22, 2018, Vermont Governor Phil Scott signed Vermont's recreational bill into law, the first recreational marijuana law to be passed by a state legislature. This law took effect on July 1, 2018 and allows adults 21 and older to possess up to an ounce of marijuana and possess up to two plants. There is not currently a regulatory system in place to permit the commercial sale of recreational marijuana; the Vermont legislature is expected to consider such legislation in its 2019 session.

For the purposes of Staff Notice 51-352, the assets held by the Company's subsidiary, GRVT, are classified as "direct" involvement in the United States cultivation or distribution industry.

Vermont has authorized the cultivation, possession and distribution of cannabis by certain licensed Vermont cannabis businesses. The Vermont Department of Public Safety ("DPS") regulates Vermont's cannabis regulatory program. The Company is advised by legal counsel regarding compliance with Vermont's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with Vermont's cannabis regulatory program. The Company only engages in transactions with Vermont cannabis businesses that hold licenses that are in good standing to cultivate, possess and/or distribute cannabis in Vermont in compliance with Vermont's cannabis regulatory program. To the extent required by Vermont's cannabis regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Vermont cannabis businesses (i.e., GRVT). In addition to the foregoing description, Staff Notice 51-352 requires additional disclosure for issues with a "direct" involvement in the United States cultivation or distribution industry.

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

(i) Registration and Certification

The DPS grants cannabis dispensary licenses. To obtain a license to dispense cannabis, each applicant must file an application. Currently, the DPS is not accepting cannabis dispensary applications. Applications must provide a summary of the applicant's business structure, proposed location of business operations, verification that any proposed location is not within 1,000 feet of a pre-existing public or private school, the applicant's business plan, the applicant's capitalization, an applicant's projected income, and management profile.

No person shall commence cannabis dispensary operations without a the DPS-issued license.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

(ii) Inspections

A license holder is subject to on-site assessments by the DPS at any time, without notice. The DPS may require laboratory testing of cannabis inventory.

(iii) Security Requirements

A license holder must transport cannabis inventory in a secured locked container and schedule deliveries only during established operating hours. A license holder may only cultivate cannabis in a secure indoor facility. A license holder must implement security measures to deter and prevent unauthorized entrance into areas containing cannabis and the theft of cannabis, including the usage of exterior lighting, alarms, security cameras, locks and procedures to prevent loitering.

(iv) Operations

A license holder must maintain written operating procedures regarding security measures, employee security policies, hours of operations, pricing, inventory storage, record keeping procedures, quality control, employee matters, and cash handling procedures. A license holder may only dispense a limited amount of cannabis inventory to a customer during a 30-day period. A license holder may only dispense cannabis in containers that are properly labelled. A license holder must maintain a written alcohol and drug-free workplace policy.

(v) Record Keeping and Inventory Tracking

A license holder must maintain a written record of all individuals entering and exiting a cannabis cultivation and/or processing location. A license holder must maintain written records regarding personnel policies and practices, job description and employment contract policies, business and financial records, patent education, employee files, inventory controls, customers and security measures. A license holder must maintain a written inventory (e.g., harvest dates, drying completion dates, and packaging dates) and the sale of such cannabis inventory.

New Mexico

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 to medical marijuana license holders in New Mexico; (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 medical marijuana license holders. RGA currently manages two cultivation operations in Albuquerque, New Mexico totaling approximately 25,000 square feet and 6 dispensary locations (5 in Albuquerque and 1 in Grants, 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. The Company has a 24.6% equity interest in 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.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

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 regarding compliance with New Mexico's marijuana regulatory framework and potential exposure and implications arising from U.S. federal law 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.

Colorado

On December 5, 2016, the Company, through its wholly-owned subsidiary, Scarlet Globemallow, LLC ("Scarlet"), acquired certain assets of Organix, LLC ("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"). Upon finalization of the purchase price allocation, the purchase price of the Organix Assets was determined to be \$4,520,174. The real estate assets are owned by Bergamot Properties, LLC, which is a wholly-owned subsidiary of Scarlet.

In a related transaction, Bellflower, LLC agreed to acquire all cannabis inventory and licenses to cultivate, manufacture and sell cannabis-based products from Organix for \$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. The Company, through Scarlet and Bergamot, provided a broad range of real estate, financing, intellectual property licensing and professional services to Organix and has provided the same to Bellflower since the completion of the Bellflower Transaction. Scarlet and Bergamot were formed to provide long term contractual services to Bellflower and potentially other licensed cannabis operators in Colorado. Scarlet 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.

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

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 regarding compliance with Colorado's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law 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 and Bergamot, are in compliance with Colorado's marijuana regulatory program.

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

New York

On February 1, 2018, the Company acquired 100% of Citiva. The license held by Citiva allows for one cultivation facility and up to four dispensaries. The acquisition provides the Company with exposure to one of the nation's largest markets, with a state-wide population of approximately 20.0 million people in a state where only 10 licenses have been granted.

Citiva continues to execute on its business plan. Construction on a flagship 2,000 square-foot dispensary in Brooklyn, located in a highly-trafficked area near the Barclays Center, is scheduled to be open before the end of the year. The dispensary is expected to be one of only three dispensaries operating in Brooklyn, a borough of 2.6 million residents. During the quarter, Citiva entered into a wholesale purchase agreement with another Registered Organization in New York, providing Citiva's dispensaries with a range of products including vapes, capsules, and tinctures, ahead of the Brooklyn opening.

In September 2018, the Company executed a lease for a dispensary location in Wappingers Falls, NY, and is in continued negotiations related to leasing agreements for dispensaries in Staten Island and Chemung County.

During the quarter, the Company formed a medical outreach program to educate physicians in the State of New York on Citiva's product offerings and to create brand awareness in advance of the dispensary openings.

For the purposes of Staff Notice 51-352, the Company's investment in Citiva is classified as "direct" involvement in the United States cultivation or distribution industry because the Company has a controlling interest in Citiva.

The State of New York has authorized the cultivation, possession and distribution of marijuana by certain licensed New York marijuana businesses. The New York State Department of Health regulates New York's marijuana regulatory program. The Company is advised by legal counsel regarding compliance with New York's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with New York's marijuana regulatory program. The Company only engages in transactions with New York marijuana businesses that hold licenses that are in good standing to cultivate, possess and/or distribute marijuana in New York in compliance with New York's marijuana regulatory program. To operate a marijuana business in New York, an entity must submit an application for registration as a RO. ROs are required to manufacture, transport, distribute and dispense marijuana for certified medical use. To the extent required by New York's marijuana regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such New York marijuana businesses. The Company and its investee (Citiva) are in compliance with New York's marijuana regulatory program. In addition to the foregoing description, Staff Notice 51-352 also requires additional disclosure for issuers with a "direct" involvement in the United States cultivation and distribution industry.

The additional disclosure is set forth as follows:

(i) Corporate Structure

An applicant must provide the New York State Department of Health with the applicant's organizational and operational documents, including explanations of parents and affiliates and affidavits regarding all owners, officers, board members, managers, and employees.

An applicant must provide the New York State Department of Health the applicant's financial statements setting forth all elements and details of any business transactions connected with the application, including but not limited to, all agreements and contracts for consultation and/or arranging for the assistance in preparing the application. An applicant

REGULATORY ENVIRONMENT: ISSUERS WITH UNITED STATES CANNABIS-RELATED ASSETS

must also provide the most recent financial statement of the applicant prepared in accordance with generally accepted accounting principles ("GAAP") applied on a consistent basis and certified by an independent certified public accountant.

If another entity maintains a 10.0% interest in the applicant, the applicant must provide a statement with the name and address of the entity together with a description of the goods, leases, or services and the probable or anticipated cost to the registered organization.

(ii) Premises Requirements

An applicant must provide the New York State Department of Health the identification of all real property, buildings, and facilities that will be used in manufacturing and dispensing activities and all equipment that will be used to carry out the manufacturing, processing, transportation, distributing, sale, and dispensing activities

described in the application and operating plan. An applicant must provide the New York State Department of Health with all applicable executed and proposed deeds, leases, and rental agreements or executed option contracts related to the organization's real property interests, showing that the applicant possesses or has the right to use sufficient land, buildings, other premises, and equipment.

(iii) RO Operations

An applicant must provide an operational plan that includes a detailed description of the RO's manufacturing processes, transporting, distributing, sale and dispensing policies or procedures. An applicant must also provide the New York State Department of Health with a timeline demonstrating the estimated timeframe from growing marijuana to production of a final approved product.

An applicant must enter into a labor peace agreement with a bona fide labor organization.

An applicant must provide the New York State Department of Health a staffing plan for staff to be involved in activities related to the cultivation of marijuana, the manufacturing and/or dispensing of approved medical marijuana products, and/or staff with oversight responsibilities.

An applicant must provide the New York State Department of Health proof from the local internet service provider(s) that all of the applicant's manufacturing and dispensing facilities are located in an area with internet connectivity.

An applicant must provide the security plan of the applicant's proposed manufacturing and dispensing facilities indicating how the applicant will comply with all legal requirements.

(iv) Record Keeping and Inventory Tracking

An applicant must provide the New York State Department of Health with detailed descriptions of plans, procedures and systems adopted and maintained for seed to sale tracking, record keeping, record retention and surveillance systems relating to all medical marijuana at every stage, including cultivating, possessing of marijuana, and manufacturing, delivery, transporting, distributing, sale and dispensing by the proposed registered organization.

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(v) Pricing

ROs must submit the proposed prices of approved medical marijuana products to the New York State Department of Health for approval with documentation to support them. Documentation is to include all costs the RO considered to arrive at its proposed price. In doing so, the RO may submit documentation related to indirect costs for consideration by the New York State Department of Health.

(vi) Testing

The New York State Department of Health's Wadsworth Laboratories conducts the final product testing. The regulations require that the testing of each lot of final medical marijuana product be conducted with a statistically significant number of samples using acceptable methodologies to ensure that all lots manufactured of each medical marijuana product are adequately assessed for contaminants and the cannabinoid profile is consistent throughout.

(vii) Labelling

An RO's dispensing must affix a patient-specific dispensing label approved by the New York State Department of Health that is easily readable, firmly affixed and includes patient and care giver names and registry ID numbers, the certifying practitioner's name, the dispensing facility contact information, the dosing and administration instructions, the quantity and date dispensed, and any recommendations or limitations.

Florida

On January 17, 2018, the Company acquired substantially all of the assets of GrowHealthy Holdings, LLC ("GrowHealthy") and certain related subsidiaries. The Company had previously acquired approximately six percent (6%) of GrowHealthy in a preferred share purchase in October 2017. Those shares were redeemed by GrowHealthy as part of the Company's asset purchase in January 2018.

GrowHealthy and its affiliate, McCrory's Sunny Hill Nursery, LLC ("McCrory's"), comprise one of just fourteen (14) issued Florida MMTCs licensed to cultivate, process and dispense medical cannabis under Florida's medical marijuana law. The acquisition also included GHIA, a wholly-owned subsidiary of GrowHealthy that holds an exclusive 40-year management contract to operate the medical cannabis business associated with the MMTC license issued to McCrory's, together with an option to acquire 100% of McCrory's for a nominal consideration, pending approval of the Florida Department of Health. The license held by McCrory's allows for one cultivation and manufacturing facility and up to 30 dispensaries in Florida, which has a current population of approximately 21.0 million residents.

GrowHealthy's state-of-the-art cultivation facility in Lake Wales, FL, is comprised of 200,000 square feet of space capable of producing 18,000kg of medical cannabis annually when fully built out. GrowHealthy is currently growing and processing in approximately 25,000 square feet of the facility. The Company is in the design phase of an external shade house which will add 60,000 square feet upon completion.

During the quarter, GrowHealthy has executed 11 dispensary leases, bringing the total secured leases across the state to 16. In addition to the expansion of the delivery program, the Company expects its first two dispensaries in Florida to open in Q4 2018. This includes GrowHealthy's 4,500 square foot flagship location in West Palm Beach.

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For the purposes of Staff Notice 51-352, the Company's investment in GrowHealthy is classified as "direct" involvement in the United States cultivation or distribution industry because the Company has a controlling interest in GHHIA.

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 regarding compliance with Florida's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with Florida's marijuana regulatory program. The Company only engages in transactions with Florida marijuana businesses that hold a Medical Marijuana license that is in good standing to cultivate, process and dispense medical marijuana in Florida in compliance with Florida's marijuana regulatory program. To the extent required by Florida's marijuana regulatory program, the Company has or is in the process of fully disclosing and/or registering each financial interest the Company holds in such Florida marijuana businesses.

The Company and its investee 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 a "direct" involvement in the United States cultivation and distribution industry.

The applicable regulations in Florida are summarized below.

(i) Registration and Certification

In order to become a licensed 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 Florida 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 hours per day, (b) has cameras in fixed places that allow for the

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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 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 two 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 odour 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

MMTCs 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, MMTCs 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.

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Maryland

The Company holds a non-material preferred stock position in 4Front Holdings, LLC ("4Front"), purchased for \$99,969. The Company's equity position in 4Front is less than 1% of 4Front's issued and outstanding shares.

The Company understands that 4Front, through various subsidiaries, holds a 65.0% interest in one dispensary license in the State of Maryland. That dispensary is not yet operational 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.

Maryland has authorized the cultivation, possession and distribution of marijuana by certain licensed Maryland marijuana businesses. The Maryland Medical Cannabis regulates Maryland's marijuana regulatory program. The Company is advised by legal counsel regarding compliance with Maryland's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with Maryland's marijuana regulatory program. The Company only engages in transactions with Maryland marijuana businesses that hold licenses that are in good standing to cultivate, possess and/or distribute marijuana in Maryland in compliance with Maryland's marijuana regulatory program. To the extent required by Maryland's marijuana regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Maryland marijuana businesses.

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

(i) Registration and Certification

The Medical Marijuana Cannabis Commission ("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.

(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.

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(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 system 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 odour 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, labelling, 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.

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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.

Risk Factors

Many factors could cause the Company's actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors, which are discussed in greater detail under the heading "Risk Factors" in the Company's AIF for the year ended December 31, 2017, and in the Company's Short-Form Prospectus dated October 3, 2018, each filed with securities regulators and available on www.sedar.com, which risk factors are incorporated by reference into this document, and should be reviewed in detail by all readers.

The risk factors described or incorporated by reference in this MD&A are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks actually occur, the Company's business, financial condition or results of operations could be materially adversely affected, with the result that the trading price of the Common Shares could decline and purchases could lose all or part of their investment.

- The Company's business activities, while believed to be compliant with applicable state and local law of the United States, are illegal under United States federal law.
- There is uncertainty surrounding the Trump Administration and the Attorney General's office, and their influence and policies in opposition to the cannabis industry as a whole.
- The Company's investments in the United States are subject to applicable anti-money laundering laws and regulations.
- The Company's investments in the United States may be subject to heightened scrutiny.
- Laws and regulations affecting the Company's industry are constantly changing.
- The Company relies on third-party suppliers, manufacturers and contractors which, due to the uncertain regulatory landscape for regulating cannabis in Canada and the United States, may elect, at any time, to decline or withdraw services necessary for the Company's operations.
- The completion of any potential acquisition will be subject to conditions, and as a result, there can be no assurance that the Company will complete any acquisitions.
- The Company will face competition from other companies, some of which may have longer operating histories, more financial resources and experience than the Company.

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- The Company relies on the investee companies to execute on their business plans and operational activities, which may create risk with respect to the Company's cash flows.
- The market price of the Company's common shares is volatile and may not accurately reflect the long-term value of the Company.
- The Company may invest in securities of private companies which may be considered illiquid securities.
- A positive return in an investment in the Company's common shares is not guaranteed.
- The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company.
- The Company will require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable.
- Although the Company anticipates it will continue to have positive cash flow from operating activities, the Company cannot assure that it will achieve sufficient revenues from sales to maintain profitability or positive cash flow from operating activities.
- The Company is a holding company and essentially all of its assets are the capital stock of its subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries.
- The Company's insurance coverage is subject to limits and exclusions and may not be adequate, sufficient, or generally available in the future at premiums that will be commercially justifiable.
- The Company is subject to the risks inherent in an agricultural business, including, without limitation, crop failures.
- The Company's business may be subject to unfavorable publicity or consumer perception.
- The Company is vulnerable to rising energy costs.
- Although the Company is classified as a non- United States corporation under the general rules of United States income taxation, Section 7874 of the United States Tax Code contains rules that can cause a non- United States corporation to be taxed as a United States corporation for United States federal income tax purposes.
- The Company may also incur significant tax liabilities under section 280E of the Internal Revenue Code of 1986.