

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities.

The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act), and may not be offered or sold within the United States, except as permitted by the Underwriting Agreement (as defined herein) and in transactions exempt from registration under the U.S. Securities Act and applicable United States state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to, or for the account or benefit of, U.S. Persons (as hereinafter defined).

In Germany, the offering, as specified within this short form prospectus, is addressed exclusively to qualified investors. Qualified investors are clients and enterprises which, unless they are categorized as a retail client, are professional clients or eligible counter parties within the meaning of section 67 subsection (2) or (4) of the German Securities Trading Act (Wertpapierhandelsgesetz), or which are categorized as such upon request pursuant to section 67 subsection (6) of the German Securities Trading Act, or which continue to be treated as professional clients pursuant to section 67 subsection (5) sentence 5 of the German Securities Trading Act, or which comply with any other definition of qualified investors in section 2 no.6 of the German Securities Prospectus Act (Wertpapierprospektgesetz). Accordingly, the offering is exempt from the prospectus requirement in Germany, and this short form prospectus does not constitute a prospectus in the meaning of the German Securities Prospectus Act.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar regulatory authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of iAnthus Capital Holdings, Inc., Suite 2740, 22 Adelaide Street West (East Tower, Bay Adelaide Centre), Toronto, Ontario, M5H 4E3, Telephone: 646-518-9418, and are also available electronically at [www.sedar.com](http://www.sedar.com).



## SHORT FORM PROSPECTUS

New Issue

October 3, 2018

### **iANTHUS CAPITAL HOLDINGS, INC.**

**\$30,004,800**

**4,512,000 Common Shares**

---

**Price: \$6.65 per Common Share**

---

This short form prospectus (this “**Prospectus**”) qualifies the distribution (the “**Offering**”) of 4,512,000 common shares (the “**Initial Shares**”) of iAnthus Capital Holdings, Inc. (“**iAnthus**” or the “**Company**”) at a price of \$6.65 per Initial Share (the “**Offering Price**”) for total gross proceeds of \$30,004,800. The Initial Shares are being offered on a “bought deal” basis pursuant to the terms and conditions of an underwriting agreement (the “**Underwriting**”).

**Agreement**) dated September 19, 2018 by and among GMP Securities L.P. (the **“Lead Underwriter”**), as lead underwriter and sole book-runner, Canaccord Genuity Corp., Cormark Securities Inc., Beacon Securities Limited, Echelon Wealth Partners Inc. and PI Financial Corp. (together with the Lead Underwriter, the **“Underwriters”**). The Offering Price for the Initial Shares was determined based upon arm’s length negotiations between the Company and the Lead Underwriter, on behalf of the Underwriters, with reference to the prevailing market price of the common shares of the Company (the **“Common Shares”**) on the Canadian Securities Exchange (the **“CSE”**). See **“Plan of Distribution”**.

The Common Shares are traded on the CSE under the symbol **“IAN”** and are quoted on the OTCQB under the symbol **“ITHUF”**. On September 12, 2018, the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the CSE was \$8.66 per Common Share and on the OCTQB was US\$6.7817 per Common Share. On October 2, 2018, the last trading day prior to the filing of this Prospectus, the closing price of the Common Shares on the CSE was \$7.70 per Common Share and on the OTCQB was US\$5.9725 per Common Share. The Company has applied to list the Common Shares to be distributed under this Prospectus on the CSE. Listing will be subject to the Company fulfilling all of the requirements of the CSE.

	<b>Price to the Public</b>	<b>Underwriters’ Fee<sup>(1)(2)</sup></b>	<b>Net Proceeds to the Company<sup>(3)</sup></b>
Per Initial Share	\$6.65	\$0.4655	\$6.1845
Total <sup>(4)</sup>	\$30,004,800	\$2,100,336	\$27,904,464

Notes:

- Pursuant to the Underwriting Agreement, the Company has agreed to pay to the Underwriters a fee equal to 7% of the gross proceeds of the Offering (the **“Underwriters’ Fee”**), subject to a reduced fee of 3.5% for Initial Shares sold by the Underwriters to certain purchasers designated by the Company on the President’s list (the **“President’s List”**). The commission was reduced from 7% to 3.5% owing to the fact that the investors were identified by the Company. The Underwriters are entitled to a reduced commission due to: (i) the conducting of a suitability assessment and (ii) the associated costs of running the book for the Offering. An aggregate of 115,000 Common Shares are expected to be allocated to purchasers under the President’s List. The above table assume no Initial Shares are purchased under the President’s List. See **“Plan of Distribution”**.
- The Underwriters have been granted an over-allotment option, exercisable, in whole or in part, at the sole discretion of the Underwriters, at any time and from time to time, until the date that is 30 days following the Closing Date (as defined herein), to purchase from the Company up to an additional 676,800 Common Shares (the **“Additional Shares”**) at the Offering Price to cover the Underwriters’ over-allocation position, if any, and for market stabilization purposes (the **“Over-Allotment Option”**). If the Over-Allotment Option is exercised in full for Additional Shares, and assuming no Additional Shares are purchased under the President’s List, the total **“Price to the Public”**, **“Underwriters’ Fee”** and **“Net Proceeds to the Company”** will be \$34,505,520, \$2,415,386 and \$32,090,134, respectively. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Additional Shares issuable upon exercise of the Over-Allotment Option. A purchaser who acquires securities forming part of the Underwriters’ over-allocation position acquires those securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See **“Plan of Distribution”**.
- After deducting the Underwriters’ Fee, but before deducting the expenses and costs relating to the Offering which are estimated to be \$250,000. The Underwriters’ Fee and the expenses and costs relating to the Offering will be paid from the gross proceeds of the Offering. See **“Use of Proceeds”**.

The following table sets out the number of Additional Shares that may be issued by the Company to the Underwriters in connection with the Offering:

<b>Underwriters’ Position<sup>(1)</sup></b>	<b>Number of Securities Available or Maximum Size</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option	676,800 Additional Shares	A period of 30 days following the Closing Date	\$6.65 per Additional Share

Notes:

- This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Additional Shares. See **“Plan of Distribution”**.

The Additional Shares, together with the Initial Shares, are the “**Offered Shares**”. Unless the context otherwise requires, all references to the “Offering” in this Prospectus include the Additional Shares issuable upon exercise of the Over-Allotment Option.

The Underwriters, as principal, conditionally offers the Offered Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to approval of certain Canadian legal matters relating to the Offering on behalf of the Company by McMillan LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

**The Underwriters propose to offer the Offered Shares initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Offered Shares at such price, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Offered Shares is less than the proceeds paid by the Underwriters to the Company. See “Plan of Distribution”.**

Subject to applicable laws and in connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is expected to occur on or about October 3, 2018 or such later date as may be agreed upon by the Company and the Underwriters (the “**Closing Date**”); however, the Offered Shares are to be taken up by the Underwriters, if at all, on or before a date that is not later than 42 days after the date of the receipt for the final short form prospectus.

Subject to certain exceptions, certificates in physical or electronic form representing the Offered Shares are expected to be issued in registered form to CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee and deposited with CDS on the Closing Date. Subject to certain exceptions, a purchaser of Offered Shares will receive only a customer confirmation from the registered dealer through which the Offered Shares are purchased. See “Plan of Distribution”.

**An investment in the Offered Shares involves a high degree of risk. Prospective purchasers should consider the risk factors described under “Risk Factors” in this Prospectus and in the AIF (as hereinafter defined) which can be found on SEDAR at [www.sedar.com](http://www.sedar.com), before purchasing Offered Shares.**

Prospective purchasers should rely only on the information contained or incorporated by reference in this Prospectus. The Company and the Underwriters have not authorized anyone to provide prospective purchasers with information different from that contained or incorporated by reference in this Prospectus. The Underwriters are offering to sell and seeking offers to buy the Offered Shares only in jurisdictions where, and to persons to whom, offers and sales are lawfully permitted. Readers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus.

**Prospective purchasers are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of Offered Shares, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires Offered Shares.**

**This Prospectus qualifies the distribution of securities of an entity that is expected to continue to indirectly derive a portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. iAnthus is indirectly involved (through ancillary operations and through investments in third-party corporate entities in the United States) in the cannabis industry in the United States where local state laws permits such activities.**

**The Company acquired a 100% equity interest in a corporate entity which holds one of the 10 vertically**

**integrated medical cannabis licenses in the State of New York and accordingly, the Company has a material direct interest in an entity directly engaged in the cultivation and sale of medical marijuana (cannabis) in the State of New York.**

**Almost half of the states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol (“THC”), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law must be applied. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the *Controlled Substances Act* (the “CSA”) in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defence to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company’s operations and financial performance.**

**Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future investments of the Company in the United States. As such, there are a number of risks associated with the Company’s existing and future investments in the United States.**

**For the reasons set forth above, the Company’s existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada and the United States.**

**There are a number of risks associated with the business of the Company. See “Risk Factors” generally and for the risks related to the United States cannabis industry see “Risk Factors – Risks Specifically Related to the United States Regulatory System.”**

Two of the persons providing a certificate under Part 5 of National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators (“**NI 41-101**”), along with Richard Boxer, a director of the Company, are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside Canada. The individuals, Hadley Ford, Randy Maslow and Richard Boxer, have appointed Baron Global Financial Ltd. of Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9, Canada, as their respective agent for service of process in British Columbia. Wysocki Justus, P.C., a named expert, is a limited liability partnership formed or otherwise organized under the laws of a foreign jurisdiction, has appointed iAnthus Capital Holdings, Inc. at Suite 2740, 22 Adelaide Street West, Toronto, Ontario, M5H 4E3, Canada, as its agent for service of process.

Purchasers are advised that it may not be possible for purchasers to enforce judgments obtained in Canada against any person who resides outside of Canada, even if the party has appointed an agent for service of process. See “Enforcement of Judgments Against Foreign Persons or Companies” and “Risk Factors”.

Unless otherwise noted, all currency amounts in this Prospectus are stated in Canadian dollars.

The Company’s head office is located at Suite 414, 420 Lexington Avenue, New York, New York, 10170, United States of America. The Company’s registered office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada.

## TABLE OF CONTENTS

CAUTION REGARDING FORWARD-LOOKING STATEMENTS.....	1
EXCHANGE RATE DATA.....	2
FINANCIAL INFORMATION.....	2
GENERAL MATTERS.....	2
ELIGIBILITY FOR INVESTMENT.....	2
DOCUMENTS INCORPORATED BY REFERENCE .....	3
MARKETING MATERIALS .....	4
DESCRIPTION OF THE BUSINESS.....	5
DIVIDENDS .....	8
CONSOLIDATED CAPITALIZATION .....	8
USE OF PROCEEDS .....	10
PLAN OF DISTRIBUTION.....	12
ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES.....	15
DESCRIPTION OF SECURITIES BEING DISTRIBUTED .....	15
PRIOR SALES .....	15
TRADING PRICE AND VOLUME .....	19
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	19
CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS .....	23
RISK FACTORS .....	29
AUDITORS, TRANSFER AGENT AND REGISTRAR.....	37
LEGAL MATTERS .....	37
MATERIAL CONTRACTS .....	37
PROMOTER .....	38
INTERESTS OF EXPERTS.....	38
PURCHASERS' STATUTORY RIGHTS .....	39
CERTIFICATE OF iANTHUS CAPITAL HOLDINGS, INC.....	C-1
CERTIFICATE OF THE PROMOTER .....	C-2
CERTIFICATE OF THE UNDERWRITERS.....	C-3

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated herein by reference contain certain statements that are forward-looking statements or information (collectively “**forward-looking statements**”). Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “may”, “is expected to”, “anticipates”, “estimates”, “intends”, “plans”, “projection”, “could”, “vision”, “goals”, “objective” and “outlook”) are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

In particular, this Prospectus contains forward-looking statements relating to, among others:

- the Company’s expectations with respect to pursuing new opportunities and its future growth;
- the Company’s expectations with respect to its working capital requirements and financial obligations;
- the ability of the Company to continue to provide shareholders with exposure to cannabis cultivators, processors, and dispensaries throughout the United States;
- the Company’s expectation with respect to annual production at its proposed cultivation facility in Brooklyn, New York, USA;
- the Company’s expectation with respect to its build-out and operating costs in Florida and New York;
- the ability of the Company to raise additional capital in the future; and
- the Company’s expectations regarding the Company’s ability to generate returns from its revenue sources including interest income from debt financing structures, dividend income and capital appreciation from equity investments, management and advisory fees with certain license holders.

These forward-looking statements are necessarily based on a number of factors and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. With respect to the forward-looking statements, the Company has made assumptions, which may prove to be incorrect, including, among other things:

- the Company will be able to generate cash flow from operations and obtain necessary financing on acceptable terms;
- government regulation of the Company’s activities will remain the same;
- consumer interest in the Company’s products and perception of the medical-use and adult-use cannabis industry continues to affect the market price of cannabis-related products;
- general economic, financial market, regulatory and political conditions in which the Company operates will remain the same;
- the Company will be able to compete in the cannabis industry;
- the Company will be able to manage anticipated and unanticipated costs;
- the Company will be able to obtain qualified staff, equipment and services in a timely and cost-efficient manner; and
- the Company will be able to enter contracts with target companies.

This list is not exhaustive of the factors that may affect any of forward-looking statements or information of the Company. Readers should not place undue reliance on forward-looking information contained in this Prospectus.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management of the Company to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See “Risk Factors”.

### EXCHANGE RATE DATA

The Company publishes its consolidated financial statements in United States dollars. In this Prospectus, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars and references to “CDN\$” or “\$” are to Canadian dollars and references to “US\$” are to United States dollars.

The following table sets forth certain exchange rates based on the exchange rate as reported by the Bank of Canada. Such rates are set forth as United States dollars per CDN\$1.00 and are the inverse of exchange rates quoted by the Bank of Canada for Canadian dollars per US\$1.00. On October 2, 2018, the exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was US\$1.00 = CDN\$0.7802.

	<b>Year Ended</b>		
	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
High	0.8245	0.7972	0.8527
Low	0.7276	0.6854	0.7148
Average <sup>(1)</sup>	0.7708	0.7548	0.7820
Period end.	0.7971	0.7448	0.7225

Notes:

(1) The average of the exchange rates on the last day of each month during the applicable period.

### FINANCIAL INFORMATION

The Company prepares its financial statements, which are incorporated by reference into this Prospectus, in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. Accordingly, the Company’s financial statements are not comparable to financial statements of United States companies.

### GENERAL MATTERS

Prospective purchasers should rely only on information contained or incorporated by reference in this Prospectus. Neither the Company nor the Underwriters have authorized any other person to provide prospective purchasers with different information. If a prospective purchaser is provided with different or inconsistent information, the prospective purchaser should not rely on such information. The information contained on the Company’s website is not intended to be included in or incorporated by reference into this Prospectus and prospective investor should not rely on such information when deciding whether or not to invest in the Offered Shares. Neither the Company nor the Underwriters are making an offer to sell in any jurisdiction where the offer or sale is not permitted.

Unless the context otherwise requires, any references in this Prospectus to the “Company” or “iAnthus” refer to iAnthus Capital Holdings, Inc. and its subsidiaries.

### ELIGIBILITY FOR INVESTMENT

In the opinion of McMillan LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder

(collectively, the “**Tax Act**”) and any proposal to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, the Offered Shares, if issued on the date hereof, would be “qualified investments” under the Tax Act for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans, registered education savings plans (“**RESPs**”), registered disability savings plans (“**RDSPs**”) and tax-free savings accounts (“**TFSAs**”), all as defined in the Tax Act (collectively, “**Deferred Income Plans**”), provided that the common shares of the Company are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE).

Notwithstanding that an Offered Share may be a qualified investment as discussed above, if an Offered Share is a “prohibited investment” for an RRSP, RRIF, TFSA, RDSP or RESP, the annuitant of such RRSP or RRIF, the holder of such TFSA or RDSP or the subscriber of such RESP (as the case may be) which holds such Offered Share will be subject to penalty taxes as set out in the Tax Act. However, an Offered Share will not be a prohibited investment for a relevant Deferred Income Plan provided the annuitant, holder or subscriber, as the case may be, deals at arm’s length with the Company for the purposes of the Tax Act and does not have a “significant interest” (as defined in the Tax Act for purposes of the prohibited investment rules) in the Company. An Offered Share will also not be a “prohibited investment” if it is “excluded property” (as defined in the Tax Act for purposes of the prohibited investment rules) for the relevant Deferred Income Plan.

**Purchasers who intend to hold Offered Shares in a Deferred Income Plan should consult their own tax advisors in regard to the application of these rules in their particular circumstances.**

#### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents filed with the securities commission or similar regulatory authority in each of the provinces of Canada, other than Québec, are available at [www.sedar.com](http://www.sedar.com) and are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- the Statement of Executive Compensation (Venture Issuer) for the financial year ended December 31, 2017;
- the Annual Information Form of the Company dated July 24, 2018 for the year ended December 31, 2017 (the “**AIF**”), other than the reference to “Messner Reeves LLP” in the “Interest of Experts” section on page 38 of the AIF, which information has been updated and amended by subsequent disclosure in this Prospectus;
- the audited consolidated financial statements of the Company, and the notes thereto, for the years ended December 31, 2017 and 2016, together with the auditors’ report thereon;
- management’s discussion and analysis of financial condition and result of operations of the Company for the years ended December 31, 2017 and 2016;
- the unaudited condensed interim consolidated financial statements of the Company, and the notes thereto, for the three and six months ended June 30, 2018 and 2017;
- management’s discussion and analysis of financial condition and results of operations of the Company for the three and six months ended June 30, 2018 and 2017 (the “**Interim MD&A**”);
- the Company’s notice of meeting and associated management information circular dated October 16, 2017;
- the business acquisition report dated May 7, 2018 (the “**GrowHealthy BAR**”) relating to the acquisition by the Company of GrowHealthy Holdings, LLC (“**GrowHealthy**”);
- the material change report dated May 24, 2018 relating to the closing of US\$40 million secured debenture financing and concurrent US\$10 million equity financing and the repayment of US\$20 million of unsecured debentures;

- the material change report dated February 9, 2018 relating to the acquisition by the Company of Citiva Medical, LLC (“**Citiva Medical**”) for US\$12 million and Citiva, LLC (“**Citiva USA**”) for US\$6 million; and
- the material change report dated January 26, 2018 relating to the closing of acquisition of GrowHealthy for aggregate consideration of US\$48 million.

Material change reports (other than confidential reports), business acquisition reports, annual financial statements, interim financial statements, the associated management’s discussion and analysis of financial condition and results of operations and all other documents of the type referred to in section 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this Prospectus and before completion or withdrawal of the Offering, will be deemed to be incorporated by reference into this Prospectus. The documents incorporated or deemed to be incorporated herein by reference contain meaningful and material information relating to the Company and readers should review all information contained in this Prospectus and the documents incorporated or deemed to be incorporated by reference herein.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this Prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the statement or document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this Prospectus.**

#### **MARKETING MATERIALS**

No “template version” of any “marketing materials” (as such terms are defined in NI 41-101) that are utilized by the Underwriters in connection with the Offering, are part of this Prospectus to the extent that the contents of such marketing materials have been modified or superseded by a statement contained in this Prospectus or any amendment.

In addition, any template version of any marketing materials that is filed under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) with the securities commission or similar authority in each of the provinces of Canada, except Québec, in connection with the Offering after the date of this Prospectus and before the termination of the distribution of the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this Prospectus.

## DESCRIPTION OF THE BUSINESS

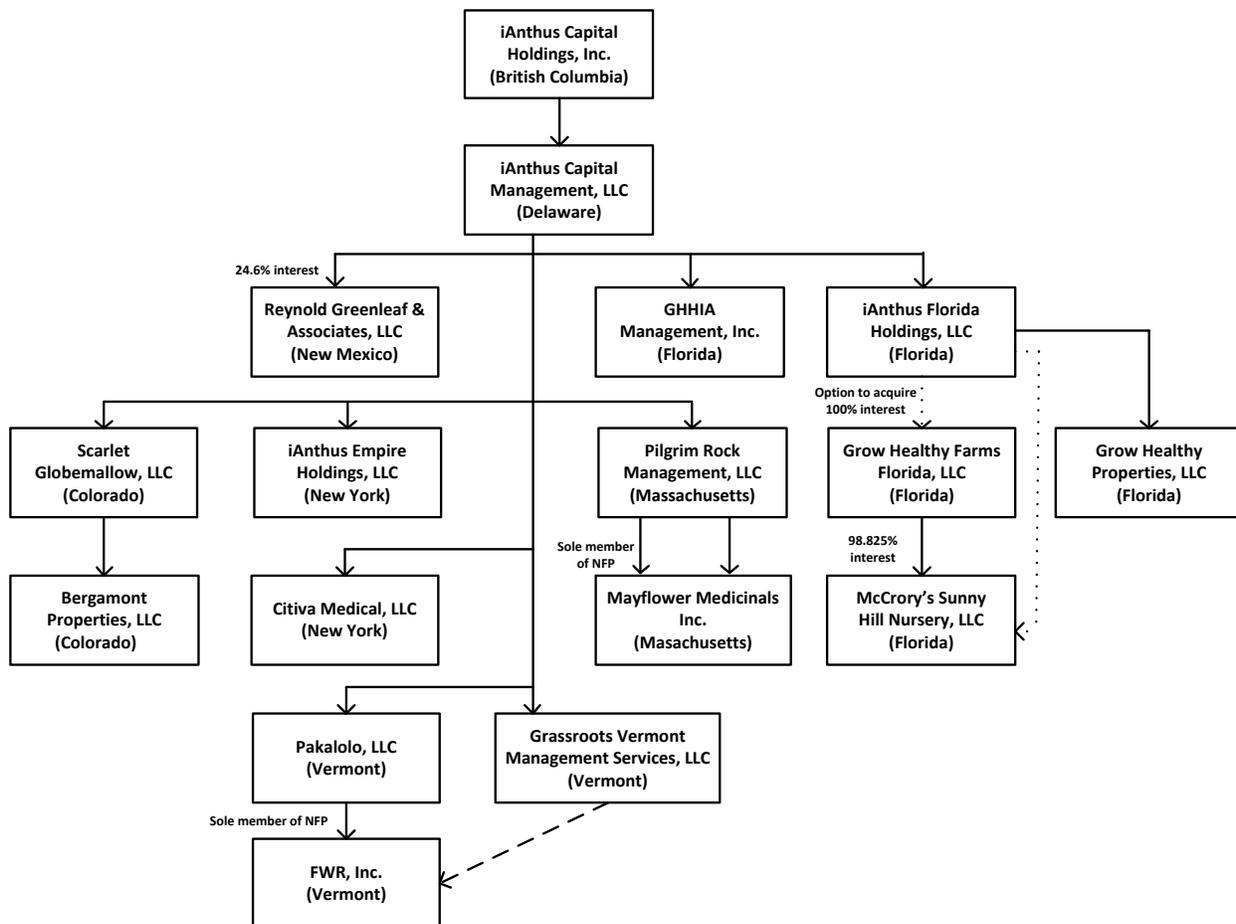
### Name, Address and Incorporation

The Company was incorporated under the name “Genarca Holdings Ltd.” under the *Business Corporations Act* (British Columbia) on November 15, 2013. The Company changed its name to iAnthus Capital Holdings, Inc. on August 4, 2016. The Company’s head office is located at Suite 414, 420 Lexington Avenue, New York, New York, 10170, United States of America. The Company’s registered office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada.

The Common Shares of the Company are listed on the CSE under the trading symbol “IAN” and are quoted on the OTCQB under the trading symbol “ITHUF”.

### Inter-corporate Relationships

The diagram below describes the inter-corporate relationships of the Company as of the date of this Prospectus:



#### Notes:

- (1) The Company currently operates its business through its wholly-owned subsidiary, iAnthus Capital Management, LLC (“ICM”), a Delaware limited liability company formed on September 18, 2014.
- (2) Except as otherwise indicated, all solid lines represent a 100% ownership interest.

## **Business of the Company**

The Company, through its wholly-owned subsidiary, ICM, provides investors diversified exposure to 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 providing capital investment and professionally managed cannabis cultivation, processing and retail investors. The Company's principal activity is the delivery of solutions for financing, developing and managing state-licensed cannabis cultivators, processors and dispensaries throughout the United States and only in such states where cannabis activities are legal. The Company invests capital in exchange for shares or equity and enters into licensing agreement with management teams in legal cannabis jurisdictions.

The Company generates returns from any or all of the revenue sources below:

- delivery sales and dispensary sales;
- interest income from debt financing structures;
- dividend income (or other profit distributions) and capital appreciation from equity investments;
- management and advisory fees from management service contracts with certain license holders which the Company has provided debt or equity financing; and
- rental income.

See "Description of the Business" in the AIF. See also "Risk Factors – Risks Specifically Related to the United States Regulatory System".

## **Recent Developments**

### Mayflower Medicinals, Inc ("Mayflower")

In January 2018, Mayflower commenced cannabis cultivation at its facility in Holliston, MA. Mayflower launched its Patient Home Delivery Program in June 2018, servicing the towns of Arlington, Boston, Brookline, Cambridge, Charleston, Chelsea, East Boston, Everett, Malden, Medford, Milton, Quincy, Revere, Somerville and Watertown. In July 2018, Mayflower opened its first dispensary in Boston, MA. On July 31, 2018, Mayflower was converted from a non-for-profit to a for-profit entity, with iAnthus Capital Management, LLC becoming the sole shareholder.

### January 2018 Debentures

In January 2018, the Company issued US\$20,000,000 of unsecured debentures, with a maturity date of one year, to a private investor. The debentures accrued interest at 15% and were issued concurrently with warrants to purchase up to 10,040,000 shares of the Company at an aggregate purchase price of US\$20,000,000 (US\$1.9928 per share). The Company fully repaid the debentures in May 2018.

### Acquisition of GrowHealthy

On January 17, 2018, the Company acquired substantially all of the assets of GrowHealthy Holdings, LLC and its affiliated Florida entities (collectively, "**GrowHealthy**") for total consideration of US\$48,000,000. The total consideration for the acquisition was US\$17,500,000 in cash and US\$30,500,000 was satisfied by the issuance of an aggregate 12,103,172 Common Shares, at a deemed price per share of US\$2.52 per Common Share. Contemporaneously with the closing of the acquisition, the Company's 2,925,003 preferred shares in GrowHealthy were redeemed in return for US\$3,000,000 which was paid to the Company at the closing.

GrowHealthy has executed dispensary leases in the following locations: Miami, Deerfield Beach, West Palm Beach, Brandon, Tampa, Orlando and Sarasota.

### Acquisition of Citiva Medical, LLC and Citiva, LLC (together, “Citiva”)

On February 1, 2018, the Company acquired 100% of Citiva. Citiva holds a license as a vertically integrated registered organization to cultivate, manufacture and dispense approved medical cannabis products in the State of New York. The Company paid the purchase price of US\$3,600,000 payable in cash and US\$14,400,000 which was paid in Common Shares at US\$2.40 per share. Subsequently, the Company formed iAnthus Empire Holdings, LLC as the management company to Citiva.

Citiva commenced construction of its cultivation facility in Warwick, NY in July 2018. Once operational, Citiva will be directly engaged in the cultivation and sale of medical cannabis. Citiva has been approved for dispensaries in the following area locations by the State of New York: (i) Brooklyn, (ii) Staten Island, (iii) Dutchess County, and (iv) Chemung County. Citiva has begun tenant improvements at the Brooklyn location.

### Gotham Green Partners Financing

On May 14, 2018, the Company received a US\$50,000,000 investment from Gotham Green Partners (the “**Gotham Green Financing**”). The majority of the investment is a US\$40,000,000 13% high yield secured notes with a maturity date of three years from the date of issuance (the “**Gotham Green Notes**”). The Gotham Green Notes are exchangeable into shares of the Company at US\$3.08 per share. The high yield notes include warrants to purchase, in the aggregate, up to 6,670,372 shares of the Company at US\$3.60 per share. The remaining investment of US\$10,000,000 was made through the issuance of units of the Company, where each unit is comprised of one Class A share of the Company at US\$2.57 per share and a warrant to purchase one share of the Company at a price of US\$3.86 per share.

### The Green Solution, LLC

The Company’s \$7,500,000 promissory note to the Green Solution, LLC was repaid in full with accrued interest during the first six months of 2018.

In the normal course, the Company regularly evaluates and considers, and may be engaged in discussions with respect to, potential acquisition and investment opportunities that it believes may assist it in achieving its business and growth plans, and in connection therewith it may at any time have outstanding non-binding letters of intent or conditional agreements. There can be no assurance that any such discussions, non-binding letters of intent or conditional agreements will result in a definitive agreement with respect to an acquisition or investment, and, if they do, what terms or timing of such would be or that such acquisition or disposition will be completed by the Company.

### **Operations**

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

	Massachusetts <sup>(1)</sup>	Vermont <sup>(1)</sup>	New Mexico <sup>(1)</sup>	Colorado <sup>(1)</sup>	New York <sup>(1)</sup>	Florida <sup>(1)</sup>
	<b>Mayflower Medicinals, Inc. (“Mayflower”)</b>	<b>FWR Inc. d/b/a Grassroots Vermont (“FWR”)</b>	<b>Reynold Greenleaf &amp; Associates LLC (“RGA”)</b>	<b>Organix, LLC (“Organix”)</b>	<b>Citiva Medical, LLC (“Citiva Medical”)</b>	<b>GrowHealthy Holdings, LLC (“GrowHealthy”)</b>
 <b>Type of Investment<sup>(1)</sup></b>	Equity ownership (100%)	Equity ownership (100%)	Equity ownership (24.6%)	Note 2	Equity ownership (100%)	Equity ownership (100%)
 <b>Permitted Number of Facilities</b>	3 dispensaries 1 cultivation 1 processing	2 dispensaries 1 cultivation 1 processing	Nil <sup>(3)</sup>	1 dispensary 1 cultivation	4 dispensaries 1 cultivation	25 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 Interim MD&A and the AIF.
- (2) 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 Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (the "CSA Staff Notice"). 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.
- (3) RGA currently manages three cultivation operations in Albuquerque, New Mexico totaling 13,200 square feet and four dispensary locations, also in Albuquerque.
- (4) 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 the CSA Staff Notice, see the section entitled "Regulatory Environment: Issuers with United States Cannabis-Related Assets" included in the Interim MD&A and the AIF.

## DIVIDENDS

The Company has not declared or paid dividends since incorporation and has no present intention to declare or pay any dividends in the foreseeable future. Any decision to declare or pay dividends will be made by the Company's board of directors (the "**Board of Directors**") based upon the Company's earnings, capital requirements and other conditions existing as such future time.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as at the dates indicated, adjusted to give effect to the Offering and the above noted changes, on the share and loan capital of the Company since June 30, 2018, the date of the Company's most recently filed financial statements. This table should be read in conjunction with the interim consolidated financial statements of the Company and the related notes and management's discussion and analysis of financial condition and results of operations in respect of those statements that are incorporated by reference in this Prospectus.

	<u>As at June 30, 2018</u> <u>before giving effect to the Offering</u>	<u>As at June 30, 2018 after giving</u> <u>effect to the Offering<sup>(1)</sup></u>
Common Shares <sup>(2)</sup>	49,965,055	55,153,855 <sup>(10)</sup>
Class A Shares <sup>(3)</sup>	16,973,614	16,973,614
Compensation Warrants <sup>(6)</sup>	184,478	184,478
Stock Options to purchase Common Shares <sup>(4)</sup>	3,539,500	3,539,500
Stock Options to purchase Class A Convertible Restricted Voting Shares <sup>(5)</sup>	2,325,500	2,325,500
Warrants <sup>(6)</sup>	21,277,681	21,277,681
Convertible Promissory Notes <sup>(7)</sup>	590,909	590,909

	<u>As at June 30, 2018 before giving effect to the Offering</u>	<u>As at June 30, 2018 after giving effect to the Offering<sup>(1)</sup></u>
Convertible Debentures <sup>(8)</sup>	831,303	831,303
High Yield Notes <sup>(9)</sup>	12,970,169	12,970,169
<b>Fully diluted issued and outstanding</b>	<b>108,658,209</b>	<b>113,847,009</b>

---

Notes

- (1) Assuming the Over-Allotment Option is exercised in full.
- (2) 474,580 Common Shares are held in escrow pursuant to the escrow agreements dated August 10, 2016 and August 18, 2016 among the Company, Computershare Investor Services Inc. and certain shareholders. 3,917,028 Common Shares are held in escrow pursuant to the merger agreement with GrowHealthy. 835,115 Common Shares are held in escrow pursuant to the merger agreement with Citiva. See “Escrowed Securities” in the AIF.
- (3) For a description of the rights associated with the Class A restricted voting convertible shares (the “**Class A Shares**”), see: “Description of Capital Structure – Class A Shares” in the AIF. 3,188,250 Class A Shares are held in escrow pursuant to the escrow agreements dated August 10, 2016 among the Company, Computershare Investor Services Inc. and certain shareholders. 725,906 Class A Shares are held in escrow pursuant to the merger agreement with Citiva.
- (4) On September 9, 2016, the Company issued 273,000 options that are exercisable into Common Shares at an exercise price of \$1.50 per Common Share and with an expiry date of September 9, 2026. On December 13, 2017, 62,500 of these options were cancelled. On April 2, 2018 and June 12, 2018, 100,000 and 7,500 of these options were exercised. On September 30, 2016, the Company issued 65,000 options that are exercisable into Common Shares at an exercise price of \$1.76 per Common Share and with an expiry date of September 30, 2026. On January 17, 2017, the Company issued 153,000 options that are exercisable into Common Shares at an exercise price of \$2.91 per Common Share and with an expiry date of January 17, 2027. On March 31, 2017, the Company issued 835,000 options that are exercisable into Common Shares at an exercise price of \$3.10 per Common Share and with an expiry date of March 31, 2027. On December 13, 2017, 100,000 of these options were cancelled. During the first two quarters of 2018, 270,000 of these options were cancelled. On November 21, 2017, the Company issued 339,500 options that are exercisable into Common Shares at an exercise price of \$2.25 per Common Share and with an expiry date of November 21, 2027. On March 2, 2018, the Company issued 1,886,000 options that are exercisable into Common Shares at an exercise price of \$3.56 per Common Share and with an expiry date of March 2, 2028. On April 3, 2018 and June 12, 2018, 5,000 and 17,000 of these options were exercised. On June 4, 2018, the Company issued 570,000 options that are exercisable into Common Shares at an exercise price of \$5.70 per Common Share and with an expiry date of June 4, 2028.
- (5) On November 23, 2015, the Company issued 387,500 options that are exercisable into Class A Shares at an exercise price of US\$1.00 (\$1.34 equivalent) per Class A Share and with an expiry date of November 23, 2025. On April 19, 2016 and October 30, 2016, 12,500 and 30,000 of these options were cancelled respectively. On March 7, 2016, the Company issued 165,000 options that are exercisable into Class A Shares at an exercise price of US\$1.25 (\$1.66 equivalent) per Class A Share and with an expiry date of March 7, 2026. On October 30, 2016, 20,000 of these options were cancelled. On April 19, 2016, the Company issued 100,000 options that are exercisable into Class A Shares at US\$1.25 (\$1.57 equivalent) per Class A Share and with an expiry date of April 19, 2026. On November 29, 2016, 21,250 of these options were exercised and the remainder were cancelled. On May 1, 2016, the Company issued 50,000 options that are exercisable into Class A Shares at an exercise price of US\$1.25 per (\$1.57 equivalent) Class A Share and with an expiry date of May 1, 2026. On May 11, 2016, the Company issued 360,000 options that are exercisable into Class A Shares at an exercise price of US\$1.25 (\$1.60 equivalent) per Class A Share and with an expiry date of May 11, 2026. On May 17, 2016, the Company issued 200,000 options that are exercisable into Class A Shares at an exercise price of US\$1.25 (\$1.61 equivalent) per Class A Share and with an expiry date of May 17, 2026. On May 19, 2016, the Company issued 100,000 options that are exercisable into Class A Shares at an exercise price of US\$1.25 (\$1.64 equivalent) per Class A Share and with an expiry date of May 19, 2026. On November 21, 2017, the Company issued 1,125,500 options that are exercisable into Class A Shares at an exercise price of \$2.25 per Class A Share and with an expiry date of November 21, 2027.
- (6) On February 8, 2016, the Company issued 50,000 warrants that are exercisable into Class A Shares at an exercise price of US\$1.25 (\$2.26 equivalent) per Class A Share and expire on February 8, 2021. All 50,000 of these warrants were exercised as of June 30, 2017. On February 10, 2016, the Company issued 106,061 warrants in connection with a convertible promissory note entered into on February 10, 2016. The warrants are exercisable into Class A Shares at an exercise price of US\$1.75 (\$2.26 equivalent) per Class A Share and expire on February 10, 2019. An additional 169,697 warrants were issued in connection with a convertible promissory note entered into on February 24, 2016. The warrants are exercisable into Class A Shares at an exercise price of US\$1.75 (\$2.26 equivalent) per Class A Share and expire on February 24, 2019. On November 18, 2016, the Company issued 5,120,260 warrants pursuant to a bought deal offering and a non-brokered private placement of units of the Company. Each unit consisted of one Common Share and one-half of one warrant and each whole

warrant is exercisable at an exercise price of \$3.00 and expire November 18, 2017. 66,700 of these warrants were exercised, while the remaining 5,053,560 warrants expired. The Company issued 756,909 broker warrants pursuant to the bought deal offering that closed on November 18, 2016, which broker warrants expire on November 18, 2018. The broker warrants are exercisable at \$2.10 into one Common Share and one-half warrant with each whole warrant being exercisable at \$3.00 until November 18, 2018. On May 4, 2017, 197,455 broker warrants were exercised and as a result, 98,727 warrants were issued. On October 11, 2017, the Company issued a total of 267,000 warrants to lenders in connection with unsecured promissory notes in the aggregate principal amount of US\$3,000,000. Each warrant entitles the holder to acquire one Common Share at a price of \$2.65 per Common Share until October 11, 2019. If the Company did not repay such promissory notes on or before November 10, 2017, then the Company was required to issue the lenders a further 133,500 warrants. The Company did not repay the promissory notes on or before November 10, 2017; accordingly, the Company issued a further 133,500 warrants at an exercise price of \$2.03 per Common Share. Such warrants are exercisable until November 10, 2019. On November 21, 2017, the Company issued 495,074 warrants to agents in connection with the public offering of 7,072,500 Common Shares. Each warrant entitles the holder to acquire one Common Share at a price of \$1.70 per Common Share until November 21, 2019. As at June 30, 2018, 476,287 of these warrants had been exercised. On November 21, 2017, the Company issued 66,260 warrants to consultants in connection with the \$3,733,000 non-brokered private placement. Each warrant entitles the holder to acquire one Common Share at a price of \$1.70 per Common Share until November 21, 2019. As at June 30, 2018, 28,000 of these warrants had been exercised. On January 17, 2018, the Company issued 100,000 warrants to an agent in connection with merger and acquisition advisory activities. Each warrant entitles the holder to acquire one Common Share at a price of \$3.21 per Common Share until January 17, 2020. On January 17, 2018, the Company issued 10,040,000 warrants to in connection with the issuance of US\$20,000,000 of convertible debentures. Each warrant entitles the holder to acquire one Common Share at a price of \$2.47 per Common Share until January 17, 2021. On May 14, 2018, the Company issued 3,891,051 warrants to in connection with the issuance of US\$10,000,000 of 3,891,051 units of the Company, where each unit is comprised of one Class A Share of the Company and one warrant. Each warrant entitles the holder to acquire one Common Share at a price of \$4.93 per Common Share until May 14, 2021. On May 14, 2018, the Company issued 6,670,372 warrants to in connection with the issuance of US\$40,000,000 of high yield notes. Each warrant entitles the holder to acquire one Common Share at a price of \$4.60 per Common Share until May 14, 2021.

- (7) In February 2016, the Company issued two unsecured convertible promissory notes for a total principal amount of US\$1,300,000. The unsecured convertible promissory notes, which are convertible at prices ranging from US\$1.00 to US\$1.65 per share, contingent on certain milestones being met, bear interest at 8.0% per annum.
- (8) On February 28, 2017, the Company closed a brokered private placement of unsecured convertible debentures (the “**Convertible Debentures**”) in the aggregate principal amount of \$20,000,000. The Convertible Debentures bear interest at 8.0% per annum, payable semi-annually on the last day of February and August of each year. The Convertible Debentures are convertible at the option of the holder into Common Shares at any time prior to the close of business on the maturity date at a conversion price of \$3.10 per common share (the “**Conversion Price**”). The Company may force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on 30 days prior written notice should the daily volume weighted average trading price of the Common Shares be greater than \$4.50 for any 10 consecutive trading days.
- (9) On May 14, 2018, the Company issued US\$40,000,000 high yield secured notes to Gotham Green Partners. The high yield notes accrue interest at 13%, have a three-year maturity, and are convertible into shares of the Company at US\$3.08 per share (\$3.94 equivalent)
- (10) Includes over-allotment of 676,800 Common Shares.

There have been no material changes to the Company’s share and loan capitalization on a consolidated basis since June 30, 2018 except as disclosed in “Description of the Business – Recent Developments”.

#### USE OF PROCEEDS

Assuming no exercise of the Over-Allotment Option (in whole or in any part), the net proceeds of the Offering, after deducting the Underwriters’ Fee and the estimated expenses of the Offering of \$250,000, are estimated to be \$27,654,464. The net proceeds of the Offering are currently intended to be used for capital projects and general corporate purposes. Specifically, the Company expects to use the net proceeds of the Offering for the following purposes:

Project	Timeline	Milestone	Allocation of Net Proceeds
GrowHealthy (Florida) <sup>(1)</sup>	Next 12 months	Facility and dispensary build-out and associated operating costs.	\$11,000,000 <sup>(3)(4)</sup>
Citiva (New York) <sup>(2)</sup>	Next 12 months	Facility and dispensary build-	\$10,300,000 <sup>(3)(5)</sup>

<u>Project</u>	<u>Timeline</u>	<u>Milestone</u>	<u>Allocation of Net Proceeds</u>
		outs and associated operating costs.	
General corporate purposes	Next 12 months	Not applicable.	\$6,354,464
		<b>Total</b>	<b>\$27,654,464</b>

Notes:

- (1) See: "Description of Business – Recent Developments – Acquisition of GrowHealthy".
- (2) See: "Description of Business – Recent Developments – Acquisition of Citiva Medical, LLC and Citiva, LLC.
- (3) (a) Funds expected for next 12 months; (b) \$21,300,000 costs for stated objectives; and (c) \$6,354,464 other material costs. The \$6,354,464 for other material costs is expected to be drawn down from the budget allocation for general corporate purposes.
- (4) The proceeds allocated to GrowHealthy are expected to be used towards: (a) the US\$5,000,000 to US\$7,000,000 (approximately \$6,450,000 to \$9,030,000 based on a currency exchange of US\$1.00 = CDN\$1.29009) in capital expenditures to expand the cultivation facility and extraction lab, (b) US\$1,000,000 (approximately \$1,290,000 based on the foregoing currency exchange rate) on the capital expenditure build-out of the first three dispensaries which the Company expects to open in December 2018 and approximately \$680,000 in operating costs associated with those build-outs. The expansion of the extraction lab is expected to add 15,000 square feet to the existing 900 square feet of lab space. This upgraded extraction lab is expected to provide additional production capacity to meet the projected demand upon the opening of the Company's dispensaries at the end of the fourth quarter of 2018 and 2019. The three dispensaries expected to open in December, 2018 will be the first dispensaries for the Company in Florida and are expected to allow the Company to secure its position in the Florida markets. These dispensaries are expected to achieve the Company's goal of increasing revenues and growing its patient base. As of the date hereof, the Company has spent approximately US\$1,250,000 to date in capital expenditures on the cultivation facility and the first of three dispensaries.
- (5) The proceeds allocated to Citiva are expected to be used to complete the build-out of the Brooklyn, New York (Warwick) cultivation facility and the build-out of the dispensaries, along with the associated operating costs. The build-out costs are expected to be approximately US\$7,500,000 (approximately \$9,675,675 based on a currency exchange of US\$1.00 = CDN\$1.29009) and the associated operating costs as part of the build-out are expected to be US\$485,000 (approximately \$625,325 based on a currency exchange of US\$1.00 = CDN\$1.29009). The Warwick cultivation facility is expected to produce, on an annual basis, an estimated 2,400 kilograms of medical cannabis. The Company's first dispensary is expected to be opened in November, 2018 and will be Citiva's flagship dispensary and will secure a strong position in the New York market. The Company's dispensary in Brooklyn, alongside the other three dispensaries the Company expects to build in 2019 will secure a strong position in the New York market. The Brooklyn location, alongside the remaining three dispensaries that are expected to be built, are expected to achieve the Company's goal of generating revenues in New York and increasing patient count. For the avoidance of doubt, the \$10,300,000 allocation of net proceeds is for the expected build-outs and associated operating of those build-outs. As of the date hereof, the Company has spent approximately US\$2,000,000 to date in capital expenditures on expansion of the cultivation facility and the Brooklyn dispensary.

If the Over-Allotment is exercised, the Company will use the additional proceeds for working capital.

During the fiscal year ended December 31, 2017 and the six-month period ended June 30, 2018, the Company had negative operating cash flow. If the Company continues to have negative cash flow in the future, the net proceeds of the Offering may be allocated to fund this negative cash flow in conjunction with the operational expenses listed above. Taking into account the Offering, Management believes that: the Company has sufficient working capital to continue operations for the next 12 months. As at the date of this Prospectus, and not including the proceeds from the Offering, the Company's consolidated cash balance is US\$15,965,375, of which US\$10,693,153 is unrestricted and US\$5,272,222 is held in escrow in connection with the Gotham Green Financing. As at August 31, 2018, the most recent working capital balance available, the Company's working capital balance was US\$26,009,788.

While the Company currently anticipates that it will use the net proceeds of the Offering as set forth above, the Company may re-allocate the net proceeds of the Offering from time to time, giving consideration to its strategy relative to the market, development and changes in the industry and regulatory landscape, as well as other conditions relevant at the applicable time. Until utilized, the net proceeds of the Offering will be held in cash balances in the Company's bank account or invested at the discretion of the Board of Directors. Management will have discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditure. See "Risk Factors".

## PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Company has agreed to sell and the Underwriters have agreed to purchase, or find substituted purchasers for, on the Closing Date, the Initial Shares at the Offering Price, payable in cash to the Company against delivery. The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Initial Shares if any of the securities are purchased under the Underwriting Agreement. The Offering Price was determined by negotiation between the Company and the Lead Underwriter. The Underwriters have reserved the right to form a selling group of appropriately registered dealers and brokers, with compensation to be negotiated between the Underwriters and such selling group participants, but at no additional cost to the Company.

The Company has also granted the Underwriters the Over-Allotment Option, exercisable in whole or in part in the sole discretion of the Underwriters for a period of 30 days following the Closing Date, to purchase up to 676,800 Additional Shares to cover over-allotments, if any, and for market stabilization purposes. This Prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Additional Shares issuable upon exercise of the Over-Allotment Option. A purchaser who acquires securities forming part of the Underwriters' over-allocation position acquires those securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Pursuant to the Underwriting Agreement, the Company has agreed to pay to the Underwriters the Underwriters' Fee which is equal to 7% of the gross proceeds from the issue and sale of the Offered Shares (including in respect of any exercise of the Over-Allotment Option), subject to a reduced fee of 3.5% for Offered Shares sold by the Underwriters to certain purchasers on the President's List. The commission was reduced from 7% to 3.5% owing to the fact that the investors were identified by the Company. The Underwriters are entitled to a reduced commission due to: (i) the conducting of a suitability assessment and (ii) the associated costs of running the book for the Offering. An aggregate of 115,000 Common Shares are expected to be allocated to purchasers under the President's List. The Company has also agreed to reimburse the Underwriters for their reasonable out-of-pocket fees and expenses, including the fees and expenses of their legal counsel whether or not the Offering is completed.

The Underwriters reserve the right to offer selling group participation, in the normal course of the brokerage business, to selling groups of other licensed broker-dealers, brokers or investment dealers, who may or may not be offered part of the Underwriters' Fee.

The Offered Shares will be offered in each of the provinces of Canada (except Québec) through the Underwriters or their affiliates who are registered to offer the Offered Shares for sale in such provinces and such other registered dealers as may be designated by the Underwriters. Subscriptions for the Offered Shares will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about Closing Date, but in any event no later than the date that is 42 days from the date of the receipt for the final short form prospectus. The Offering will be conducted under the book-based system. A purchaser of Offered Shares will receive only a customer confirmation from the registered dealer from or through which the Offered Shares are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Offered Shares on behalf of owners who have purchased Offered Shares in accordance with the book-based system.

Pursuant to policies of certain Canadian securities regulatory authorities, the Underwriters may not, throughout the period of distribution under the Offering, bid for or purchase Common Shares for its own accounts or for accounts over which it exercises control or direction. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Common Shares. These exceptions include a bid or purchase permitted under Universal Market Integrity Rules for Canadian marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities, and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing, the Underwriters may effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

These stabilizing transactions and syndicate covering transactions may have the effect of preventing or mitigating a decline in the market price of the Common Shares, and may cause the price of the Offered Shares to be higher than would otherwise exist in the open market absent such stabilizing activities. As a result, the price of the Offered Shares may be higher than the price that might otherwise exist in the open market. These transactions, if commenced, may be discontinued at any time.

The Company has agreed, pursuant to the Underwriting Agreement, to indemnify the Underwriters and their respective affiliates and their respective directors, officers, employees, shareholders, partners, advisors and agents and each other person, if any, controlling the respective Underwriters or their respective affiliates and against certain liabilities, including liabilities under Canadian securities legislation in certain circumstances or to contribute to payments the Underwriters may have to make because of such liabilities.

The Company has applied to list the Common Shares to be distributed under this Prospectus on the CSE. Listing will be subject to the Company fulfilling all of the requirements of the CSE.

The Company has agreed, subject to certain limited exceptions, not to directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or any securities convertible into or exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Company for a period of 90 days after the Closing Date, without the prior written consent of the Lead Underwriter, on behalf of the Underwriters, such consent not to be unreasonably withheld, except in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Company and other share compensation arrangements; (ii) the exercise of outstanding warrants or conversion of the Company's secured senior notes or other outstanding securities; (iii) obligations of the Company in respect of existing agreements; or (iv) the issuance of securities by the Company in connection with property and share acquisitions.

As a condition of closing of the Offering, each of the senior officers and directors of the Company will enter into agreements in favour of the Underwriters pursuant to which each will agree not to, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or other securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Company for a period of 30 days following the Closing Date, without the prior written consent of the Lead Underwriter, on behalf of the Underwriters, such consent not to be unreasonably withheld except in order to accept a bona fide take-over bid made to all securityholders of the Company or similar business combination transaction. Notwithstanding the foregoing, it has been agreed that the foregoing restrictions shall not apply to the Class A restricted voting convertible shares of the Company previously pledged by Hadley Ford.

## **United States**

The Offered Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws, and the Offered Shares may not be offered, sold or delivered, directly or indirectly, to, or for the account or benefit of, persons in the United States or United States persons (as defined in Regulation S under the U.S. Securities Act) ("**U.S. Persons**"), except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriters have agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable United States federal and state securities laws, they will not offer or sell any of the Offered Shares to, or for the account or benefit of, persons in the United States or U.S. Persons. The Underwriting Agreement permits the Underwriters to offer the Offered Shares outside the United States to non-U.S. Persons in compliance with Regulation S under the U.S. Securities Act. The Underwriting Agreement also permits the Underwriters, acting through their registered United States broker dealer affiliates, to offer and resell the Offered Shares in the United States to (a) Qualified Institutional Buyers, provided such offers and sales are made in accordance with Rule 144A under the U.S. Securities Act, (b) to "accredited investors", within the meaning of Rule 501(a) of Regulation D under the U.S. Securities Act ("**Regulation D**"), provided such offers and sales are made in accordance with Rule 506(b) of Regulation D, and (c) in either case, in compliance with similar exemptions under applicable state securities laws. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Offered Shares to, or for the account or benefit of, persons in the United

States or U.S. Persons. In addition, until 40 days after the commencement of the Offering, an offer or sale of such securities within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act, unless such offer or sale is made pursuant to an exemption from registration under the U.S. Securities Act.

Terms used and not otherwise defined in the three preceding paragraphs shall have the meanings ascribed to them by Regulation S under the U.S. Securities Act.

### **Australian Matters**

The Offering will only be made in Australia to investors to whom an offer of securities does not need disclosure under Part 6D.2 of the Corporations Act 2001 (Commonwealth) (the “**Corporations Act**”) and is only being made to institutions and other investors to whom the securities may lawfully be offered under Australian securities laws, being investors falling within section 708(8) or section 708(11) of the Corporations Act. This document is not a prospectus, disclosure document or product disclosure statement within the meaning of the Corporations Act and does not constitute, in respect of any investor in Australia (other than investors referred to in the previous sentence), an invitation to subscribe for or buy any securities or an offer for subscription or purchase of any securities or a solicitation to engage in or refrain from engaging in any transaction.

### **Hong Kong Matters**

The Offered Shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (“**Companies (Winding Up and Miscellaneous Provisions) Ordinance**”) or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“**Securities and Futures Ordinance**”), or (ii) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the Offered Shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Common Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

### **Pricing of the Offering**

The Offering Price was determined based upon arm’s length negotiations between the Company and the Lead Underwriter, on its own behalf and on behalf of the Underwriters. Among the factors considered in determining the Offering Price were the following:

- the market price of the Common Shares;
- prevailing market conditions;
- historical performance and capital structure of the Company;
- estimates of the business potential and earnings prospects of the Company;
- availability of comparable investments;
- an overall assessment of management of the Company; and
- the consideration of these factors in relation to market valuation of companies in related businesses.

## ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES

Certain directors and officers of the Company, along with a named expert, reside outside of Canada. Such directors, officers, and expert named below have appointed the following agents for service of process:

Name of Director/Foreign Entity	Name and Address of Agent
Hadley Ford	Baron Global Financial Ltd., Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada
Randy Maslow	Baron Global Financial Ltd., Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada
Richard Boxer	Baron Global Financial Ltd., Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada
Wysocki Justus, P.C.	iAnthus Capital Holdings, Inc., Suite 2740, 22 Adelaide Street West, Toronto, Ontario, M5H 4E3, Canada

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

## DESCRIPTION OF SECURITIES BEING DISTRIBUTED

### Common Shares

The Company is authorized to issue an unlimited number of Common Shares without par value. Each Common Share carries the right to attend and vote at all general meetings of shareholders. As at October 2, 2018, 52,411,650 Common Shares were issued and outstanding. Holders of Common Shares are entitled to dividends, if any, as and when declared by the directors, to one vote per Common Share at meetings of shareholders and, upon liquidation, dissolution or winding-up of the Company, to share pro rata the remaining assets of the Company as are distributable to holders of Common Shares. The Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

### PRIOR SALES

For the 12-month period before the date of this Prospectus, the Company issued the following Common Shares and securities convertible into Common Shares:

Date of Issuance	Number of Common Shares Issued	Issue/Exercise Price
November 8, 2017	48,387 Common Shares <sup>(1)</sup>	\$3.10
November 21, 2017	6,150,000 Common Shares <sup>(2)</sup>	\$1.70
November 21, 2017	922,500 Common Shares <sup>(2)</sup>	\$1.70
November 21, 2017	2,182,491 Common Shares <sup>(2)</sup>	\$1.70
November 27, 2017	495,000 Common Shares <sup>(2)</sup>	\$1.70
January 4, 2018	132,258 Common Shares <sup>(1)</sup>	\$3.10
January 5, 2018	51,612 Common Shares <sup>(1)</sup>	\$3.10
January 8, 2018	66,129 Common Shares <sup>(1)</sup>	\$3.10
January 10, 2018	161,290 Common Shares <sup>(1)</sup>	\$3.10
January 17, 2018	12,103,172 Common Shares <sup>(3)</sup>	\$3.21
January 18, 2018	120,967 Common Shares <sup>(1)</sup>	\$3.10
January 19, 2018	32,258 Common Shares <sup>(1)</sup>	\$3.10
January 22, 2018	145,161 Common Shares <sup>(1)</sup>	\$3.10

<b>Date of Issuance</b>	<b>Number of Common Shares Issued</b>	<b>Issue/Exercise Price</b>
January 23, 2018	96,774 Common Shares <sup>(1)</sup>	\$3.10
January 24, 2018	61,290 Common Shares <sup>(1)</sup>	\$3.10
January 25, 2018	161,290 Common Shares <sup>(1)</sup>	\$3.10
January 26, 2018	75,806 Common Shares <sup>(1)</sup>	\$3.10
January 29, 2018	211,935 Common Shares <sup>(1)</sup>	\$3.10
January 30, 2018	121,212 Common Shares <sup>(5)</sup>	\$2.06
January 30, 2018	691 Common Shares <sup>(4)</sup>	\$2.06
January 30, 2018	81,794 Common Shares <sup>(6)</sup>	\$1.70
January 30, 2018	32,258 Common Shares <sup>(1)</sup>	\$3.10
January 31, 2018	9,677 Common Shares <sup>(1)</sup>	\$3.10
February 1, 2018	1,146,428 Common Shares <sup>(7)</sup>	\$3.16
February 02, 2018	203,548 Common Shares <sup>(1)</sup>	\$3.10
February 05, 2018	120,967 Common Shares <sup>(1)</sup>	\$3.10
February 07, 2018	460,727 Common Shares <sup>(17)</sup>	\$2.10
February 07, 2018	237,737 Common Shares <sup>(6)</sup>	\$1.70
February 10, 2018	12,220 Common Shares <sup>(8)</sup>	\$2.08
February 13, 2018	364,516 Common Shares <sup>(1)</sup>	\$3.10
February 14, 2018	19,354 Common Shares <sup>(1)</sup>	\$3.10
February 16, 2018	32,580 Common Shares <sup>(1)</sup>	\$3.10
March 5, 2018	63,665 Common Shares <sup>(1)</sup>	\$3.10
March 5, 2018	851 Common Shares <sup>(4)</sup>	\$2.14
March 7, 2018	61,457 Common Shares <sup>(9)</sup>	\$2.13
March 14, 2018	103,548 Common Shares <sup>(1)</sup>	\$3.10
April 2, 2018	100,000 Common Shares <sup>(10)</sup>	\$1.50
April 10, 2018	56,819 Common Shares <sup>(11)</sup>	\$2.50
April 10, 2018	160,000 Common Shares <sup>(12)</sup>	\$3.31
April 13, 2018	209,677 Common Shares <sup>(1)</sup>	\$3.10
April 16, 2018	6,451 Common Shares <sup>(1)</sup>	\$3.10
April 17, 2018	1,655,734 Common Shares <sup>(13)</sup>	\$3.04
April 17, 2018	64,516 Common Shares <sup>(1)</sup>	\$3.10
April 18, 2018	125,161 Common Shares <sup>(1)</sup>	\$3.10
April 19, 2018	427,096 Common Shares <sup>(1)</sup>	\$3.10
April 20, 2018	112,903 Common Shares <sup>(1)</sup>	\$3.10
May 3, 2018	1,723,271 Common Shares <sup>(7)</sup>	\$3.31
May 9, 2018	80,645 Common Shares <sup>(1)</sup>	\$3.10
May 14, 2018	96,774 Common Shares <sup>(1)</sup>	\$3.10
May 15, 2018	11,930 Common Shares <sup>(6)</sup>	\$1.70
May 17, 2018	1,290,322 Common Shares <sup>(1)</sup>	\$3.10
May 28, 2018	32,258 Common Shares <sup>(1)</sup>	\$3.10
May 30, 2018	34,193 Common Shares <sup>(1)</sup>	\$3.10

<b>Date of Issuance</b>	<b>Number of Common Shares Issued</b>	<b>Issue/Exercise Price</b>
June 6, 2018	240,322 Common Shares <sup>(1)</sup>	\$3.10
June 8, 2018	18,076 Common Shares <sup>(6)</sup>	\$1.70
June 14, 2018	48,387 Common Shares <sup>(1)</sup>	\$3.10
June 15, 2018	16,129 Common Shares <sup>(1)</sup>	\$3.10
June 18, 2018	80,645 Common Shares <sup>(1)</sup>	\$3.10
June 20, 2018	127,319 Common Shares <sup>(6)</sup>	\$1.70
June 22, 2018	200,000 Common Shares <sup>(1)</sup>	\$3.10
June 25, 2018	150,000 Common Shares <sup>(14)</sup>	N/A
June 26, 2018	23,500 Common Shares <sup>(15)</sup>	\$6.65
June 26, 2018	42,400 Common Shares <sup>(12)</sup>	\$7.00
July 25, 2018	28,064 Common Shares <sup>(1)</sup>	\$3.10
July 25, 2018	7,500 Common Shares <sup>(16)</sup>	\$1.50
July 27, 2018	11,420 Common Shares <sup>(8)</sup>	\$2.15
July 27, 2018	80,000 Common Shares <sup>(14)</sup>	N/A
August 2, 2018	9,354 Common Shares <sup>(1)</sup>	\$3.10
August 3, 2018	5,000 Common Shares <sup>(16)</sup>	\$3.56
August 3, 2018	17,500 Common Shares <sup>(6)</sup>	\$1.70
August 7, 2018	100,000 Common Shares <sup>(10)</sup>	\$3.21
August 9, 2018	82,258 Common Shares <sup>(1)</sup>	\$3.10
August 10, 2018	108,064 Common Shares <sup>(1)</sup>	\$3.10
August 10, 2018	12,580 Common Shares <sup>(1)</sup>	\$3.10
August 10, 2018	12,022 Common Shares <sup>(4)(8)</sup>	\$2.06
August 13, 2018	72,580 Common Shares <sup>(1)</sup>	\$3.10
August 14, 2018	179,032 Common Shares <sup>(1)</sup>	\$3.10
August 15, 2018	303,364 Common Shares <sup>(4)</sup>	\$2.06
August 15, 2018	290,782 Common Shares <sup>(8)</sup>	\$2.06
August 15, 2018	58,709 Common Shares <sup>(1)</sup>	\$3.10
August 16, 2018	290,935 Common Shares <sup>(1)</sup>	\$3.10
September 7, 2018	27,431 Common Shares <sup>(6)</sup>	\$1.70
September 28, 2018	750,000 Common Shares <sup>(14)</sup>	N/A

Notes:

- (1) Issued pursuant to the conversion of convertible debentures issued on February 28, 2017.
- (2) Issued pursuant to the November 2017 public offering and a non-brokered private placement of units of the Company, which includes the issuance of 922,500 of Common Shares upon exercise of the over-allotment option granted to the agents.
- (3) Issued pursuant to the acquisition of GrowHealthy.
- (4) Issued pursuant to the conversion of outstanding interest of a convertible promissory note issued on February 24, 2016.
- (5) Issued as payment of principal in the amount of \$200,000 pursuant to convertible promissory note issued on February 24, 2016.
- (6) Issued pursuant to the exercise of broker warrants related to the November 2017 public offering and non-brokered private placement.
- (7) Issued pursuant to the acquisition of Citiva.
- (8) Issued pursuant to the conversion of outstanding interest of a convertible promissory note signed on February 10, 2016.

- (9) Issued as payment of principal in the amount of \$100,000 plus accrued interest pursuant to convertible promissory note issued on February 24, 2016.
- (10) Issued pursuant to the exercise of consultant's options and warrants.
- (11) Issued pursuant to the acquisition of all the membership interests in Pakalolo, LLC, a Vermont limited liability company.
- (12) Issued pursuant to various consulting and advisory services provided to the Company.
- (13) Issued pursuant to the acquisition of the remaining 20% ownership interest in Pilgrim Rock Management, LLC.
- (14) Issued pursuant to the conversion of Class A shares into Common Shares. For a description of the rights associated with the Class A restricted voting convertible shares. See "Description of Capital Structure - Class A Shares" in the AIF.
- (15) Issued pursuant to a settlement of a loan agreement related to the Citiva acquisition.
- (16) Issued upon exercise of stock options granted under the Company's stock option plan.
- (17) Issued pursuant to the exercise of broker warrants related to the November 2016 bought deal financing.

<b>Date of Issuance</b>	<b>Number of Warrants Issued</b>	<b>Exercise Price (CAD)</b>
October 11, 2017	267,000 <sup>(1)</sup>	\$2.65
November 10, 2017	133,500 <sup>(1)</sup>	\$2.03
November 21, 2017	495,074 <sup>(2)</sup>	\$1.70
November 21, 2017	45,260 <sup>(3)</sup>	\$1.70
November 27, 2017	21,000 <sup>(3)</sup>	\$1.70
January 17, 2018	100,000 <sup>(4)</sup>	\$3.21
January 17, 2018	10,040,000 <sup>(5)</sup>	\$2.47
May 14, 2018	3,891,051 <sup>(6)</sup>	\$4.93
May 14, 2018	6,670,372 <sup>(7)</sup>	\$4.60

Notes:

- (1) The Company issued 267,000 lender warrants pursuant to four unsecured promissory notes for an aggregate principal amount of US\$3,000,000. Each lender warrant is exercisable into one Common Share at an exercise price of \$2.65 for a period expiring on October 11, 2019. The Company issued a further 133,500 Common Share purchase warrants at an exercise price of \$2.03 per Common Share in connection with the four unsecured promissory notes. Such warrants expire on November 10, 2019. See: "Description of Business – Recent Developments – Acquisition of GrowHealthy".
- (2) Issued pursuant to the Company's public offering in November 2017. Each warrant is exercisable into one Common Share at an exercise price of \$1.70 for a period expiring 24 months from the date of issuance.
- (3) Issued pursuant to the Company's private placement in November 2017. Each warrant is exercisable into one Common Share at an exercise price of \$1.70 for a period expiring 24 months from the date of issuance.
- (4) Issued pursuant to various consulting and advisory services provided to the Company.
- (5) Issued pursuant to US\$20 million convertible debenture issued to VCP Bridge, LLC on January 17, 2018, which was repaid in full on May 17, 2018.
- (6) Issued pursuant to the US\$10 million aggregate financing as part of the Gotham Green Financing.
- (7) Issued pursuant to the issuance of the Gotham Green Notes.

<b>Date of Issuance</b>	<b>Number of Options Issued</b>	<b>Exercise Price (CAD)</b>
November 21, 2017	1,465,000 Stock Options <sup>(1)</sup>	\$2.25
March 2, 2018	1,886,000 Stock Options <sup>(1)</sup>	\$3.56
June 4, 2018	570,000 Stock Options <sup>(1)</sup>	\$5.70

Notes:

- (1) Granted pursuant to the Company's stock option plan.

<b>Date of Issuance</b>	<b>Number of Debentures Issued</b>	<b>Conversion Price (CAD)</b>
May 14, 2018	US\$40,000,000 of Debentures <sup>(1)</sup>	\$3.94

Notes:

- (1) 13% high yield senior secured notes maturing on May 14, 2021 and exchangeable into shares of the Company at a conversion price of \$3.94 per share. See “Description of Business – Recent Developments”.

<u>Date of Issuance</u>	<u>Number of Class A Shares</u>	<u>Issue Price (CAD)</u>
February 1, 2018	1,977,563 <sup>(1)</sup>	\$3.21
May 14, 2018	3,891,051 <sup>(2)</sup>	\$3.31

Notes:

- (1) Issued pursuant to the acquisition of Citiva.  
(2) Issued pursuant to the Gotham Green Financing.

### TRADING PRICE AND VOLUME

The Common Shares are listed on the CSE under the trading symbol “IAN”. The following tables set forth information relating to the trading of the Common Shares on the CSE for the months indicated<sup>(1)</sup>.

<u>Month</u>	<u>CSE Price Range</u>		<u>CSE</u>
	<u>High</u>	<u>Low</u>	<u>Total Volume</u>
September 2017	\$3.00	\$2.57	580,190
October 2017	\$2.75	\$1.70	4,688,040
November 2017	\$2.25	\$1.87	4,656,300
December 2017	\$2.68	\$1.90	2,259,890
January 2018	\$6.39	\$2.45	12,391,540
February 2018	\$5.10	\$2.95	6,141,300
March 2018	\$3.81	\$2.87	3,753,450
April 2018	\$4.64	\$2.91	5,558,710
May 2018	\$5.32	\$4.12	3,419,230
June 2018	\$7.89	\$5.04	8,436,330
July 2018	\$6.95	\$5.67	2,431,210
August 2018	\$7.60	\$5.97	6,335,560
September 2018	\$7.98	\$7.54	10,848,874
October 1 – 2, 2018	\$9.49	\$6.55	386,287

Notes:

- (1) The source of all trading data is as disclosed at [www.tsx.com](http://www.tsx.com).

### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McMillan LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, the following is, as at the date of this Prospectus, a summary of certain Canadian federal income tax considerations under the Tax Act generally applicable to an investor who acquires Common Shares pursuant to the Offering and who, for the purposes of the Tax Act and at all relevant times, (i) deals at arm’s length with the Company and the Underwriters, (ii) is not affiliated with the Company, any of the Underwriters or a subsequent purchaser of the Common Shares, and (iii) acquires and holds the Common Shares as capital property (a “Holder”).

Generally, Common Shares will be considered to be capital property of a Holder thereof provided that the Holder does not hold or use such shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a “financial institution” for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a “specified financial institution” as defined in the Tax Act; (iii) an interest in which would be a “tax shelter investment” as defined in the Tax Act; (iv) that has made a functional currency reporting election under the Tax Act; or (v) that has entered into or will enter into a “derivative forward agreement” or “synthetic disposition arrangement”, as such terms are defined in the Tax Act, with respect to the Common Shares. Such Holders should consult their own tax advisors.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada for purposes of the Tax Act and is or becomes, or does not deal at arm’s length with a corporation resident in Canada for purposes of the Tax Act that is or becomes, as part of a transaction or event or series of transactions or events that includes the acquisition of the Common Shares, controlled by a non-resident corporation for purposes of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors with respect to the consequences of acquiring Common Shares.

The Company is a Canadian corporation for purposes of the Tax Act. As referenced under “Certain United States Federal Income Tax Considerations” and “Risk Factors – Risk Generally Related to the Company – United States tax classification of the Company”, the Company is also classified as a U.S. domestic corporation for United States federal income tax purposes, with related consequences and potential consequences to the Company and its shareholders. Accordingly, Holders should also review the discussion under “Certain United States Federal Income Tax Considerations” and “Risk Factors – Risk Generally Related to the Company – United States tax classification of the Company”, and consult with their own tax advisors in this regard.

This summary is based upon the facts set out in this Prospectus, the current provisions of the Tax Act in force as of the date hereof and our understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”). This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”) and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations (except where specifically referenced below), which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary. This summary is also based on the summaries contained in “Certain United States Federal Income Tax Considerations” and “Risk Factors – Risk Generally Related to the Company – United States tax classification of the Company”.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Holders should consult their own tax advisors with respect to their particular circumstances.

### **Resident Holders**

The following section of this summary applies to Holders who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times (“**Resident Holders**”). Certain residents of Canada whose Common Shares might not otherwise constitute capital property may, in certain circumstances, be entitled to make an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Common Shares, and every other “Canadian security” as defined in the Tax Act, held by such persons, in the taxation year of the election and each subsequent taxation year to be capital property. Resident Holders should consult their own tax advisors regarding this election.

### ***Dividends***

Dividends received or deemed to be received on the Common Shares will be included in computing a Resident Holder’s income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-

up and dividend tax credit rules normally applicable in respect of “taxable dividends” received from “taxable Canadian corporations” (as defined in the Tax Act), including the enhanced dividend tax credit in respect of “eligible dividends”, if any, so designated by the Company to the Resident Holder in accordance with the provisions of the Tax Act. There may be restrictions on the Company’s ability to so designate any dividends as “eligible dividends”, and the Company has made no commitments in this regard.

Dividends received or deemed to be received by a corporation that is a Resident Holder on the Common Shares must be included in computing its income but generally will be deductible in computing its taxable income, subject to all limitations under the Tax Act. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a “private corporation” (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a tax under Part IV of the Tax Act (refundable in certain circumstances) on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing taxable income.

As described under “Certain United States Federal Income Tax Considerations”, a Resident Holder may be subject to United States withholding tax on dividends received on the Common Shares. In general terms, withholding tax paid by or on behalf of a Resident Holder may be eligible for foreign tax credit or foreign tax deduction treatment under the Tax Act. However, a foreign tax credit under the Tax Act in respect of tax (including withholding tax) paid to a foreign country is, in general terms, limited to the Canadian tax otherwise payable in respect of income from sources in that foreign country, and is subject to the other requirements of the Tax Act (including the general limitation that a foreign tax credit in respect of withholding tax on dividends is generally limited to 15% of the gross amount of such dividends). Dividends received on the Common Shares by a Resident Holder may not be treated as income from a source in the United States for these purposes. Resident Holders should consult their own tax advisors regarding the availability of a foreign tax credit, or deduction, under the Tax Act in respect of any United States withholding tax applicable to dividends on the Common Shares in their particular circumstances. See also “Risk Factors – Risk Generally Related to the Company – United States tax classification of the Company”.

### *Dispositions of Common Shares*

Upon a disposition (or a deemed disposition) of a Common Share, a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such Common Share to the Resident Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading “Capital Gains and Capital Losses”.

The adjusted cost base of Common Shares acquired by a Resident Holder hereunder will be determined by averaging the cost to the Resident Holder of such Common Shares with the adjusted cost base of all other Common Shares held by the Resident Holder as capital property immediately before such acquisition.

### *Capital Gains and Capital Losses*

Generally, a Resident Holder is required to include in computing income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Common Shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such Common Shares or shares substituted for such shares, to the extent and in the circumstances specified in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust

that owns Common Shares, directly or indirectly, through a partnership or trust. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a special tax (refundable in certain circumstances) on its “aggregate investment income” (as defined in the Tax Act) for the year which generally includes taxable capital gains.

As described under “Certain United States Federal Income Tax Considerations”, a Resident Holder may be subject to United States tax on a gain realized in respect of a disposition of Common Shares in certain circumstances. A foreign tax credit under the Tax Act in respect of tax paid to a foreign country is, in general terms, limited to the Canadian tax otherwise payable in respect of income from sources in that foreign country, and is subject to the other requirements of the Tax Act. Gains realized on the disposition of Common Shares by a Resident Holder may not be treated as income from a source in the United States for these purposes, Resident Holders should consult their own tax advisors in this regard based on their particular circumstances.

### ***Minimum Tax***

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act. Resident Holders should consult their own advisors with respect to the application of the minimum tax.

### **Non-Resident Holders**

The following section of this summary is generally applicable to Holders who, for the purposes of the Tax Act, (i) have not been and will not be deemed to be resident in Canada at any time while they hold Common Shares and (ii) do not use or hold, and are not deemed to use or hold, Common Shares in the course of carrying on a business in Canada at any relevant time (“**Non-Resident Holders**”).

Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere. Such Holders should consult their own tax advisors.

### ***Dividends***

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Company are subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty. Under the *Canada-United States Income Tax Convention (1980)* (the “**U.S. Treaty**”) as amended, for example, the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the U.S. Treaty and entitled to benefits under the Treaty (a “**U.S. Holder**”) is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a company beneficially owning at least 10% of the Company’s voting shares). Non-Resident Holders should consult their own tax advisors.

### ***Dispositions of Common Shares***

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Common Share, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Common Share constitutes “taxable Canadian property” to the Non-Resident Holder for purposes of the Tax Act at the time of disposition, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Provided the Common Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE) at the time of disposition, the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60 month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal at arm’s length for purposes of the Tax Act, partnerships in which the Non-Resident Holder or such non-arm’s length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons

and partnerships, owned 25% or more of the issued shares of any class or series of shares of the Company; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) or an option, an interest or, for civil law, a right in such property, whether or not such property exists. Notwithstanding the foregoing, a Common Share may also be deemed to be taxable Canadian property to a Non-Resident Holder under certain provisions of the Tax Act.

A Non-Resident Holder's capital gain (or capital loss) in respect of Common Shares that constitute or are deemed to constitute taxable Canadian property (and are not "treaty-protected property" as defined in the Tax Act) will generally be computed in the manner described above under the subheading "Resident Holders – Dispositions of Common Shares".

Non-Resident Holders whose Common Shares are taxable Canadian property should consult their own tax advisors.

### **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Wysocki Justus, P.C., counsel to the Company, the following is, as of the date of this Prospectus, a summary of certain U.S. federal income tax considerations under the Internal Revenue Code of 1986, as amended (the "Code") generally applicable to an investor who acquires Common Shares pursuant to the Offering. The Company has not sought and will not seek a ruling from the U.S. Internal Revenue Service (the "IRS") regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership or disposition of Common Shares.

The following discussion is a summary of the material U.S. federal income tax considerations for U.S. Holders and Non-U.S. Holders (each as defined below) relating to the purchase, ownership and disposition of Common Shares issued pursuant to the Offering, but does not purport to be a complete analysis of all potential tax matters for consideration. The effects of tax laws, including by way of example only certain U.S. estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS, in each instance in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of Common Shares.

This discussion is limited to U.S. Holders and Non-U.S. Holders that purchase Common Shares issued pursuant to the Offering and that hold Common Shares as a "capital asset" within the meaning of Code Section 1221 (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation holders who, or which, are:

- U.S. expatriates, former citizens of the U.S., or former long-term residents of the U.S.;
- subject to the alternative minimum tax or the tax on net investment income;
- holding Common Shares as part of a hedge, straddle, or as part of a conversion transaction or other integrated investment or risk reduction strategy or transaction;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities or foreign currencies, or that use the mark-to-market method of accounting for U.S. federal income tax purposes;
- "controlled foreign corporations", "passive foreign investment companies", or corporations that accumulate earnings to avoid, or which has the result of avoiding, U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);

- tax-exempt organizations or governmental organizations;
- deemed to sell Common Shares under the constructive sale provisions of the Code;
- persons who hold or receive Common Shares pursuant to the exercise of any employee stock option or otherwise as compensation; and
- tax-qualified retirement plans.

If an entity treated as a partnership for U.S. federal income tax purposes holds Common Shares, the tax treatment of a partner in such partnership generally will depend on the status of the partner, the activities of the entity treated as a partnership for U.S. federal income tax purposes, and certain determinations made at the partner level. Accordingly, entities treated as partnerships holding Common Shares and the partners in such entities should consult their own tax advisors regarding the U.S. federal income tax consequences to them.

**THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. EACH SHAREHOLDER SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF COMMON SHARES ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.**

#### **Definition of a U.S. Holder**

For purposes of this discussion, a “**U.S. Holder**” is any beneficial owner of Common Shares that is, for U.S. federal income tax purposes:

- an individual who is a U.S. resident (discussed below) or U.S. citizen;
- a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S., any state within the U.S. or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that either (1) is subject to the primary supervision of a U.S. court and the control of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

With respect to the first bullet point above, an individual is generally treated as a resident of the U.S. in any calendar year for U.S. federal income tax purposes if the individual either (i) is the holder of a green card, generally during any point of such year, or (ii) is present in the U.S. for at least 31 days in that calendar year, and for an aggregate of at least 183 days during the three-year period ending on the last day of the current calendar year. For purposes of the 183-day calculation (often referred to as the Substantial Presence Test), all of the days present in the U.S. during the current year, one-third of the days present in the U.S. during the immediately preceding year, and one-sixth of the days present in the second preceding year are counted. Residents are generally treated for U.S. federal income tax purposes as if they were U.S. citizens.

#### **Tax Classification of the Company as a U.S. Domestic Corporation**

Although the Company is a Canadian corporation, the Company is classified as a U.S. domestic corporation for United States federal income tax purposes under section 7874(b) of the Code and will be subject to United States federal income tax on its worldwide income. The Company anticipates that it will experience a number of significant and complicated United States federal income tax consequences as a result of being treated as a U.S. domestic corporation for United States federal income tax purposes. It is anticipated that such U.S. tax treatment will continue indefinitely and that Common Shares will be treated indefinitely as shares in a U.S. domestic corporation for United States federal income tax purposes.

This summary does not attempt to describe all such U.S. federal income tax consequences. Section 7874 of the Code and the Treasury Regulations promulgated thereunder do not address all the possible tax consequences that arise from the Company being treated as a U.S. domestic corporation for U.S. federal income tax purposes. Accordingly, there may be additional or unforeseen U.S. federal income tax consequences to the Company that are not discussed in this summary.

Generally, the Company will be subject to U.S. federal income tax on its worldwide taxable income (regardless of whether such income is “U.S. source” or “foreign source”) and will be required to file a U.S. federal income tax return annually with the IRS. The Company anticipates that it will also be subject to tax in Canada. It is unclear how the foreign tax credit rules under the Code will operate in certain circumstances, given the treatment of the Company as a U.S. domestic corporation for U.S. federal income tax purposes and the taxation of the Company in Canada. Accordingly, it is possible that the Company will be subject to double taxation with respect to all or part of its taxable income. The remainder of this summary assumes that the Company will be treated as a U.S. domestic corporation for U.S. federal income tax purposes.

## **Tax Considerations for U.S. Holders**

### ***Distributions***

Distributions of cash or property on Common Shares will constitute dividends for U.S. federal income tax purposes to the extent paid from the Company’s current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends will generally be taxable to a non-corporate U.S. Holder at the preferential rates applicable to long-term capital gains, provided that such holder meets certain holding period and other requirements. Distributions in excess thereof will first constitute a return of capital and be applied against and reduce a U.S. Holder’s adjusted tax basis in its Common Shares, but not below zero, and thereafter be treated as capital gain and will be treated as described below under “Sale or Other Taxable Disposition.”

Dividends received by corporate U.S. Holders may be eligible for a dividends received deduction, subject to certain restrictions relating to, among others, the corporate U.S. Holder’s taxable income, holding period and debt financing.

### ***Sale or Other Taxable Disposition***

Upon the sale or other taxable disposition of Common Shares, a U.S. Holder will generally recognize capital gain or loss equal to the difference between (i) the amount realized by such U.S. Holder in connection with such sale or other taxable disposition, and (ii) such U.S. Holder’s adjusted tax basis in such stock. Such capital gain or loss will generally be long-term capital gain or loss if the U.S. Holder’s holding period respecting such stock is more than twelve months. U.S. Holders who are individuals are eligible for preferential rates of taxation respecting their long-term capital gains. Deductions for capital losses are subject to limitations.

### ***Foreign Tax Credit Limitations***

The Company is subject to tax both as a U.S. domestic corporation and as a Canadian corporation; accordingly, a U.S. Holder may pay, through withholding, Canadian tax, as well as U.S. federal income tax, with respect to dividends paid on its Common Shares. For U.S. federal income tax purposes, a U.S. Holder may elect for any taxable year to receive either a credit or a deduction for all foreign income taxes paid by the holder during the year. Complex limitations apply to the foreign tax credit, including a general limitation that the credit cannot exceed the proportionate share of a taxpayer’s U.S. federal income tax that the taxpayer’s foreign source taxable income bears to the taxpayer’s worldwide taxable income. In applying this limitation, items of income and deduction must be classified, under complex rules, as either foreign source or U.S. source. The status of the Company as a U.S. domestic corporation for U.S. federal income tax purposes will cause dividends paid by the Company to be treated as U.S. source rather than foreign source for this purpose. As a result, a foreign tax credit may be unavailable for any Canadian tax paid on dividends received from the Company. Similarly, to the extent a sale or disposition of the Common Shares by a U.S. Holder results in Canadian tax payable by the U.S. Holder (for example, because the Common Shares constitute taxable Canadian property within the meaning of the Tax Act), a U.S. foreign tax credit may be unavailable to the U.S. Holder for such Canadian tax. In each case, however, the U.S. Holder should be able

to take a deduction for the U.S. Holder's Canadian tax paid, provided that the U.S. Holder has not elected to credit other foreign taxes during the same taxable year.

The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisor regarding these rules.

### ***Foreign Currency***

The amount of any distribution paid to a U.S. Holder in foreign currency, or the amount of proceeds paid in foreign currency on the sale, exchange or other taxable disposition of Common Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

### ***Information Reporting and Backup Withholding***

U.S. backup withholding (currently at a rate of 24%) is imposed upon certain payments to persons that fail (or are unable) to furnish the information required pursuant to U.S. information reporting requirements. Distributions to U.S. Holders will generally be exempt from backup withholding, provided the U.S. Holder meets applicable certification requirements, including providing a U.S. taxpayer identification number on a properly filled out IRS Form W-9, or otherwise establishing an exemption. The Company must report annually to the IRS and to each U.S. Holder the amount of distributions and dividends paid to that U.S. Holder and the proceeds from the sale or other disposition of Common Shares, unless such U.S. Holder is an exempt recipient.

Backup withholding does not represent an additional tax. Any amounts withheld from a payment to a U.S. Holder under the backup withholding rules will generally be allowed as a credit against such U.S. Holder's U.S. federal income tax liability, and may entitle such U.S. Holder to a refund, provided the required information and returns are timely furnished by such U.S. Holder to the IRS.

### **Tax Considerations for Non-U.S. Holders**

#### ***Definition of a Non-U.S. Holder***

For purposes of this discussion, a "Non-U.S. Holder" is any beneficial owner of Common Shares that is neither a "U.S. Holder" nor an entity treated as a partnership for U.S. federal income tax purposes.

#### ***Distributions***

Distributions of cash or property on Common Shares will constitute dividends for U.S. federal income tax purposes to the extent paid from the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess thereof will first constitute a return of capital and be applied against and reduce a Non-U.S. Holder's adjusted tax basis in its Common Shares, but not below zero, and thereafter be treated as capital gain and will be treated as described below under "Sale or Other Taxable Disposition."

Subject to the discussions below under "Backup Withholding" and under "FATCA," any dividend paid to a Non-U.S. Holder of Common Shares that is not effectively connected with the Non-U.S. Holder's conduct of a trade or business within the U.S. will be subject to U.S. federal withholding tax at a rate of 30% or such lower rate as may be specified under an applicable income tax treaty. In order to receive a reduced treaty rate, a Non-U.S. Holder must provide its financial intermediary with an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or an appropriate successor form), properly certifying such holder's eligibility for the reduced rate. If a Non-U.S. Holder holds Common Shares through a financial institution or other agent acting on the Non-U.S. Holder's behalf, the Non-U.S. Holder will be required to provide appropriate documentation to such agent, and the Non-U.S. Holder's

agent will then be required to provide such (or a similar) certification to us, either directly or through other intermediaries. A Non-U.S. Holder that does not timely furnish the required certification, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their own tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. (or, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment, or fixed base, of the Non-U.S. Holder) generally will be exempt from the withholding tax described above and instead will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if the Non-U.S. Holder were a U.S. person. In such case, the Company will not have to withhold U.S. federal tax so long as the Non-U.S. Holder timely complies with the applicable certification and disclosure requirements. In order to obtain this exemption from withholding tax, a Non-U.S. Holder must provide its financial intermediary with an IRS Form W-8ECI properly certifying its eligibility for such exemption. Any such effectively connected dividends received by a corporate Non-U.S. Holder may be subject to an additional "branch profits tax" at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty), as adjusted for certain items. Non-U.S. Holders should consult their own tax advisors regarding any applicable tax treaties that may provide for different rules.

### ***Sale or Other Taxable Disposition***

Subject to the discussions below under "Information Reporting and Backup Withholding" and under "FATCA", any gain realized on the sale or other disposition of Common Shares by a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. (or, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment, or fixed base, of the Non-U.S. Holder);
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- the rules of the Foreign Investment in Real Property Tax Act of 1980 ("**FIRPTA**") apply to treat the gain as effectively connected with a U.S. trade or business.

Non-U.S. Holder who has gain that is described in the first bullet point immediately above will be subject to U.S. federal income tax on the gain derived from the sale or other disposition pursuant to regular graduated U.S. federal income tax rates in the same manner as if it were a U.S. person. In addition, a corporate Non-U.S. Holder described in the first bullet point immediately above may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits (or at such lower rate as may be specified by an applicable income tax treaty), as adjusted for certain items.

A Non-U.S. Holder who meets the requirements described in the second bullet point immediately above will be subject to a flat 30% tax (or a lower tax rate specified by an applicable tax treaty) on the gain derived from the sale or other disposition, which gain may be offset by certain U.S. source capital losses (even though the individual is not considered a resident of the U.S.), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, pursuant to FIRPTA, in general, a Non-U.S. Holder is subject to U.S. federal income tax in the same manner as a U.S. Holder on any gain realized on the sale or other disposition of a "U.S. real property interest" ("**USRPI**"). For purposes of these rules, a USRPI generally includes stock in a U.S. corporation (like Common Shares) assuming the U.S. corporation's interests in U.S. real property constitute 50% or more, by value, of the sum of the U.S. corporation's (i) assets used in a trade or business, (ii) U.S. real property interests, and (iii) interests in real property outside of the U.S.A. A U.S. corporation whose interests in U.S. real property constitute 50% or more, by value, of the sum of such assets is commonly referred to as a U.S. real property holding corporation ("**USRPHC**"). The Company is not, and does not anticipate becoming, a USRPHC.

### ***Information Reporting and Backup Withholding***

With respect to distributions and dividends on Common Shares, the Company must report annually to the IRS and to each Non-U.S. Holder the amount of distributions and dividends paid to such Non-U.S. Holder and any tax withheld with respect to such distributions and dividends, regardless of whether withholding was required with respect thereto. Copies of the information returns reporting such dividends and distributions and withholding also may be made available to the tax authorities in the country in which the Non-U.S. Holder resides or is established under the provisions of an applicable income tax treaty, tax information exchange agreement or other arrangement. A Non-U.S. Holder will be subject to backup withholding for dividends and distributions paid to such Non-U.S. Holder unless either (i) such Non-U.S. Holder certifies under penalty of perjury that it is not a U.S. person (as defined in the Code), which certification is generally satisfied by providing a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E, or IRS Form W-8ECI (or appropriate successor form), and the payor does not have actual knowledge or reason to know that such holder is a U.S. person, or (ii) such Non-U.S. Holder otherwise establishes an exemption.

With respect to sales or other dispositions of Common Shares, information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale or other disposition of Common Shares within the U.S. or conducted through certain U.S.-related financial intermediaries, unless either (i) such Non-U.S. Holder certifies under penalty of perjury that it is not a U.S. person (as defined in the Code), which certification is generally satisfied by providing a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E, or IRS Form W-8ECI (or appropriate successor form), and the payor does not have actual knowledge or reason to know that such holder is a U.S. person, or (ii) such Non-U.S. Holder otherwise establishes an exemption.

Whether with respect to distributions and dividends, or the sale or other disposition of Common Shares, backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, if any, provided the required information is timely furnished to the IRS.

### ***FATCA***

Withholding taxes may be imposed pursuant to Sections 1471 through 1474 of the Code (commonly referred to as the Foreign Account Tax Compliance Act, or "**FATCA**") on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, except as discussed below, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition (including certain distributions treated as a sale or other disposition) of, Common Shares paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code).

Such 30% FATCA withholding will not apply to a foreign financial institution if such institution undertakes certain diligence and reporting obligations, or otherwise qualifies as an exemption from these rules. The diligence and reporting obligations include, among others, entering into an agreement with the U.S. Department of Treasury pursuant to which the foreign financial institution must (i) undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), (ii) annually report certain information about such accounts, and (iii) withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the U.S. governing FATCA may be subject to different rules.

The 30% FATCA withholding will not apply to a non-financial foreign entity which either certifies that it does not have any "substantial United States owners" (as defined in the Code), furnishes identifying information regarding each substantial United States owner, or otherwise qualifies for an exemption from these rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA (i) generally applies currently to payments of dividends on Common Shares, and (ii) will apply to payments of gross proceeds from the sale or other disposition of such stock (including certain distributions treated as a sale or other disposition) on or after January 1, 2019.

## RISK FACTORS

An investment in the securities of the Company is speculative and subject to risks and uncertainties. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the business, prospects, financial position, financial condition or operating results of the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations.

Prospective purchasers should carefully consider all information contained in this Prospectus, including all documents incorporated by reference, and in particular should give special consideration to the risk factors under the section titled "Risk Factors" in the AIF, which may be accessed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com), and the information contained in the section entitled "Caution Regarding Forward-Looking Statements", before deciding to purchase Common Shares.

The risks and uncertainties described or incorporated by reference in this Prospectus 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 purchasers could lose all or part of their investment. Additionally, purchasers should consider the following risk factors:

### **Risks Specifically Related to the United States Regulatory System**

*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.*

The concepts of "medical cannabis" and "retail cannabis" do not exist under United States federal law. The CSA classifies "marijuana" as a Schedule I drug. 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 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 remains illegal under United States federal law. Although the Company's business activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States 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 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.

*There is uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole.*

There is significant uncertainty surrounding the policies of President Donald Trump and the Trump administration (the "**Trump Administration**") about recreational cannabis and medical cannabis. Attorney General Jeff Sessions is a well-known advocate against legalization of cannabis.

On January 4, 2018 (post year-end), the Cole Memorandum was revoked by Attorney General 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 United States Department of Justice's ("DOJ") 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, 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 Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

*The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.*

The Cole Memorandum outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

However, as noted above, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Sessions.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry remains in place, because the Department of Justice memorandums serve as discretionary agency guidance and do not constitute a force of law, cannabis related businesses have worked to continually renew the Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) that has been included in federal annual spending bills since 2014. This amendment restricts the Department of Justice from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625—a vehicle for the *Consolidated Appropriations Act of 2018*, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding ("**Leahy Amendment**"). The Leahy Amendment was set to expire with the 2018 Fiscal Year on September 30, 2018, however, Congress approved a nine-week continuing resolution from the 2018 Fiscal Year (the "**Continuing Resolution**"). The Continuing Resolution has the result of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018.

Congress has been negotiating the 2019 Fiscal Year appropriations since February 2018. The much relied on appropriations protecting the medical cannabis industry was renewed in both the House and Senate versions of the 2019 Fiscal Year Appropriations bills, with the expectation that the language will be acted in the final 2019 Fiscal Year Appropriations Bill. However it should be noted that there is no assurance that the final 2019 Fiscal Year Appropriations Bill will include appropriations protecting the medical cannabis industry.

*The Company's investments in the United States are subject to applicable anti-money laundering laws and regulations.*

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *U.S. Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network (“**FCEN**”) of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to cannabis related businesses (the “**FCEN Memo**”). The FCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo.

If any of the Company’s investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Common Shares or its Class A Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

*The Company’s investments in the United States may be subject to heightened scrutiny.*

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 and the United States. 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, in addition to those described herein.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (“**TMX MOU**”) with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties’ understanding of Canada’s regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

The Company has obtained eligibility with The Depository Trust Company (“**DTC**”) for its Common Share quotation on the OTCQB and such DTC eligibility provides another possible avenue to clear Common Shares in the event of a CDS ban.

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 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 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.

*U.S. border officials could deny entry into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada.*

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border

Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, U.S. Customs and Border Protection released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, U.S. Customs and Border Protection has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Company), who are not U.S. citizens face the risk of being barred from entry into the United States for life.

### **Risk Generally Related to the Company**

*Laws and regulations affecting the cannabis industry are constantly changing.*

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect the Company's operations. U.S. local, state and federal cannabis laws and regulations, along with Canadian securities laws, are broad in scope and subject to changing interpretations. These changes may require the Company to incur substantial costs associated with legal and compliance fees and ultimately require the Company to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt its business and result in a material adverse effect on operations. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted that will be directly applicable to its business.

*Reliance on third-party suppliers, manufacturers and contractors.*

The Company intends to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the United States, the Company's third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Company's business and operational results.

*Completion of future acquisitions.*

Any future acquisitions are subject to conditions, which may include, without limitation, satisfactory completion of the Company's due diligence, negotiation and finalization of formal legal documents, debt financing and approval from the Company's Board of Directors. As a result, there can be no assurance that the Company will complete any acquisitions. If the Company does not complete such acquisitions, it may be subject to a number of risks, including: (i) the price of its securities may decline to the extent that the current market price reflects a market assumption that these acquisitions will be completed; (ii) certain costs related to each such acquisition, such as legal, accounting and consulting fees, must be paid even if an acquisition is not completed; and (iii) there is no assurance that such suitable opportunities will be available to the Company in the future or at all.

*Competition.*

The Company will face competition from other companies, some of which may have longer operating histories, more financial resources and experience than the Company. Increased competition by larger and well-financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To remain competitive, the Company will require research and development, marketing, sales and support.

The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

*United States tax classification of the Company.*

Although the Company is a Canadian corporation, the Company is classified as a U.S. domestic corporation for United States federal income tax purposes under section 7874(b) of the U.S. Tax Code and will be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, regardless of any application of section 7874 of the U.S. Tax Code, the Company is treated as a Canadian resident corporation. As a result, the Company is subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that the Company will pay any dividends on the Common Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purposes of the Tax Act will generally be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the U.S. Treaty. In addition, a Canadian foreign tax credit may not be available under the Tax Act in respect of such taxes.

Dividends received by U.S. resident shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax under the Tax Act. Dividends paid by the Company will be characterized as U.S. source income for purposes of the foreign tax credit rules under the U.S. Tax Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. residents will generally be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, subject to examination of the relevant treaty.

Since the Company is classified as a U.S. domestic corporation for United States federal income tax purposes under section 7874(b) of the U.S. Tax Code, the Company's common shares will be treated as shares of a U.S. domestic corporation and shareholders will be subject to the relevant provisions of the U.S. Tax Code and/or the U.S. Treaty.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR FACTS AND CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR, INCLUDING, WITHOUT LIMITATION, IN CONNECTION WITH THE COMPANY'S CLASSIFICATION AS A U.S. DOMESTIC CORPORATION FOR UNITED STATES FEDERAL INCOME TAX PURPOSES UNDER SECTION 7874(b) OF THE U.S. TAX CODE, THE APPLICATION OF THE U.S. TAX CODE, THE APPLICATION OF THE U.S. TREATY, THE APPLICATION OF U.S. FEDERAL ESTATE AND GIFT TAXES, THE APPLICATION OF U.S. FEDERAL TAX WITHHOLDING REQUIREMENTS, THE APPLICATION OF U.S. ESTIMATED TAX PAYMENT REQUIREMENTS AND THE APPLICATION OF U.S. TAX RETURN FILING REQUIREMENTS.

*The Company may incur significant tax liabilities under section 280E of the Internal Revenue Code of 1986, as amended (the "Tax Code").*

Section 280E of the Tax Code prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the CSA). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the U.S. Internal Revenue Services ("IRS") issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permissible deductions. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses.

*Lack of control over operations of investee companies.*

The Company relies on the investee companies to execute on their business plans, produce medical cannabis products, and holds contractual rights and equity interests relating to the operation of the investee companies. The

operators of such investee companies have significant influence over the results of operations of the investee companies. Further, the interests of the Company and the operators of the investee companies may not always be aligned. As a result, the cash flows of the Company are dependent upon the activities of third parties which creates the risk that at any time those third parties may: (i) have business interests or targets that are inconsistent with those of the Company, (ii) take action contrary to the Company's policies or objectives, (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company, or (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend a third party's ability to perform its obligations. In addition, payments may flow through the investee companies, and there is a risk of delay and additional expense in receiving such revenues. Failure to receive payments in a timely fashion, or at all, under the agreements to which the Company is entitled may have a material adverse effect on the Company. In addition, the Company must rely, in part, on the accuracy and timeliness of the information it receives from the investee companies, and uses such information in its analyses, forecasts and assessments relating to its own business. If the information provided by an investee company to the Company contains material inaccuracies or omissions, the Company's ability to accurately forecast or achieve its stated objectives, or satisfy its reporting obligations, may be materially impaired.

*Private companies and illiquid securities.*

The Company may invest in securities of private companies. In some cases, the Company may be restricted by contract or generally by applicable securities laws from selling such securities for a period of time. Such securities may not have a ready market and the inability to sell such securities or to sell such securities on a timely basis or at acceptable prices may impair the Company's ability to exit such investments when the Company considers it appropriate.

*The market price of the Common Shares is volatile and may not accurately reflect the long-term value of the Company.*

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Common Shares may be materially adversely affected.

*A positive return in an investment in the Common Shares is not guaranteed.*

There is no guarantee that an investment in the Common Shares will earn any positive return in the short term or long term. An investment in Common Shares involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Common Shares is appropriate only for purchasers who have the capacity to absorb a loss of some or all of their investment.

*Risk factors related to dilution.*

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, Class A Shares

and preferred shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants.

*Negative cash flow from operations.*

During the fiscal year ended December 31, 2017 and the three-month period ended March 31, 2018, the Company had negative cash flow from operating activities. Although the Company anticipates it will have positive cash flow from operating activities in future periods, the Company cannot assure that it will achieve sufficient revenues from sales to achieve or maintain profitability or positive cash flow from operating activities. If the Company does not achieve or maintain profitability or positive cash flow from operating activities, then there could be a material adverse effect on the Company's business, financial condition and results of operation.

*Our financial statements contain a going concern qualification.*

Our interim and annual financial statements contain a going concern qualification. We and certain of our subsidiaries have limited operating history and a history of negative cash flow from operating activities. Our ability to continue as a going concern is dependent upon our ability to raise additional capital, our ability to achieve sustainable revenues and profitable operations and, in the meantime, our ability to obtain the necessary financing to meet our obligations and repay our liabilities when they become due. No assurances can be given that we will be successful in achieving these goals. If we are unable to achieve these goals, our ability to carry out and implement our planned business objectives and strategies will be significantly delayed, limited or may not occur. These material circumstances cast substantial doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of the accounting principles applicable to a going concern. The Company's financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. The Company continues to have access to equity and debt capital from public and private markets in Canada and the United States but there are no guarantees that such capital will be available.

*The Company is a holding company.*

The Company is a holding company and the vast majority 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. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

*Insurance coverage.*

The Company has insurance to protect its assets, operations, directors and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, there could be a material adverse effect on the Company's business, financial condition and results of operation.

*Risks inherent in an agricultural business.*

Cannabis is an agricultural product which comes with inherent risks, such as insects, plant diseases and similar agricultural risks. Although the products are usually grown indoors under climate-controlled conditions, with monitoring, there can be no assurance that natural elements will not have a material adverse effect on them.

*Vulnerability to rising energy costs.*

Cannabis growing operations consume considerable energy, making the Company potentially vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

*Unfavorable publicity or consumer perception.*

The Company believes the medical and recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of its products. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical and recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for medical and recreational cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical and recreational cannabis in general or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise hindering market growth and state adoption due to inconsistent public opinion and perception of the medical and recreational cannabis industry. Public opinion and support for medical and recreational cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general).

*The Company requires additional financing.*

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.

If additional funds are raised through further issuances of equity or debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

The Company currently raises its equity and debt financing from the public markets in Canada. If such equity and/or debt financing was no longer available in the public markets in Canada due to changes in applicable law, then the Company expects that it would be able to raise equity and/or debt financing privately.

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

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditor of the Company is Marcum LLP, located at 750, Third Avenue, 11th Floor, New York, New York, 10017, United States of America. Marcum LLP has advised that they are independent in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia and the rules and standards of the United States Public Company Accounting Oversight Board and the securities laws and regulations administered by the United States Securities and Exchange Commission.

BDO Canada LLP, the former auditors of the Company, prepared an independent auditor's report dated April 29, 2018 in respect of the Company's consolidated financial statements as at December 31, 2017 and 2016 and for the years ended December 31, 2017 and 2016. BDO Canada LLP has advised that they are independent in accordance with and within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

The auditors of GrowHealthy are Macias Gini & O'Connell LLP, who have prepared an independent auditor's report dated May 4, 2018 in respect of GrowHealthy's consolidated financial statements as at and for the years ended December 31, 2017 and 2016. Macias Gini & O'Connell LLP has advised that they are independent in accordance with and within the meaning of the applicable rules and related interpretations prescribed by the relevant professional bodies in Canada and the rules and standards of the United States Public Company Accounting Oversight Board and the securities laws and regulations administered by the United States Securities and Exchange Commission.

The transfer agent and registrar for the Company's Common Shares is Computershare Investor Services Inc., 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada, V6C 3B9.

## **LEGAL MATTERS**

Certain Canadian legal matters in connection with this Offering will be passed upon by McMillan LLP, on behalf of the Company and by Blake, Cassels & Graydon LLP, on behalf of the Underwriters. Certain U.S. regulatory matters in connection with this Offering will be passed upon by Wysocki Justus, P.C. As at the date of this Prospectus, the partners and associates of McMillan LLP, as a group, the partners and associates of Blake, Cassels & Graydon LLP, as a group, and the partners and associates of Wysocki Justus, P.C., as a group, each beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares of the Company.

## **MATERIAL CONTRACTS**

Except for contracts, licences and leases made in the ordinary course of business, the following are the only material contracts, licenses and leases, as the case may be, entered into by the Company prior to the date hereof which are currently in effect and considered to be currently material:

- Vermont – 1 Dispensary Registration Certificate;
- Massachusetts – 1 Registered Marijuana Dispensary License, 1 Registered Marijuana Cultivation License, 1 Registered Marijuana Processing License;
- Florida – 1 Cultivation Authorization License, 1 Processing Authorization License, 1 Dispensing via Delivery Authorization Certificate, 1 Medical Marijuana Treatment Center Registration; and
- New York – 4 Provisionary Dispensing Licenses, 1 Provisionary Manufacturing License.
- Vermont – 1 Cultivation facility lease; and
- Massachusetts – 1 Cultivation facility lease.

A copy of the above material contract can be inspected at our head office during regular business hours and are also available electronically at [www.sedar.com](http://www.sedar.com).

## PROMOTER

Hadley Ford, the CEO of the Company, is the promoter of the Company. As of October 2, 2018, Mr. Ford beneficially owns, or controls or directs, directly or indirectly, a total of 1,812,500 Class A Shares, 750,000 Common Shares and 420,000 options that are exercisable to acquire 150,000 Class A Shares and 270,000 Common Shares, representing 2.74% of the Company's fully diluted issued and outstanding Common Shares (assuming conversion of such Class A Shares in accordance with their terms). Other than as disclosed in this section or elsewhere in this Prospectus, no person who was a promoter of the Company within the last two years:

- received anything of value directly or indirectly from the Company or a subsidiary;
- sold or otherwise transferred any asset to the Company or a subsidiary within the last two years;
- has been a director, chief executive officer or chief financial officer of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;
- has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;
- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or
- has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

## INTERESTS OF EXPERTS

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in this Prospectus:

- McMillan LLP is the Company's counsel with respect to Canadian legal matters herein;
- Blake, Cassels & Graydon LLP is the Underwriters' counsel with respect to Canadian legal matters herein;
- Wysocki Justus, P.C. is the Company's counsel with respect to United States corporate, tax and regulatory legal matters herein;
- BDO Canada LLP is the former external auditor of the Company and reported on the Company's audited financial statements for the years ended December 31, 2017 and 2016 and filed on SEDAR; and
- Macias Gini & O'Connell LLP is the former external auditor of GrowHealthy and reported on GrowHealthy's audited financial statements for the years ended on December 31, 2017 and December 31, 2016, which were attached to the GrowHealthy BAR filed on SEDAR.

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

**CERTIFICATE OF IANTHUS CAPITAL HOLDINGS, INC.**

Dated: October 3, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

(signed) *Hadley Ford*  
Chief Executive Officer

(signed) *Julius Kalcevich*  
Chief Financial Officer

On Behalf of the Board of Directors

(signed) *Randy Maslow*  
Director

(signed) *Paul Rosen*  
Director

## **CERTIFICATE OF THE PROMOTER**

Dated: October 3, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

(signed) *Hadley Ford*

**CERTIFICATE OF THE UNDERWRITERS**

Dated: October 3, 2018

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

**GMP SECURITIES L.P.**

By: (signed) *Kyle Gould*

**CANACCORD GENUITY CORP.**

By: (signed) *Steve Winokur*

**CORMARK SECURITIES INC.**

By: (signed) *Alfred Avanesy*

**BEACON SECURITIES LIMITED**

By: (signed) *Mario Maruzzo*

**ECHELON WEALTH  
PARTNERS INC.**

By: (signed) *David G. Anderson*

**PI FINANCIAL CORP.**

By: (signed) *Blake Corbet*