

FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: iAnthus Capital Holdings, Inc. (the "Issuer").

Trading Symbol: IAN

Number of Outstanding Listed Securities: 158,104,832

Date: August 31, 2019

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

General Instructions

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" or "Company" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

iAnthus Capital Holdings, Inc., through its 100% owned subsidiary, iAnthus Capital Management, LLC, owns and operates licensed cannabis cultivators, processors and dispensaries throughout the United States. Founded by entrepreneurs with decades of experience in operations, capital markets, corporate finance, law and healthcare services, iAnthus provides a unique combination of capital and hands-on operating and management expertise to create unparalleled value for its shareholders. iAnthus allocates resources to each step of the operational process to achieve maximum growth.

The Issuer has been focusing on growing its pipeline of cannabis industry investments in order to maximize value for its shareholders.

On August 5, 2019, the Company's subsidiary, GrowHealthy, opened a dispensary in Miami, Florida. The 4,000 square foot dispensary is located at 13400 Biscayne Blvd, North Miami, FL 33181 and serves 2.7 million people living in Miami-Dade County. The Grand Opening celebration took place between August 9th to August 11th.

On August 23, 2019, the Company's subsidiary, GrowHealthy, announced that it has received approval from the Florida Office of Medical Marijuana Use ("OMMU") to open dispensaries in Lakeland and Gainesville, Florida. GrowHealthy Lakeland is located at 3004 US Highway 98 North, Lakeland, FL, 33805 and will serve the metro area population of more than 660,000. GrowHealthy Gainesville is located at 4880 Newberry Road, Gainesville, FL, 32607 and will serve Alachua County with a population of approximately 270,000. Grand Opening celebrations for these locations and Miami took place between August 30th and September 1st.

The opening of these retail location brings the Company's dispensary count in the State of Florida to a total of eight.

The stores operate seven days a week, 8am through 9pm ET.

For more information about GrowHealthy or to place an order, please visit www.growhealthy.com.

During the month of August, the Company announced that it has increased the cultivation capacity at its 33-acre Lake Wales facility. The Company's cultivation facility now has approximately 120,000 square feet in operation, approximately 70,000 square feet of which is in a lower-cost cultivation environment. This expansion in capacity will allow GrowHealthy to accelerate its store openings to serve the important Florida market without compromising patient service, product availability or quality.

Florida is among the fastest growing medical marijuana markets in the United States and continues to grow robustly. According to the August 16, 2019 weekly update from the OMMU, Florida now has over 255,000 qualified patients, up 122% year-over-year. The current patient base represents 1.2% of the Florida population.

According to the OMMU data, GrowHealthy ranks number three in terms of THC milligrams sold per dispensary of the 22 licensed operators. Since the OMMU initiated the publication of sales volume data as of May 10, 2019, GrowHealthy has grown its weekly THC milligrams sales volume by 97% and increased its market share to approximately 3.5% (including flower). "Since opening our first Florida dispensary in December 2018, we have grown our market share from 0% to 3% within our first 7 months of retail operations in one of the largest medical markets within the United States," said Hadley Ford, Chief Executive Officer of iAnthus. "We are now the third highest in the state in terms of THC volume per store, and we look forward to helping additional patients as we continue with our Florida retail expansion through the remainder of 2019. These are early results of our strategy, but they demonstrate the strength of our operational team in large states like Florida, and the capabilities that we will bring to other greenfield markets for iAnthus like New York and New Jersey."

On August 20, 2019, the Company announced that it has entered into a term sheet and is actively negotiating definitive documents for a senior secured term loan of up to US\$50 million (the "Term Loan") from one or more investment funds managed by Torian Capital Partners (collectively, "Torian Capital"), an investor in the global cannabis industry. The Term Loan is expected to be made available in two tranches of US\$25 million, each with substantially similar terms. The net proceeds of the Term Loan, when completed, will be used to support iAnthus' near-term growth efforts, which are expected to include ongoing expansion of iAnthus' Florida footprint and the build-out of new Be. retail locations in Nevada, New Jersey and New York.

Pursuant to the term sheet, the Term Loan will be secured by a first-priority lien on all current and future assets of the Company and its affiliates, subject to certain exceptions, including applicable cannabis regulations, and will be guaranteed by all current and future affiliates of the Company. Each tranche of the Term Loan will bear interest at a rate of 9.0% per annum, payable quarterly in arrears during their respective terms and each tranche will mature 36 months from the date of its advance. Following the 12-month

anniversary from the date of advance of each tranche, iAnthus may prepay the outstanding principal amount of the such tranche: (i) in year two, upon payment of 109% of the principal amount outstanding and (ii) in year three, upon payment of 104.5% of the principal amount outstanding.

Further, upon completion of each tranche, Torian Capital will be issued share purchase warrants ("Warrants") from iAnthus in an amount equal to 20% coverage of each tranche. Each Warrant will entitle Torian Capital to purchase one common share for a period of 36 months from the date of issue. The Warrants issued will, subject to the policies of the Canadian Securities Exchange ("CSE"), have an exercise price equal to a 25% premium to the closing price of iAnthus' common shares on the OTCQX on the day prior to the applicable closing of the relevant tranche. The Warrants may be called by iAnthus if the volume-weighted average price of iAnthus' common shares on the OTCQX exceeds 2.0x the exercise price for 20 days within any 30-day period, and the daily average trading volume of iAnthus' common shares on the OTCQX equals or exceeds 25% of the Warrants then outstanding.

On August 27, 2019, the Company reports its second quarter 2019 financial results. Amounts are in U.S. Dollars unless otherwise stated.

Highlights

- Pro forma revenues for the second quarter were \$25.0 million, up 35% sequentially from the prior quarter
- Maintained disciplined approach to operating and capital expense investments without compromising growth
- Announced term sheet for up to \$50 million Senior Secured Term Loan financing with Torian Capital
- CBD For Life acquisition closed in June; currently distributed in more than 1,100 retail locations in 46 states
- Opened five new dispensaries in Florida, bringing total to eight as of August 27

Financial Highlights

Revenue

- Total pro forma managed revenues of \$25.0 million¹, up 35% from the prior quarter
- Second quarter reported revenues of \$19.2 million, which has increased 100% from \$9.6 million in the prior quarter (MPX results consolidated as of February 5, 2019)
- Eastern Region revenue increased to \$10.2 million, up 143% from the prior quarter
- Western Region revenue increased to \$9.0 million, up 67% from the prior quarter

Gross Profit

- **Adjusted gross margin for the quarter was 52.4%, up from 23.4% in the first quarter**
- **Adjusted gross profit of \$10.1 million, up 347% from \$2.2 million in the prior quarter**
- **Productivity improvements and increased utilization in Arizona, Florida, Massachusetts, Maryland and Nevada attributed to the gross margin improvement in the quarter**

EBITDA and Net Income

- **Adjusted EBITDA⁷ loss of \$4.7 million, compared to an adjusted EBITDA loss of \$5.1 million in the prior quarter**
- **The Company maintained expense discipline in the quarter; General and Administrative expenses increased moderately to \$5.7 million in the second quarter from \$4.1 million in the prior quarter**
- **Salaries and Benefit expenses increased to \$8.1 million in the second quarter from \$6.1 million in the first quarter as the company continues to add employees; The Company's current employee base is nearly 700**
- **The Company incurred several acquisition related expenses and other one-time costs totaling \$2.4 million; These expenses include advisory, professional, legal, consulting, severance and accounting fees which have been added back to arrive at adjusted EBITDA as these costs are non-recurring and are not part of ongoing operational activities of the Company**
- **The Company recorded a second quarter net loss of \$9.3 million, compared to an adjusted net loss of \$16.5 million in the prior quarter**
- **The change in fair value of financial instruments increased to a gain of \$22.8 million in the second quarter, as a result of the revaluations of the derivative component of the Company's convertible securities**

Balance Sheet and Cash Flow

- **At June 30, 2019, total assets were \$811.0 million, including cash and cash equivalents of \$30.5 million, an increase of \$642.6 million (or 382%) in total assets from year end 2018**
- **Current fully dilutive share count of 249.7 million shares which includes 156.1 million common shares, 15.5 million class A shares and 78.1 million dilutive securities**
- **Capital expenditures totaled \$24.6 million in the second quarter, the majority of which (over 80%) was spent on the cultivation and store expansion in Florida**

- On August 20th, the Company announced it had entered a term sheet with Torian Capital for up to \$50 million in Senior Secured debt financing

Second Quarter Operational Highlights

- Increased production 30% sequentially to 5,300 pounds (dried, cured, fresh frozen) from 4,076 pound in the first quarter
- Yield gains of over 10% in targeted initiatives in Massachusetts, Nevada and Arizona helped drive gross margin improvement
- Increased production footprint in Florida to over 120,000 square feet, including 70,000 square feet in a lower cost, outdoor cultivation environment
- Development of new products and extension of existing MPX lines supporting new product introductions in Arizona and Nevada, as well as new releases planned for the second half of 2019 throughout the iAnthus footprint
- Achieved planned milestones for CBD For Life integration and new products planned for the fourth quarter
- Recruited top talent from established industries to facilitate scale and growth
- First wave of Be. rebranded dispensaries will be converted in the fourth quarter, following the opening of the Brooklyn flagship; all remaining stores will be converted during the first half of 2020
- Execution against the Company's operations roadmap and planned second quarter milestones in each state was strong including:

Eastern Region:

Florida

- Opened Daytona and Orlando, Miami, Gainesville, and Lakeland locations
- Pending Office of Medical Marijuana Use ("OMMU") and local permitting, the Company expects to have 17 dispensaries open in the state by the end of January 2020, accomplishing this over a 14-month period
- The 33-acre Lake Wales cultivation campus achieved planned milestones to enable a production output gain of four times by November 2019
- Based on the latest OMMU reports of state-wide sales, the Company is ranked third of all Florida operators in terms of THC milligrams sold per dispensary

Massachusetts

- Received approval for adult-use dispensary from the City of Worcester, the second largest city in the state with metropolitan area population of 923,000; The Company expects to be open for operations in the fourth quarter, pending final approval from the Massachusetts Cannabis Control Commission
- Wholesale strategy paying off, now serving 21 dispensaries, up from 15 in the first quarter, representing a 27% penetration of the state's licensed dispensaries
- Upgraded extraction infrastructure in Holliston in the second quarter, enabling processing capacity to increase 700%
- Fall River cultivation facility opening planned in fourth quarter, more than doubling production capacity in Massachusetts

Maryland

- Month-over-month growth in all three open dispensaries, with particular strength in Baltimore and White Marsh
- Wholesale penetration increased to 73% (60 of 73 dispensaries), up from 56% at the end of the first quarter
- Production milestones achieved to enable a doubling of processing capacity by year-end
- Blissiva joint venture launched in July with a market rollout of the Balance Pen, a product formulated by and for women

New York

- Lease signed and build-out commenced for Staten Island dispensary, which will be the only one serving Staten Island's 500,000 residents; expected opening in the fourth quarter
- Successfully transferred the fourth dispensary license from Chemung County to Tompkins County, with a population of 100,000 people and an economy that supports both Cornell University and Ithaca College
- Construction and planning milestones were achieved to open the company's Flagship Be. retail outlet in Brooklyn located directly across the street from the Barclays Center this fall
- The Company eagerly awaits further clarity as to the development of both the medical and recreational programs within the state in order to refine its capital expenditure program

New Jersey

- Development of Phase I (33,000 square feet) of Pleasantville, NJ cultivation and processing facility underway. Phase II expansion will add another 47,000 square feet
- The Atlantic City dispensary is also in development, pending regulatory approvals
- Red Bank offices were opened to support the CBD For Life integration, training and customer engagement

Western Region:

Arizona

- New product milestones achieved to enable three new product categories for third quarter release including gummies, live resin and sauce cartridges for discerning customers, and new value segment cartridges
- Established Grow Sciences collaboration for new products and retail sales highlighting its focus on innovation, unique strains sought in the market and an ability to partner with reputable brands with high local affinity
- Achieved yield gains in cultivation of 13% during the quarter as planned while producing 30% more cured resin for MPX products

Nevada

- Revenue growth of 50% and customer growth of 40% over the first quarter, demonstrating the Company's focus on channel penetration
- New product milestones achieved supporting the Company's release of gummies, live resin and sauce cartridges as well as a value offering
- Signed new toll processing partnership with a key player in the Nevada concentrate market

2. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

N/A

3. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

N/A

4. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

N/A

5. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

N/A

6. Describe the acquisition of new customers or loss of customers.

N/A

7. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

N/A

8. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

N/A

9. Report on any labour disputes and resolutions of those disputes if applicable.

N/A

10. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

N/A

11. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

N/A

12. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds⁽¹⁾
Common Shares	300	Exercise of Stock Options	General Corporate Purposes
Common Shares	1,973,877	Conversion of Class A Shares into Common Shares	N/A
Common Shares	16,816	Shares issued as payment of obligation	N/A
Stock Options	5,790,150	Issued to officers and directors with an exercise price of C\$7.50	N/A

(1) State aggregate proceeds and intended allocation of proceeds.

13. Provide details of any loans to or by Related Persons.

N/A

14. Provide details of any changes in directors, officers or committee members.

N/A

15. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

N/A

Regulatory Risks

Conflicts of Interest

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Negative Operating Cash Flows

As the Company is in the early start-up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can realize stable cash flow from operations.

Risks Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its members. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

Passive Foreign Investment Company

There is a risk that the Company is a passive foreign investment company ("PFIC"). If the Company is a passive foreign investment company, its shareholders in the U.S. are likely subject to adverse U.S. tax consequences. Under U.S. federal income tax laws, if a company is a PFIC for any year, it could have adverse U.S. federal income tax consequences to a U.S. shareholder with respect to its investment in the Company's shares. The Company earns significant royalty and franchise revenue which may be treated as passive income unless the royalty and franchise revenue is derived in the active conduct of a trade or business. Assessing whether royalty or franchise revenue received by the Company and its subsidiaries is derived in the active conduct of a trade or business involves substantial factual and legal ambiguity.

Therefore, whether the Company is a PFIC is unclear, and the Company believes there is a significant risk that the Company will be considered a PFIC currently or in the future. The Company has not yet made a determination as to whether the Company is a PFIC, and even if the Company were to make determinations of its PFIC status, there can be no assurances that the U.S. Internal Revenue Service will agree with such determinations. Furthermore, because PFIC determinations are made annually, it is possible that the Company will meet the requirements to be treated as a PFIC in one or more years, but not meet such requirements in other years. U.S. shareholders should consult their own tax advisors regarding the potential adverse tax consequences to owning PFIC stock, and whether they are

able to and should make any elections or take other actions to mitigate such potential adverse tax consequences.

Cannabis-related Practices or Activities are Illegal Under U.S. Federal Laws

The concepts of “medical cannabis” and “retail cannabis” do not exist under U.S. federal law. The Federal Controlled Substances Act classifies “marihuana” as a Schedule I drug. Under U.S. 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 are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. 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.

Dividends

The Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Reliance on Key Personnel and Advisors

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated September 3, 2019.

Julius Kalceвич
Name of Director or Senior
Officer

"Julius Kalceвич"
Signature

CFO & Corporate Secretary
Official Capacity

Issuer Details Name of Issuer iAnthus Capital Holdings, Inc.	For Month End August, 2019	Date of Report YY/MM/DD 19/09/03
Issuer Address Suite 1980, 1075 West Georgia Street		
City/Province/Postal Code Vancouver, BC V6E 3C9	Issuer Fax No. (778) 329- 9361	Issuer Telephone No. (647) 705-5544
Contact Name Julius Kalceвич	Contact Position CFO, Director	Contact Telephone No. (647) 705-5544
Contact Email Address Julius.kalceвич@ianthus.com	Web Site Address www.ianthuscapital.com	