

## FORM 7

### MONTHLY PROGRESS REPORT

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

Trading Symbol: IAN

Number of Outstanding Listed Securities: 171,718,192

Date: September 8, 2021

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.

All references to currency in this Monthly Progress Report are in US dollars.

## 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.

### **Quarterly Report on Form 10-Q**

On August 10, 2021, the Company reported its financial results for the three and six months ended June 30, 2021. The Company's Quarterly Report on Form 10-Q, which includes its unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2021 and the related management's discussion and analysis of financial condition and results of operations, can be accessed on the Securities and Exchange Commission's ("SEC") website at [www.sec.gov](http://www.sec.gov), the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com), and on the Company's website at [www.iAnthus.com](http://www.iAnthus.com). As a U.S. reporting company, the Company's financial statements are reported in accordance with U.S. generally accepted accounting principles ("GAAP"). Unless otherwise noted, all currency is expressed in U.S. dollars.

### **Second Quarter 2021 Financial Highlights**

- Revenue of \$54.2 million, up 57% from the same quarter in the prior year.
- Gross Profit of \$31.3 million, up 66% from the same quarter in the prior year.
- Gross Margin of 57.7%, reflecting an increase of 3.2% from 54.5% in the same quarter in the prior year.
- Net loss of \$15.3 million, or a loss of \$0.09 per share, compared to a loss of \$24.8 million, or a loss of \$0.14 per share, in the same quarter in the prior year.
- Adjusted EBITDA of \$13.5 million, up from \$0.7 million in the same quarter in the prior year.

Further information regarding the Company's financial results for the three and six months ended June 30, 2021, please see the Company's August 10, 2021 press release.

### **Recapitalization Transaction Update**

As disclosed in the Company's filings with the applicable Canadian securities regulators and the SEC, the Company entered into a restructuring support agreement dated July 10, 2020, as amended on June 15, 2021 (as amended, the "Restructuring Support Agreement") with the holders of its secured notes (the "Secured Lenders"), and a majority of the holders of its unsecured debentures (the "Consenting Unsecured Debentureholders") to effectuate a proposed recapitalization transaction (the "Recapitalization Transaction") to be implemented by way of a court-approved plan of arrangement ("Plan of Arrangement") under the *Business Corporations Act* (British Columbia).

As previously disclosed, securityholder approval and court approval were two of the primary conditions for closing the Recapitalization Transaction, both of which conditions have been satisfied. The closing of the Recapitalization Transaction remains subject to certain closing conditions set forth in the Restructuring Support Agreement. Specifically, certain of the transactions contemplated by the Recapitalization Transaction have triggered the requirement for an approval by state-level regulators in certain U.S. states with jurisdiction over the licensed cannabis operations of entities owned, in whole or in part, or controlled, directly or indirectly, by iAnthus in such states.

On February 23, 2021, the Nevada Cannabis Compliance Board approved the proposed change of ownership and control of the Company's wholly-owned subsidiary, GreenMart of Nevada NLV, LLC, contemplated by the Recapitalization Transaction. On June 17, 2021, the Massachusetts Cannabis Control Commission approved the proposed change of ownership and control of the current licenses held by the Company's wholly-owned subsidiaries, Mayflower Medicinals, Inc., and Cannatech Medicinals, Inc. contemplated by the Recapitalization Transaction. Similar state-level regulatory approvals are being sought in Florida, Maryland, Massachusetts, New York, and New Jersey<sup>1</sup>.

The Company continues to work with the Secured Lenders and Consenting Debenture Holders (as such terms are defined in the Restructuring Support Agreement) towards obtaining the required regulatory approvals. As previously disclosed, the Company, the Secured Lenders and the Consenting Debenture Holders have agreed to amend the date pursuant to which the Plan of Arrangement is required to be implemented by from 'June 30, 2021' to 'August 31, 2021' in the definition of "Outside Date" as that term is defined in the Restructuring Support Agreement. The Secured Lenders and Consenting Debenture Holders have agreed to provide the Company with enhanced disclosure as to their ongoing discussions and correspondence with state-level regulators in connection with seeking the necessary regulatory approvals. The parties have also agreed to cooperate and work in good faith to settle the terms of a long-term incentive plan for certain essential employees of the Company and certain of its subsidiaries.

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<sup>1</sup> In New Jersey, a change of control approval is not required at the present time because the Company is awaiting approval by the state Cannabis Regulatory Commission ("**CRC**") for the Company to close its acquisition of 100% of the equity interests in New Jersey license holder MPX of New Jersey, LLC ("**MPXNJ**"), pursuant to certain contractual agreements (the "**Agreements**", and the approval application before the CRC, the "**Amended Permit Application**"). The Company has a reasonable expectation that approval of the Amended Permit Application will be listed for consideration by the CRC on its monthly agenda in the next sixty (60) days or sooner and, upon any such approval thereof and the closing of the acquisition within no later than five (5) business days thereafter, as set forth in the Agreements, a prior regulatory approval for the change of beneficial ownership of MPXNJ that would result from the Recapitalization Transaction will be required as a condition to closing under the Restructuring Support Agreement.

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On August 23, 2021, the Company announced that it was in receipt of a purported notice (the "Purported Notice") from the Secured Lenders and the Consenting Debenture Holders. The Purported Notice seeks to unilaterally extend the Outside Date the Recapitalization Transaction beyond the existing Outside Date, August 31, 2021, to "the date on which any regulatory approval or consent condition to implementation of the Plan is satisfied or waived."

The Company's position is the Restructuring Support Agreement does not afford the Secured Lenders and Consenting Debenture Holders a unilateral right to extend the Outside Date. Accordingly, the Company believes that the Purported Notice does not modify the Outside Date, and as such, has advised the Secured Lenders and the Consenting Debenture Holders that the Outside Date remains August 31, 2021, subject to any permitted extension in accordance with the RSA.

On August 20, 2021, iAnthus received a Notice of Application from Gotham Green Partners, LLC and Gotham Green Admin 1, LLC (the "Applicants"). The Applicants seek, among other things, a declaration that the Purported Notice is effective. In the alternative, the Applicants seek an order rectifying the Restructuring Support Agreement to permit the Outside Date to be extended and prohibiting the Company from terminating the Restructuring Support Agreement without further order of the court. iAnthus announced its intention to respond to the application and ask that it be dismissed with costs. The Notice of Application has been issued under Ontario Superior Court of Justice Court File Number CV-21-00667501-00CL.

On August 24, 2021, parties to the application appeared for a case conference before a judge of the Commercial List (Superior Court of Ontario). At the case conference, the court scheduled the hearing of the application for September 23, 2021. The court's endorsement in connection with the case conference was received by iAnthus on August 26, 2021 and reads as follows:

**"Endorsement of Justice Hainey following case conference on August 24, 2021**

1. The Application in this matter is scheduled to be heard on the merits for one day on September 23, 2021, before Justice Penny. During the period from September 1, 2021 to the hearing of the Application on September 23, 2021, the parties are to maintain the status quo. In particular, during such period without further order of the Court:
  - 1.1. except to the extent provided for in paragraphs (ii) and (iii) below, the parties remain bound by the covenants and other terms and conditions of the Restructuring Support Agreement;
  - 1.2. no party may terminate the Restructuring Support Agreement; and
  - 1.3. No party to the Restructuring Support Agreement nor any of their respective representatives shall take any step to advance or impede the regulatory process for the closing of the transaction contemplated by the

Restructuring Support Agreement, or otherwise have any communication with the applicable state-level regulators concerning the transaction contemplated by the Restructuring Support Agreement or the other counterparties that are parties thereto. Notwithstanding the foregoing, nothing in this paragraph shall prohibit the parties from advising applicable state-level regulators where approvals remain pending, of the terms of this endorsement.

1.4. A decision as to whether further interlocutory relief is required following the hearing of the Application and pending the release of a decision on the merits shall be addressed before Justice Penny at the hearing of the Application.

1.5. The parties have agreed on a timetable for the delivery of materials related to the Application which is attached hereto."

### Timetable

Step	Parties	Deadline
Responding Record	iAnthus	August 31, 2021
Reply Record, if any	Applicants/Debenture Holders	September 3, 2021
Cross-Examinations	All	by September 10, 2021
Applicant Factum	Applicants/Debenture Holders	September 14, 2021
Respondent Factum	iAnthus	September 17, 2021
Reply Factum, if any	Applicants/Debenture Holders	September 21, 2021
Hearing	All	September 23, 2021

A copy of the Restructuring Support Agreement is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and was filed originally on July 20, 2020 and the amendment was filed on June 16, 2021. The Restructuring Support Agreement and the amendment are also available under the Company's profile on the US Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

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.

**During the month of August, the Company launched the following products in Florida:**

- **Tincture flavor “Pineapple” under existing brand name “Frutful”**
- **0.5 gram vape cartridge and syringe strain “Yellow Brick Road” under existing brand name “GrowHealthy”**
- **0.5 gram vape cartridge blend “Stomping Grounds” under existing brand name “Signature Blend Series”**

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.

**Please see above under "Report on Business" for information regarding the Notice of Application filed on August 20, 2021.**

**On August 30, 2021, the Company won a dismissal of the complaints filed in the previously disclosed consolidated actions (the "Consolidated U.S. Actions") in the United States District Court for the Southern District of New York.**

**The Consolidated U.S. Actions include: (a) various shareholder class action claims filed in the Southern District of New York against, among others, iAnthus and certain of its current and former officers and directors alleging violations of the U.S. securities laws; and (b) a complaint filed by Hi-Med LLC in the Southern District of New York against iAnthus and certain of its current and former officers and directors alleging violations of the U.S. securities laws and other state-law claims.**

**In a memorandum of opinion dated August 30, 2021, Judge Lewis A. Kaplan of the United States District Court for the Southern District of New York, granted iAnthus' motion to dismiss the complaints filed in the Consolidated U.S. Actions. The Court stated that plaintiffs may move for leave to file proposed second amended complaints by September 30, 2021.**

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 <sup>(1)</sup>
None	None	None	None

(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.

**The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to COVID-19. An outbreak of infectious disease, a pandemic, or a similar public health threat, such as the recent outbreak of COVID-19, or a fear of any of the foregoing, could adversely impact the Company by causing operating, manufacturing, supply chain, and project development delays and disruptions, labor shortages, travel, and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). It is unknown whether and how the Company may be affected if such a pandemic persists for an extended period of time, including as a result of the waiver of regulatory requirements or the implementation of emergency regulations to which the Company is subject.. Although the Company has been deemed essential and/or has been permitted to continue operating its facilities in the states in which it cultivates, processes, manufactures, and sells cannabis during the pendency of the COVID-19 pandemic (subject to the implementation of certain restrictions on adult-use cannabis sales in both Massachusetts and Nevada, which have since been lifted), there is no assurance that the Company's operations will continue to be deemed essential and/or will continue to be permitted to operate. The Company may incur expenses or delays relating to such events outside of its control, which could have a material adverse impact on its business, operating results, financial condition and the trading price of the Company's common shares.**



## **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 “marijuana” 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 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.

### **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 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 8, 2021.

Julius Kalcevich  
Name of Director or Senior  
Officer

"Julius Kalcevich"  
Signature

CFO  
Official Capacity

<b>Issuer Details</b> Name of Issuer  iAnthus Capital Holdings, Inc.	For Month End August, 2021	Date of Report YY/MM/DD 21/09/08
Issuer Address  22 Adelaide Street West, Suite 2740		
City/Province/Postal Code  Toronto, ON M5H 4E3	Issuer Fax No. (778) 329- 9361	Issuer Telephone No. (647) 705-5544
Contact Name  Julius Kalcevich	Contact Position CFO	Contact Telephone No. (647) 705-5544
Contact Email Address <a href="mailto:Julius.kalcevich@ianthus.com">Julius.kalcevich@ianthus.com</a>	Web Site Address <a href="http://www.ianthuscapital.com">www.ianthuscapital.com</a>	