

## 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: August 8, 2020

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.

## **Recapitalization Transaction**

### **All references to currency are to U.S. dollars.**

On July 13, 2020, the Company announced that it has entered into a restructuring and support agreement (the "Restructuring Support Agreement") with 100% of its secured lenders (the "Secured Lenders") and over 91% of the holders of its unsecured debenture (the "Unsecured Debentureholders") to effect a proposed recapitalization transaction (the "Recapitalization Transaction"), as well as provide interim financing of \$14 million (the "Interim Financing") to a wholly-owned subsidiary of the Issuer.

The Recapitalization Transaction is expected to significantly reduce the Company's outstanding indebtedness and annual interest costs, improve its capital structure and liquidity, and result in an enhanced financial foundation for the Company. Assuming completion of the Recapitalization Transaction, the Company's pro forma outstanding indebtedness will be reduced from \$168.7 million (excluding fees and accrued and unpaid interest thereon) as at June 30, 2020 to \$101.4 million (excluding \$20 million of Preferred Equity (as defined below).

Pursuant to the terms of the Restructuring Support Agreement, the Recapitalization Transaction will be implemented pursuant to arrangement proceedings commenced under the British Columbia Business Corporations Act ("BCBCA") or, only if necessary, the Companies' Creditors Arrangement Act ("CCAA"). The Recapitalization Transaction, if consummated, is expected to have the following key elements:

- The Secured Debentures (as defined below), after the completion of the Recapitalization Transaction, will be amended to (i) reduce the principal balance from approximately \$98 million to \$85 million, (ii) reduce the interest rate by 5% per annum; (iii) eliminate cash pay interest; (iv) extend the original maturity date by over four years; and (v) remove the conversion feature (the "Restructured Senior Debt");
- The \$60 million principal amount of Unsecured Debentures (as defined below), plus accrued and unpaid interest and fees, will be exchanged and no longer be outstanding;
- The Company will issue an aggregate of \$20 million of new unsecured notes (the "New Unsecured Notes") to the Secured Lenders (\$5 million) and Unsecured Debentureholders (\$15 million). The New Unsecured Notes will be subordinate to the Restructured Senior Debt, but will have priority over

the common shares, and will carry an 8% payment in kind (PIK) annual interest rate, compounding quarterly. The New Unsecured Notes will be non-convertible, will mature five years after the completion of the Recapitalization Transaction and will be non-callable for a period of three years;

- The Secured Lenders, on the one hand, and the Unsecured Debentureholders, on the other hand, will each be issued an equal amount of common shares of the Company ("Common Shares") such that each will own 48.625% of the Common Shares upon completion of the Recapitalization Transaction (50% each if completed through CCAA Proceedings (as defined below)), allocated pro rata among the holders thereof in accordance with the principal amount of the applicable debt held by each such holder prior to the closing time;
- Only if the Recapitalization Transaction is consummated through the Arrangement Proceedings (as defined below), the existing holders at the time of completion (the "Existing Shareholders") of Common Shares will retain 2.75% of the ownership of the Common Shares (the "Common Shareholder Interest"). If the Recapitalization Transaction is completed through CCAA Proceedings, the Existing Shareholders will not receive a recovery and the Common Shareholder Interest will instead be allocated equally as among the Secured Lenders and Unsecured Debentureholders;
- All existing options and warrants of the Company will be cancelled upon completion of the Recapitalization Transaction, and the Company anticipates allocating an amount of equity to be made available for management, employee, and director incentives; and
- Obligations to employees, customers and suppliers will not be affected by the Recapitalization Transaction and are expected to continue to be satisfied in the ordinary course.

The full text of the Restructuring Support Agreement has been filed by the Company on SEDAR ([www.sedar.com](http://www.sedar.com)).

### **Business Update**

On July 31, 2020, the Company announced the mutual termination of the WSCC, Inc. ("Sierra Well") Agreement and Plan of Merger previously announced on September 19, 2019 (the "Merger Agreement"). As a result of the prolonged timeline to achieve the necessary conditions to close the Merger Agreement combined with the adverse market conditions surrounding the industry and broader economy, the Company and Sierra Well agreed that it was in the best of interest of both parties to terminate the transaction. Pursuant to the terms of the agreement, no termination fee was payable by either party.

## **Financial Statements Update**

On July 31, 2020, the Company reported its financial results for the year ended December 31, 2019. The Company's Financial Statements for the year ended December 31, 2019 and the related Management's Discussion & Analysis can be accessed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) and on the Company's website.

The Company had previously announced on July 15, 2020 that it had failed to file its interim financial statements for the quarter ended March 31, 2020, the management's discussion and analysis related thereto and the related certificates required by NI 52-109 (the "Interim Filings") prior to the filing deadline on July 14, 2020. As a result, the Company continues to be subject to a cease trade order (the "CTO") issued by the Ontario Securities Commission on June 22, 2020. The CTO affects trading in all securities of the Company by securityholders of the Company, in each jurisdiction in Canada in which the Company is a reporting issuer and will remain in effect until such time as the Company has filed the Interim Filings. If the Interim Filings are made within 90 days of the date of the CTO, such filings would constitute the Company's application to have the CTO revoked. The Company expects to file the Interim Filings on or before the 90-day deadline.

As a result, further to the Company's news release dated June 23, 2020, the Company is subject to a cease trade order (the "CTO") issued by the Ontario Securities Commission on June 22, 2020. The CTO affects trading in all securities of the Company by securityholders of the Company, in each jurisdiction in Canada in which the Company is a reporting issuer and will remain in effect until such time as the Company has made the Required Filings. If the Required Filings are made within 90 days of the date of the CTO, such filings would constitute the Company's application to have the CTO revoked. The Company expects to file the Required Filings on or before the 90-day deadline.

The issuance of any securities of iAnthus remains subject to the terms of the CTO.

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.

**A proposed class action was issued on July 23, 2020 in the Ontario Superior Court of Justice in Toronto against the Company, its former CEO, and its CFO, by Blue Sky Realty Corporation. The plaintiff seeks to certify the proposed class action on behalf of all persons, other than any executive**

level employee of the Company and their immediate families, who acquired the Company's common shares in the secondary market on or after May 30, 2019, and who held some or all of those securities until after the close of trading on April 5, 2020. Among other things, the plaintiff alleges statutory and common law misrepresentation, and seeks an unspecified amount of damages together with interest and costs. The certification motion and leave to proceed motion for a secondary market claim under the Securities Act (Ontario) have not yet been scheduled. The Company intends to vigorously defend this claim.

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

**See item 1 above for details on the Interim Financing.**

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

| <b>Security</b> | <b>Number Issued</b> | <b>Details of Issuance</b> | <b>Use of Proceeds<sup>(1)</sup></b> |
|-----------------|----------------------|----------------------------|--------------------------------------|
| 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 “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 August 8, 2020.

Julius Kalcevich  
Name of Director or Senior  
Officer

"Julius Kalcevich"  
Signature

CFO & Corporate Secretary  
Official Capacity

|                                                                                |                                                                    |                            |
|--------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------|
| <b><i>Issuer Details</i></b><br>Name of Issuer                                 | For Month<br>End                                                   | Date of Report<br>YY/MM/DD |
| iAnthus Capital Holdings, Inc.                                                 | July, 2020                                                         | 20/08/08                   |
| Issuer Address                                                                 |                                                                    |                            |
| 22 Adelaide Street West, Suite 2740                                            |                                                                    |                            |
| City/Province/Postal Code                                                      | Issuer Fax No.                                                     | Issuer Telephone No.       |
| Toronto, ON M5H 4E3                                                            | (778) 329-<br>9361                                                 | (647) 705-5544             |
| Contact Name                                                                   | Contact<br>Position                                                | Contact Telephone No.      |
| Julius Kalcevich                                                               | CFO, Director                                                      | (647) 705-5544             |
| Contact Email Address                                                          | Web Site Address                                                   |                            |
| <a href="mailto:Julius.kalcevich@ianthus.com">Julius.kalcevich@ianthus.com</a> | <a href="http://www.ianthuscapital.com">www.ianthuscapital.com</a> |                            |