# FORM 7

## MONTHLY PROGRESS REPORT

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

Trading Symbol: IAN

Number of Outstanding Listed Securities: 171,584,883

Date: Sept 30, 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., ("the Company") 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 September 16, 2019, the Company's subsidiary, GrowHealthy, opened a dispensary in Bonita Springs, Florida. The dispensary is located at 25987 South Tamiami Trail, Unit 110, Bonita Springs, FL and serves the Lee County metro area population of over 600,000 people. The grand opening took place on September 20th. This opening marks GrowHealthy's first location on the southwest Florida coast serving the Cape-Coral, Fort Myers area and ninth dispensary in the state of Florida. The Company reiterated its near-term target to have 17 open dispensaries by the end of January 2020.**

**On September 19, 2019, the Company announced an expansion of its Nevada footprint by entering into an agreement to acquire WSCC, Inc. ("Sierra Well") for total consideration of US$27.6 million, comprised of approximately US$5.1 million to be paid in cash and US$22.5 million to be paid in iAnthus shares priced at the 10-day volume-weighted average price prior to closing of the transaction. Sierra Well's last quarter annualized revenue was approximately US$16.0 million with an EBITDA (non-IFRS) margin in excess of 20% and positive net income. Sierra Well operates two premier Nevada dispensaries, including the first dispensary opened in Reno and one of only two dispensaries operating in Carson City; both dispensaries will be rebranded under the Company's "Be." brand upon closing of the transaction. Additionally, Sierra Well operates two cultivation and production facilities totaling over 20,000 square feet, which upon closing will nearly doubling iAnthus' production capacity in Nevada. Upon closing of the transaction, iAnthus' presence in Nevada will consist of six licensed dispensaries and 50,000 square feet of cultivation and processing capabilities. The transaction is expected to close in the first half of 2020 and is subject to customary regulatory approvals including approval of the license transfers by the Nevada Department of Taxation.**

**On September 24, 2019, the Company converted all of the issued and outstanding Class A Convertible Restricted Voting Shares ("Class A Shares") of the Company to Common Shares. With this change, the Company has effectively eliminating the dual class equity structure with different voting rights and moved to one class of shares. It is management's belief that this simplifies the Company's share structure, making it easier for shareholders to understand, and aligns all shareholders by having all shareholders own the same class of shares.**

**On September 26, 2019, the Company responded to the passage of the Secure and Fair Enforcement Banking Act of 2019 ("SAFE Banking Act") by the House of Representatives. The SAFE Banking Act is intended to remedy the lack of access to normal business banking that is currently experienced by cannabis businesses operating in states with medical and adult use cannabis regulatory programs. The bill, if passed by the Senate, would prevent banking regulators from penalizing institutions that provide banking services to state-legal cannabis businesses, thus removing the regulatory risk that deters banks from servicing the cannabis industry.**

**On September 30, 2019, the Company announced the closing of the first tranche a US$100 million financing plan with Gotham Green Partners ("GGP") to fully build-out all of its existing assets across its 11-state footprint. The first tranche of plan consisted of US$20 million of Senior Secured Convertible Notes ("the Notes") issued by iAnthus Capital Management, LLC, the Company's wholly owned subsidiary. The Notes have an annual coupon of 13%, payable quarterly, and a will mature on May 14, 2021, subject to the iAnthus' right to extend the maturity date by twelve months, are exchangeable into Common Shares of the Company at a conversion price of US$1.89, which represents a 25% premium to the closing price of the Common Shares on Friday, September 27, 2019. The Notes are being issued with US$10 million of attached three-year warrants with an exercise price of US$1.97. Any additional notes will have substantially the same terms, including conversion price and warrant coverage, subject to compliance with the policies of the CSE. The note purchase agreement provides GGP the right to purchase additional notes of up to US$66.5 million for a total of US$86.5 million. The Company may obtain an additional US$13.5 million from potential financing sources, including GGP or others, to fulfil its US$100 million plan, with any such additional financing subject to the negotiation of pricing, terms and conditions in the context of the market.**

**iAnthus currently has 27 open dispensaries, 11 of which have opened in the last ten months. The Company is working aggressively to open another 12 in the next six months. The Company is growing in each of its markets with strong same-store sales growth continuing to show strong results across the entire 11 state footprint. Pro forma for the pending Sierra Well acquisition, the Company will have 29 open dispensaries and is generating in excess of US$10 million of reported and managed revenue per month, with a rational cost structure that has well-positioned iAnthus for future success.**

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 | 13,555,051 | Conversion of Class A Shares into Common Shares | N/A |
| High Yield Convertible Notes | 440,836 Common Shares (upon conversion at a price of US$3.08) | US$1,357,777.78 Payment-in-Kind ("PIK") Interest Payment on the High Yield Notes issued in May 2018 | N/A |
| Senior Secured Convertible Notes | 10,582,011 Common Shares (upon conversion at a price of US$1.89) | Investment of US$20,000,000 from Gotham Green Partners. | Fund the development of existing assets and general working capital purposes. |
| Warrants | 5,076,142 (exercisable at US$1.97) | Issued as part of US$20,0000,000 investment from Gotham Green Partners. | 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 October 3, 2019.

Julius Kalcevich
Name of Director or Senior Officer

*"Julius Kalcevich"*
Signature

CFO & Corporate Secretary
Official Capacity

| | | |
|---|---|---|
| ***Issuer Details***<br>Name of Issuer<br><br>iAnthus Capital Holdings, Inc. | For Month End<br>September, 2019 | Date of Report<br>YY/MM/DD<br>19/09/30 |
| Issuer Address<br>Suite 1980, 1075 West Georgia Street | | |
| City/Province/Postal Code<br><br>Vancouver, BC V6E 3C9 | Issuer Fax No.<br>(778) 329-9361 | Issuer Telephone No.<br>(647) 705-5544 |
| Contact Name<br><br>Julius Kalcevich | Contact Position<br>CFO, Director | Contact Telephone No.<br>(647) 705-5544 |
| Contact Email Address<br>Julius.kalcevich@ianthus.com | Web Site Address<br>www.ianthuscapital.com | |