

# iAnthus Capital Holdings, Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(unaudited)

## Notice to Reader

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3) (b), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada, for a review of condensed interim consolidated financial statements by an entity's auditor.

## Condensed Interim Consolidated Statement of Financial Position

	Note	March 31, 2020		December 31, 2019	
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	16	\$	6,459	\$	34,821
Receivables and prepaid assets			8,079		7,610
Inventory	6		27,786		25,228
Biological assets	7		16,938		15,751
Other current assets			4,420		3,700
		\$	<b>63,682</b>	\$	<b>87,110</b>
<b>Non-current Assets</b>					
Fixed assets	8		115,602		107,595
Right of use assets			32,457		25,255
Other assets			4,974		5,534
Intangible assets	9		174,052		177,590
Goodwill	9		-		201,014
		\$	<b>327,085</b>	\$	<b>516,988</b>
<b>TOTAL ASSETS</b>		\$	<b>390,767</b>	\$	<b>604,098</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Payables and accrued liabilities		\$	40,622	\$	25,396
Current portion of long-term debt	10, 17		143,001		10,847
Derivative liabilities	13		191		1,671
Current lease liabilities			6,627		5,328
Other current liabilities			901		937
		\$	<b>191,342</b>	\$	<b>44,179</b>
<b>Non-current Liabilities</b>					
Long-term debt	10, 17		1,241		130,667
Deferred tax liabilities			39,161		43,350
Non-current lease liabilities			26,356		19,799
Other liabilities			-		106
		\$	<b>66,758</b>	\$	<b>193,922</b>
<b>Total Liabilities</b>		\$	<b>258,100</b>	\$	<b>238,101</b>
<b>Shareholders' Equity</b>					
Share capital			659,983		659,790
Shares to be issued			1,531		1,531
Reserves			93,239		89,444
Accumulated deficit			(622,163)		(384,845)
Accumulated other comprehensive income			77		77
<b>Total Shareholders' Equity</b>		\$	<b>132,667</b>	\$	<b>365,997</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		\$	<b>390,767</b>	\$	<b>604,098</b>

On behalf of the Board of Directors

*"Randy Maslow"*

Randy Maslow  
Interim CEO and Director

*"Julius Kalcevich"*

Julius Kalcevich  
CFO

See accompanying notes to the condensed interim consolidated financial statements

## Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

	Note	Three months ended March 31, 2020	Three months ended March 31, 2019 <sup>(1)</sup>
Sales revenues		\$ 30,426	\$ 9,620
Cost of sales		(15,447)	(8,646)
<b>Gross profit before fair value adjustments</b>		<b>14,979</b>	<b>974</b>
Fair value adjustment on sale of inventory	3	(7,900)	(1,837)
Fair value adjustment on biological assets	3, 7	9,296	1,691
<b>Gross profit</b>		<b>16,375</b>	<b>828</b>
<b>Operating expenses</b>			
General and administrative		6,497	3,396
Salaries and employee benefits		11,134	6,099
Share-based compensation	12	3,795	1,646
Depreciation and amortization	8,9	6,793	2,637
Professional fees		4,371	3,547
Acquisition-related costs	5	-	5,173
Impairment loss	9	199,364	-
<b>Total operating expenses</b>		<b>231,954</b>	<b>22,498</b>
<b>Other items</b>			
Other income		112	120
Interest expense		(5,710)	(2,346)
Accretion expense	10	(3,200)	(1,515)
Provision for debt obligation fees	10	(12,503)	-
Gain from change in fair value of financial instruments	13	1,440	3,210
Other losses		(19)	(127)
<b>Total other items</b>		<b>(19,880)</b>	<b>(658)</b>
<b>Loss before income taxes</b>		<b>\$ (235,459)</b>	<b>\$ (22,328)</b>
Income tax expense		(1,859)	(668)
<b>Comprehensive loss</b>		<b>\$ (237,318)</b>	<b>\$ (22,996)</b>
<b>Loss per share - basic and diluted</b>		<b>\$ (1.38)</b>	<b>\$ (0.19)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<b>171,667,093</b>	<b>121,961,760</b>

(1) Certain 2019 figures have been amended (see Note 3).

See accompanying notes to the condensed interim consolidated financial statements

## Condensed Interim Consolidated Statements of Changes in Equity

	Note	Common Shares (Units)	Class A Shares (Units)	Share Capital	Shares to be Issued	Option Reserves	Warrant Reserves	Convertible Debt Reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Shareholders' Equity
<b>Balance – January 1, 2020</b>		<b>171,643,192</b>		<b>- \$ 659,790</b>	<b>\$ 1,531</b>	<b>\$ 41,356</b>	<b>\$ 33,605</b>	<b>\$ 14,483</b>	<b>77</b>	<b>\$ (384,845)</b>	<b>\$ 365,997</b>
Issuance of shares to settle outstanding obligations	11	75,000	-	193	-	-	-	-	-	-	193
Share-based compensation	12	-	-	-	-	3,795	-	-	-	-	3,795
Net loss		-	-	-	-	-	-	-	-	(237,318)	(237,318)
<b>Balance – March 31, 2020</b>		<b>171,718,192</b>		<b>- \$ 659,983</b>	<b>\$ 1,531</b>	<b>\$ 45,151</b>	<b>\$ 33,605</b>	<b>\$ 14,483</b>	<b>77</b>	<b>\$ (622,163)</b>	<b>\$ 132,667</b>

	Note	Common Shares (Units)	Class A Shares (Units)	Share Capital	Shares to be Issued	Option Reserves	Warrant Reserves	Convertible Debt Reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Shareholders' Equity
<b>Balance – January 1, 2019</b>		<b>58,722,261</b>	<b>15,440,704</b>	<b>\$ 158,365</b>	<b>\$ 2,130</b>	<b>\$ 11,427</b>	<b>\$ 20,092</b>	<b>\$ 1,671</b>	<b>77</b>	<b>\$ (82,507)</b>	<b>\$ 111,255</b>
Acquisition of MPX		75,795,208	-	403,071	1,500	21,704	6,049	-	-	-	432,324
Acquisition-related costs		170,000	-	904	-	-	-	-	-	-	904
March 2019 Unsecured Debentures		116,600	-	688	-	-	5,303	3,698	-	-	9,689
Issuance of shares to settle OID Loan		2,726,027	-	9,419	-	-	-	-	-	-	9,419
Issuance of shares to settle outstanding obligations		783,357	-	4,442	(2,028)	-	-	-	-	(1,496)	918
Share issuance costs		-	-	(558)	-	-	-	-	-	-	(558)
Share-based compensation		-	-	-	-	1,646	-	-	-	-	1,646
Exercise of stock options		2,597,577	-	14,973	-	(11,159)	-	-	-	-	3,814
Exercise of warrants		2,985,734	-	14,993	-	-	(3,446)	-	-	-	11,547
Impact from adoption of IFRS 16		-	-	-	-	-	-	-	-	194	194
Net loss		-	-	-	-	-	-	-	-	(22,996)	(22,996)
<b>Balance – March 31, 2019<sup>1</sup></b>		<b>143,896,764</b>	<b>15,440,704</b>	<b>\$ 606,297</b>	<b>\$ 1,602</b>	<b>\$ 23,618</b>	<b>\$ 27,998</b>	<b>\$ 5,369</b>	<b>77</b>	<b>\$ (106,805)</b>	<b>\$ 558,156</b>

(1) Certain 2019 figures have been amended (see Note 3).

See accompanying notes to the condensed interim consolidated financial statements

## Condensed Interim Consolidated Statement of Cash Flows

	Three months ended March 31, 2020	Three months ended March 31, 2019 <sup>(1)</sup>
<b>Operating activities</b>		
Net loss	\$ (237,318)	\$ (18,265)
Adjustments to reconcile net loss to cash used in operations:		
Fair value adjustment on biological assets	(9,296)	(1,691)
Fair value adjustment on sale of inventory	7,900	1,837
Loss on asset disposition	1,295	707
Share-based compensation	3,795	1,646
Depreciation and amortization	6,793	2,637
Acquisition-related costs	-	5,173
Impairment loss	199,364	-
Interest income	(13)	(10)
Interest expense	5,710	2,346
Accretion expense	3,200	1,515
Provision for debt obligation fees	12,503	-
Change in fair value on financial instruments	(1,440)	(3,210)
Other (gains) losses	150	(73)
Issuance of shares to settle outstanding obligations	193	918
Changes in non-cash working capital items	1,481	(1,150)
<b>Net cash used in operating activities</b>	<b>\$ (5,683)</b>	<b>\$ (7,620)</b>
<b>Investing activities</b>		
Purchase of fixed assets	(10,030)	(13,305)
Purchase of intangible assets	(292)	-
Cash received from business acquisitions	-	3,153
Acquisition of subsidiaries	-	905
Acquisition-related costs	-	(4,269)
<b>Net cash used in investing activities</b>	<b>\$ (10,322)</b>	<b>\$ (13,516)</b>
<b>Financing activities</b>		
Issuance of debt	-	35,000
Debt issuance costs	-	(655)
Repayment of debt	(10,811)	(7)
Share issuance costs	-	(558)
Exercise of warrants	-	7,699
Exercise of stock options	-	3,814
Interest paid	(52)	(1,456)
Interest paid on lease obligations	(1,244)	(782)
Payment on principal of lease obligations	(250)	(148)
<b>Net cash used in financing activities</b>	<b>\$ (12,357)</b>	<b>\$ 42,907</b>
Cash and restricted cash, beginning of the period	34,821	20,567
Net (decrease) increase in cash	(28,362)	21,771
<b>Cash, end of the period</b>	<b>\$ 6,459</b>	<b>\$ 42,338</b>

(1) Certain 2019 figures have been amended (see note 3).

Please refer to Note 16 for supplemental cash flow information.

See accompanying notes to the condensed interim consolidated financial statements below.

## 1 Nature of Operations

iAnthus Capital Holdings, Inc. (“ICH”, or “iAnthus”), together with its consolidated subsidiaries (the “Company”) is a vertically-integrated developer, owner and operator of licensed cannabis cultivation, processing and dispensary facilities, and developer, producer and distributor of innovative branded cannabis and cannabidiol (“CBD”) products in the United States (“U.S.”). Through the Company’s subsidiaries, licenses, interests and contractual arrangements, the Company has the capacity to operate dispensaries and cultivation/processing facilities, and manufacture and distribute cannabis across the states in which the Company operates in the U.S. Additionally, the Company distributes CBD products online and to retail locations across the U.S..

The Company’s registered office is located at 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, V6E 4N7, Canada. The Company is listed on the Canadian Securities Exchange (the “CSE”) under the ticker symbol “IAN” and on the Pink Market, part of the OTC Markets Group, under the ticker “ITHUF”.

## 2 Basis of Preparation

### Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the three months ended March 31, 2020.

These condensed interim consolidated financial statements for the three months ended March 31, 2020, have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements as at December 31, 2019, which were filed on July 31, 2020, on SEDAR. These condensed interim consolidated financial statements were approved by the Board of Directors on August 14, 2020.

The Company’s business activities, and the business activities of its subsidiaries, which operate in jurisdictions where the use of marijuana has been legalized under state and local laws, currently are illegal under U.S. federal law. The U.S. Controlled Substances Act classifies marijuana as a Schedule I controlled substance. Any proceedings that may be brought against the Company could have a material adverse effect on the Company’s business plans, financial condition and results of operations.

### Going Concern

These condensed interim consolidated financial statements have been prepared using IFRS applicable to going concern, which assumes that the Company will be able to continue its operations and will be able to realize its assets and settle its liabilities in the normal course of business as they come due in the foreseeable future.

For the three months ended March 31, 2020, the Company reported a net loss of \$237,318, operating cash outflows of \$5,683, and an accumulated deficit of \$622,163 at March 31, 2020, including an impairment loss on its goodwill of \$199,364. These material circumstances cast substantial doubt on the Company’s ability to continue as a going concern and ultimately on the appropriateness of the use of the accounting principles applicable to a going concern.

Subsequent to March 31, 2020, due to liquidity constraints experienced by the Company, the Company did not make interest payments due to the lenders of the Company’s Secured Notes and Unsecured Debentures (together the “Lenders”) on March 31, 2020. The Company is currently in default with respect to the Company’s long-term debt, consisting of principal amounts at face value of \$97,508 and \$60,000 and accrued interest amounts at March 31, 2020 of \$3,204 and \$1,200 for the Secured Notes and Unsecured Debentures, respectively. In addition, as a result of the default, the Company has accrued additional fees and interest of \$12,503 in excess of the aforementioned amounts. Refer to Note 3, Note 10, and Note 17 for additional information.

As a result, the Board formed a special committee comprising of independent, non-management directors of the Company (the “Special Committee”) to, among other matters, explore and consider strategic alternatives available to the Company in light of the prospective liquidity requirements of the Company, the condition of the capital markets affecting companies in the cannabis industry, and the rapid change in the state of the economy and capital markets generally caused by the novel coronavirus known as COVID-19 (“COVID-19”), including but not limited to:

- renegotiation of existing financing arrangements and other material contracts, including any amendments, waivers, extensions or similar agreements with the Lenders to and/or stakeholders of the Company and/or its subsidiaries that the Special Committee determines are in the best interest of the Company and/or its subsidiaries;
- managing available sources of capital, including equity investments or debt financing or refinancing and the terms thereof;

## 2 Basis of Preparation (cont.)

### Going Concern (cont.)

- implementing the operational and financial restructuring of the Company and its subsidiaries and their respective businesses, assets and licensure and other rights; and
- implementing other potential strategic transactions.

The Special Committee engaged Canaccord Genuity Corp. as its financial advisor to assist the Special Committee in analyzing various strategic alternatives to address its capital structure and liquidity challenges.

On June 22, 2020, the Company received notice from Gotham Green Admin 1, LLC (the "Collateral Agent"), as collateral agent holding security for the benefit of the holders of the Company's Secured Notes, with a demand for repayment (the "Demand Letter") under the Amended and Restated Secured Debenture Purchase Agreement dated October 10, 2019 (the "Purchase Agreement") of the entire principal amount, together with interest, fees, costs and other allowable charges that had accrued or might accrue in accordance with the Purchase Agreement and the other Transaction Agreements (as defined in the Purchase Agreement). The Collateral Agent also concurrently provided the Company with a Notice of Intention to Enforce Security (the "BIA Notices") under section 244 of the Bankruptcy and Insolvency Act (Canada) (the "BIA").

On July 10, 2020, the Company entered into the Restructuring Support Agreement (as defined below) to effect a proposed recapitalization transaction (the "Recapitalization Transaction") with some of its Lenders as more fully discussed in Note 17 as well as to provide interim financing of \$14,000. In connection with the Recapitalization Transaction, the Company and certain of its subsidiaries have entered into a restructuring support agreement (the "Restructuring Support Agreement") with all of the holders (the "Secured Lenders") of the 13% senior secured convertible debentures (the "Secured Notes") issued by iAnthus Capital Management, LLC, the Company's U.S. wholly-owned subsidiary, and certain holders (the "Unsecured Debentureholders") of the 8% convertible unsecured debentures (the "Unsecured Debentures") issued by the Company.

Subject to compliance with the Restructuring Support Agreement, the Secured Lenders and Initial Consenting Unsecured Debentureholders will forbear from further exercising any rights or remedies in connection with any events of default of the Company now or hereafter occurring under their respective agreements and will stop any current or pending enforcement actions respecting same, including as set forth in the Demand Letter.

Pursuant to the terms of the Restructuring Support Agreement, the Recapitalization Transaction will be implemented pursuant to arrangement proceedings ("Arrangement Proceedings") commenced under the British Columbia Business Corporations Act, or, only if necessary, the Companies' Creditors Arrangement Act (Canada) ("CCAA"). Completion of the Recapitalization Transaction through the Arrangement Proceedings will be subject to, among other things, requisite stakeholder approval of the Plan of Arrangement at meetings expected to be held in September 2020, such other approvals as may be required by the Supreme Court of British Columbia (the "Court"), approval by the Court of the Plan of Arrangement and the receipt of all necessary regulatory and stock exchange approvals (the "Requisite Approvals"). Pursuant to the terms of the Restructuring Support Agreement, if the Recapitalization Transaction is completed through CCAA Proceedings, then the Existing Shareholders (defined as the existing holders of Common Shares) will not receive a recovery.

Although no assurances can be given, management of the Company believes that potential financing transactions as discussed above should provide the necessary funding for the Company to continue as a going concern. The condensed interim consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

### Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for the following: certain financial instruments including derivatives, which are measured at fair value, and biological assets, which are measured at fair value less costs to sell.



## 2 Basis of Preparation (cont.)

### Basis of Consolidation

These condensed interim consolidated financial statements incorporate the financial information of the Company and its subsidiaries. The accounts of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated. The Company's subsidiaries and its interests in each are presented below as at March 31, 2020:

Subsidiary	Jurisdiction	Interest
MPX Bioceutical ULC ("MPX ULC") <sup>(1)</sup>	Canada	100%
MPX Luxembourg SARL <sup>(1)</sup>	Luxembourg	100%
ABACA, LLC <sup>(1)</sup>	Arizona, USA	100%
Ambary, LLC <sup>(1)</sup>	Arizona, USA	100%
Health For Life, Inc. <sup>(1)</sup>	Arizona, USA	100%
iAnthus Arizona, LLC	Arizona, USA	100%
SB Management, LLC <sup>(1)</sup>	Arizona, USA	100%
SB Rental Services, LLC <sup>(1)</sup>	Arizona, USA	100%
Soothing Options, Inc. <sup>(1)</sup>	Arizona, USA	100%
The Healing Center Wellness Center, LLC <sup>(1)</sup>	Arizona, USA	100%
Bergamot Properties, LLC	Colorado, USA	100%
Scarlet Globemallow, LLC	Colorado, USA	100%
iAnthus Capital Management, LLC ("ICM")	Delaware, USA	100%
GHHIA Management, Inc. ("GHHIA")	Florida, USA	100%
GrowHealthy Properties, LLC ("GHP")	Florida, USA	100%
iAnthus Holdings Florida, LLC ("IHF")	Florida, USA	100%
McCrorry's Sunny Hill Nursery, LLC ("McCrorry's")	Florida, USA	100%
iA IT, LLC	Illinois, USA	100%
Budding Rose, Inc. <sup>(1)</sup>	Maryland, USA	100%
GreenMart of Maryland, LLC <sup>(1)</sup>	Maryland, USA	100%
LMS Wellness, Benefit, LLC <sup>(1)</sup>	Maryland, USA	100%
Rosebud Organics, Inc. <sup>(1)</sup>	Maryland, USA	100%
Cannatech Medicinals, Inc. <sup>(1)</sup>	Massachusetts, USA	100%
Fall River Development Company, LLC <sup>(1)</sup>	Massachusetts, USA	100%
IMT, LLC <sup>(1)</sup>	Massachusetts, USA	100%
Mayflower Medicinals, Inc.	Massachusetts, USA	100%
Pilgrim Rock Management, LLC	Massachusetts, USA	100%
CGX Life Sciences, Inc. ("CGX") <sup>(1)</sup>	Nevada, USA	100%
CinG-X Corporation of America ("CinG-X America") <sup>(1)</sup>	Nevada, USA	100%
GreenMart of Nevada NLV, LLC <sup>(1)</sup>	Nevada, USA	100%
iAnthus Northern Nevada, LLC	Nevada, USA	100%
GTL Holdings, LLC	New Jersey, USA	100%
iA CBD, LLC ("iA CBD")	New Jersey, USA	100%
iAnthus New Jersey, LLC	New Jersey, USA	100%
Citiva Medical, LLC ("Citiva")	New York, USA	100%
iAnthus Empire Holdings, LLC	New York, USA	100%
FWR, Inc.	Vermont, USA	100%
Grassroots Vermont Management Services, LLC	Vermont, USA	100%
Pakalolo, LLC	Vermont, USA	100%

<sup>(1)</sup> Subsidiaries acquired in the MPX Acquisition (Note 5).

During the three months ended March 31, 2020, the Company dissolved CinG-X America. This entity was acquired as part of the MPX Acquisition (Note 5).

## 3 Significant Accounting Policies, Estimates and Judgements

### Accounting Policies

The significant accounting policies as disclosed in the Company's annual consolidated financial statements as at December 31, 2019, have been applied consistently in the preparation of these condensed interim consolidated financial statements.

### Accounting Policy Changes

During the year ended December 31, 2019, the Company made a voluntary change in accounting policy to separately disclose the realized fair value amounts from biological assets included in the cost of inventory sold.

#### *IAS 41 Agriculture*

Previously, the Company's accounting policy was to include the fair value amounts from biological assets in cost of sales on the condensed interim consolidated statement of comprehensive income or loss. The Company believes that the revised policy provides reliable and more relevant disclosure of the costs incurred as a result of the sale of cannabis by separately disclosing the impact of fair value movements. The Company's new accounting policy regarding biological assets and inventory is as follows:

### 3 Significant Accounting Policies, Estimates and Judgements (cont.)

#### Accounting Policy Changes (cont.)

##### IAS 41 Agriculture (cont.)

###### (a) Biological assets

The Company's biological assets consist of cannabis plants which are not yet harvested. Although biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. Direct costs include growing materials and labor while indirect costs include utilities and supplies used in the growing process. The indirect labor of individuals involved in the growing and quality control process are also included. Direct and indirect costs of biological assets are capitalized as they are incurred, and they are subsequently recorded in cost of sales in the condensed interim consolidated statement of loss and comprehensive loss when the related product is sold. Gains or losses arising from changes in fair value less cost to sell are included in the condensed interim consolidated statement of loss and comprehensive loss.

###### (b) Inventory

Inventory is valued at the lower of cost and net realizable value. The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. The direct and indirect costs of inventory initially include the costs to cultivate the biological assets at the time of harvest. They also include subsequent costs such as materials, labor, and overhead involved in processing, packaging, labeling, and inspection to turn raw materials into finished goods. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of sales on the condensed interim consolidated statement of loss and comprehensive loss.

Realized fair value amounts from biological assets included in the cost of inventory sold are separately presented for cost of sales as fair value adjustments on sale of inventory in the condensed interim consolidated statement of loss and comprehensive loss.

The following table is a quantification of the adjustments with respect to the revised accounting policy for the condensed interim consolidated statement of loss and comprehensive loss:

	Three months ended March 31, 2020		Three months ended March 31, 2019	
	Previous Policy	Revised Policy	Previous Policy	Revised Policy
Sales revenues	\$ 30,426	\$ 30,426	\$ 9,620	\$ 9,620
Cost of sales	(23,347)	(15,447)	(9,080)	(7,882)
<b>Gross profit before fair value adjustments</b>	<b>7,079</b>	<b>14,979</b>	<b>540</b>	<b>1,738</b>
Fair value adjustment on sale of inventory	7,900	(7,900)	1,198	(1,198)
Fair value adjustment on biological assets	1,396	9,296	3,821	5,019
<b>Gross profit</b>	<b>16,375</b>	<b>16,375</b>	<b>5,559</b>	<b>5,559</b>

The following table is a quantification of the adjustments with respect to the revised accounting policy for the condensed interim consolidated statement of cash flows:

Operating activities	Three months ended March 31, 2020		Three months ended March 31, 2019	
	As previously reported	As restated	As previously reported	As restated
Fair value adjustment on sale of inventory	\$ -	\$ 7,900	\$ -	\$ 1,198
Fair value adjustment on biological assets	(9,296)	(9,296)	(5,019)	(5,019)
Changes in non-cash working capital items	\$ 9,380	\$ 1,481	\$ 4,600	\$ 2,817

##### Reclassification

For the three months ended March 31, 2020, the Company has reclassified its income tax expense from general and administrative expense on its condensed interim consolidated statement of loss and comprehensive loss for the three months ended March 31, 2019. The Company has performed this reclassification to provide more clarity on comparative statement line items. This reclassification has no impact on the net loss of comprehensive loss of the Company.

### 3 Significant Accounting Policies, Estimates and Judgements (cont.)

#### Prior Period Revisions

The prior period condensed interim consolidated financial statements for the three months ended March 31, 2019 have been revised to correct an error in the Company's biological asset valuation and inventory costing model in the Eastern Region.

The following table is a quantification of the adjustments with respect to the prior period revision for the condensed interim consolidated statement of financial position:

	March 31, 2019		
	Previously Reported	Policy Change <sup>1</sup>	Policy Change and Revision
Sales revenues	\$ 22,882	\$ 22,882	\$ 17,966
Cost of sales	8,524	8,524	8,710
Gross profit before fair value adjustments	(102,074)	(102,074)	(106,805)

<sup>(1)</sup> Refer to accounting policy changes above.

The following table is a quantification of the adjustments with respect to the prior period revision for the condensed interim consolidated statement of loss and comprehensive loss:

	Three months ended March 31, 2019		
	Previously Reported	Policy Change <sup>1</sup>	Policy Change and Revision
Sales revenues	\$ 9,620	\$ 9,620	\$ 9,620
Cost of sales	(9,080)	(7,882)	(8,646)
<b>Gross profit before fair value adjustments</b>	<b>540</b>	<b>1,738</b>	<b>974</b>
Fair value adjustment on sale of inventory	1,198	(1,198)	(1,837)
Fair value adjustment on biological assets	3,821	5,019	1,691
<b>Gross profit</b>	<b>5,559</b>	<b>5,559</b>	<b>828</b>
<b>Comprehensive loss</b>	<b>\$ (18,265)</b>	<b>\$ (18,265)</b>	<b>\$ (22,996)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.15)</b>	<b>\$ (0.15)</b>	<b>\$ (0.19)</b>

<sup>(1)</sup> Refer to accounting policy changes above.

The following table is a quantification of the adjustments with respect to the prior period revision for the condensed interim consolidated statement of cash flows:

	Three months ended March 31, 2019		
	Previously Reported	Policy Change <sup>1</sup>	Policy Change and Revision
<b>Operating activities</b>			
Fair value adjustment on sale of inventory	\$ -	\$ 1,198	\$ 1,837
Fair value adjustment on biological assets	(5,019)	(5,019)	(1,691)
Changes in non-cash working capital items	4,600	2,817	(1,150)

<sup>(1)</sup> Refer to accounting policy changes above.

#### Accounting Estimates and Judgements by Management

The preparation of these condensed interim consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The significant accounting policies as disclosed in the Company's annual consolidated financial statements as at December 31, 2019 have been applied consistently in the preparation of these condensed interim consolidated financial statements. Actual results may differ from these estimates.

##### *Provision for Debt Obligation Fees*

The Secured Notes and Unsecured Debentures were in default on March 31, 2020, and as a result of the event of default, management has made an assessment requiring judgement with regards to the Company's obligation to pay an exit fee of \$10,000 that accrues interest at a rate of 13% (the "Exit Fee") in relation to the Secured Notes. Management concluded that due to the event of default, the Company will likely be required to pay the Exit Fee and related interest of 13%. Subsequent to March 31, 2020, due to liquidity constraints experienced by the Company, the Company did not make interest payments due to the lenders of the Company's Secured Notes and Unsecured Debentures (together the "Lenders"). Refer to Note 10 and Note 17 for additional information.

## 4 Segment Information

The Company divides its reportable operating segments primarily by geographic region. The Company's Chief Operating Decision Maker regularly reviews internal financial reporting and makes decisions based on broader geographic regions. The Company has three reportable operating segments: Eastern Region, Western Region, and Corporate. The Eastern Region includes the Company's operations in Florida, Maryland, Massachusetts, New York, New Jersey, Vermont, and its CBD business. The Western Region includes the Company's operations in Arizona, Colorado, Nevada, and New Mexico. The Corporate segment comprises items not separately identifiable to the other two operating segments and are not part of the measures used by the Company when assessing the operating segments' results.

				As at March 31, 2020			
	Eastern Region		Western Region		Corporate		Total
<b>Statement of financial position</b>							
Total assets	\$	251,415	\$	126,698	\$	12,654	\$ 390,767
Total liabilities		(73,724)		(24,526)		(159,850)	(258,100)
<b>Net assets</b>	<b>\$</b>	<b>177,691</b>	<b>\$</b>	<b>102,172</b>	<b>\$</b>	<b>(147,196)</b>	<b>\$ 132,667</b>
<b>Other information</b>							
Fixed assets	\$	102,630	\$	12,309	\$	663	\$ 115,602
Goodwill		-		-		-	-
Other non-current assets		50,434		151,022		10,027	211,483
<b>Total non-current assets</b>	<b>\$</b>	<b>153,064</b>	<b>\$</b>	<b>163,331</b>	<b>\$</b>	<b>10,690</b>	<b>\$ 327,085</b>

				Three months ended March 31, 2020			
	Eastern Region		Western Region		Corporate		Total
<b>Statement of operations</b>							
Sales revenues	\$	18,701	\$	11,725	\$	-	\$ 30,426
Gross profit		8,967		7,408		-	16,375
Operating expenses		(62,237)		(155,037)		(14,680)	(231,954)
Other Items		(488)		(442)		(18,950)	(19,880)
Income tax expense		(1,856)		(1,669)		1,666	(1,859)
<b>Net profit (loss)</b>	<b>\$</b>	<b>(55,614)</b>	<b>\$</b>	<b>(149,740)</b>	<b>\$</b>	<b>(31,964)</b>	<b>\$ (237,318)</b>

				As at December 31, 2019			
	Eastern Region		Western Region		Corporate		Total
<b>Statement of financial position</b>							
Total assets	\$	309,652	\$	258,900	\$	35,546	\$ 604,098
Total liabilities		(65,744)		(23,067)		(149,290)	(238,101)
<b>Net assets</b>	<b>\$</b>	<b>243,908</b>	<b>\$</b>	<b>235,833</b>	<b>\$</b>	<b>(113,744)</b>	<b>\$ 365,997</b>
<b>Other information</b>							
Fixed assets	\$	94,055	\$	12,930	\$	610	\$ 107,595
Goodwill		49,644		151,370		-	201,014
Other non-current assets		77,703		123,453		7,223	208,379
<b>Total non-current assets</b>	<b>\$</b>	<b>221,402</b>	<b>\$</b>	<b>287,753</b>	<b>\$</b>	<b>7,833</b>	<b>\$ 516,988</b>

				Three months ended March 31, 2019			
	Eastern Region		Western Region		Corporate		Total
<b>Statement of operations</b>							
Sales revenues	\$	4,187	\$	5,433	\$	-	\$ 9,620
Gross profit		1,167		(339)		-	828
Operating expenses		(8,200)		(2,047)		(12,251)	(22,498)
Other Items		(715)		(77)		134	(658)
Income tax expense		(456)		(194)		(18)	(668)
<b>Net profit (loss)</b>	<b>\$</b>	<b>(8,204)</b>	<b>\$</b>	<b>(2,657)</b>	<b>\$</b>	<b>(12,135)</b>	<b>\$ (22,996)</b>

## 5 Acquisitions and Business Combinations

### Acquisition of MPX Bioceutical Corporation

On February 5, 2019, iAnthus acquired all issued and outstanding common shares of MPX ULC by issuing 75,795,208 common shares to the former MPX shareholders (the "MPX Acquisition") and assumed certain debt instruments (see table below). The former MPX shareholders received 0.1673 common shares of iAnthus for each common share of MPX held and received additional common shares of a newly formed spin-out corporation, which holds all of the non-U.S. cannabis businesses of MPX.

Judgement was required to determine which entity was the acquirer in a merger of equals. In identifying the Company as the acquirer, the companies considered the voting rights of all equity instruments, the intended corporate governance structure of the combined company, the intended composition of senior management of the combined company and the size of each of the companies. In assessing the size of each of the companies, the companies evaluated various metrics. No single factor was the sole determinant in the overall conclusion that the Company is the acquirer for accounting purposes; rather, all factors were considered in arriving at the conclusion. As a result of the acquisition, the Company expanded its national footprint and increased its retail and production capabilities. This transaction was accounted for as a forward acquisition as the resultant company is controlled by iAnthus.

Refer to Note 2 for the full list of entities acquired by the Company as part of the MPX Acquisition.

The following table summarizes the final purchase price allocation:

Cash	\$	4,058
Receivables and prepaid assets		545
Inventory		9,529
Biological assets		1,925
Other current assets		4,034
Fixed assets		42,173
Other non-current assets		300
Intangibles assets		127,280
Goodwill		394,354
		<b>584,198</b>
Deferred tax liability		(32,599)
Payables and accrued liabilities		(10,280)
Other current liabilities		(1,520)
Other non-current liabilities		(6,676)
<b>Fair value of net assets acquired</b>	<b>\$</b>	<b>533,123</b>

The following table summarizes the total fair value of consideration:

Shares issued (Common shares - 75,795,208)	\$	403,071
Stock options assumed		21,704
Warrants assumed - equity		6,391
Warrants assumed - derivative		20,350
Shares to be issued		1,500
Original issue discount loan ("OID Loan") assumed		68,453
Debt assumed		11,654
<b>Fair value of consideration</b>	<b>\$</b>	<b>533,123</b>

The consideration was allocated to the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The consideration includes the assumption of stock options that MPX had previously issued, which became fully vested on the acquisition date, and the assumption of warrants that MPX had previously issued. The stock options assumed were valued using the Black-Scholes model and the warrants assumed were valued using the Black-Scholes model or the binomial model, depending on the underlying instrument.

## 5 Acquisitions and Business Combinations (cont.)

### Acquisition of MPX Bioceutical Corporation (cont.)

At the date of acquisition, management allocated the initial purchase price based on the estimated fair value of the identifiable assets and liabilities assumed on the acquisition date. The purchase price allocation was subsequently finalized. The allocation of the consideration paid remains consistent with the initial valuation, apart from goodwill and intangible assets. The following table summarizes the final adjustments made to the provisional purchase price allocation:

	Provisional allocation at acquisition		Adjustments		Final
Net identifiable assets acquired	\$	14,000	\$	(2,511)	\$ 11,489
Intangibles		-		127,280	127,280
Goodwill		517,981		(123,627)	394,354
	\$	531,981	\$	1,142	\$ 533,123

The intangibles recognized from the acquisition relate to licenses from various states and trademarks. The goodwill recognized from the acquisition is attributable to synergies expected from integrating MPX into the Company's existing business. The goodwill acquired is not deductible for tax purposes.

For the three months ended March 31, 2020, revenues of \$15,738 (March 31, 2019 - \$6,483) and net losses of \$192,175 from the acquired operations are included in the condensed interim consolidated statement of loss and comprehensive loss. For the three months ended March 31, 2020, no acquisition costs were incurred related to this acquisition (March 31, 2019 - \$5,173) in the condensed interim consolidated statement of loss and comprehensive loss.

### Acquisition of CBD For Life

On June 28, 2019, iAnthus acquired 100% of the assets and liabilities of CBD For Life, LLC ("CBD For Life") and transferred the acquired assets and liabilities to iA CBD. This acquisition constitutes a business combination and was completed in exchange for a combination of the Company's shares and cash. The transaction with CBD For Life is a related party transaction due to the fact that Elizabeth Stavola is a former officer and director of iAnthus and an officer and significant shareholder of CBD For Life.

The following table summarizes the preliminary purchase price allocation:

Receivables and prepaid assets	\$	659
Inventory		2,195
Related party receivables		778
Fixed assets		683
Other non-current assets		124
Intangible assets		6,660
Goodwill		3,448
		<b>14,547</b>
Deferred tax liability		(1,895)
Payables and accrued liabilities		(680)
Related party payables		(498)
Other current liabilities		(11)
Other non-current liabilities		(560)
<b>Fair value of net assets acquired</b>	<b>\$</b>	<b>10,903</b>

The following table summarizes the total preliminary fair value of consideration:

Shares issued (Common shares - 2,443,181)	\$	7,989
Shares to be issued (Common shares - 9,500)		31
Cash		2,164
Settlement of pre-existing relationships		719
<b>Fair value of consideration</b>	<b>\$</b>	<b>10,903</b>

## 5 Acquisitions and Business Combinations (cont.)

### Acquisition of CBD For Life (cont.)

The consideration has been allocated to the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The pre-existing relationships settled are comprised of the Company's related party balances receivable from CBD For Life that arose as a result of the funds that the Company had transferred to CBD For Life during the year. The fair values assigned to the consideration paid, net assets acquired, and the amount assigned to goodwill and intangible assets may be revised as additional information is received.

At the date of acquisition, management allocated the initial purchase price based on the estimated fair value of the identifiable assets and liabilities assumed on the acquisition date. The goodwill recognized is attributable to the specialized assembled workforce, operating history and existing relationships with nation-wide suppliers and distributors of CBD For Life. The goodwill acquired is not deductible for tax purposes. The Company is currently in the process of finalizing the purchase price allocation. For the fair value of the identifiable intangible assets acquired, the Company used an income-based approach, which involves estimating the future net cash flows and applies an appropriate discount rate to those future cash flows.

Sales revenues of \$652 and net losses of \$3,639 from the acquired operations are included in the condensed interim consolidated statement of loss and comprehensive loss for the three months ended March 31, 2020.

## 6 Inventory

	March 31, 2020	December 31, 2019
<b>Raw Materials</b>		
Harvested cannabis	\$ 6,145	\$ 5,724
Other raw materials	1,598	1,857
<b>Total raw materials</b>	<b>\$ 7,743</b>	<b>\$ 7,581</b>
<b>Work in Process</b>		
Cannabis, cannabis extracts, and cannabis consumables	5,803	1,734
Hemp and hemp extracts	\$ 1,975	1,270
<b>Total work in process</b>	<b>\$ 7,778</b>	<b>\$ 3,004</b>
<b>Supplies</b>		
Supplies	\$ 1,832	1,993
<b>Total supplies</b>	<b>\$ 1,832</b>	<b>\$ 1,993</b>
<b>Finished Goods</b>		
Packaged cannabis	\$ 2,576	\$ 3,544
Cannabis extracts	3,220	2,090
Cannabis consumables	751	546
Packaged hemp and hemp extracts	3,474	3,149
Other inventory items	412	3,321
<b>Total finished goods</b>	<b>\$ 10,433</b>	<b>\$ 12,650</b>
<b>Total Inventory</b>	<b>\$ 27,786</b>	<b>\$ 25,228</b>

## 7 Biological Assets

<b>As at December 31, 2018</b>	<b>\$ 4,744</b>
Fair value adjustment on biological assets	31,344
Capitalized cultivation costs	12,686
Assets obtained upon acquisition of MPX	1,925
Transferred to inventory upon harvest	(34,948)
<b>As at December 31, 2019</b>	<b>\$ 15,751</b>
Fair value adjustment on biological assets	9,296
Capitalized cultivation costs	3,663
Transferred to inventory upon harvest	(11,772)
<b>As at March 31, 2020</b>	<b>\$ 16,938</b>

## 7 Biological Assets (cont.)

The Company measures its biological assets at fair value less costs to sell. This is determined using a model which estimates the expected harvest yield per plant in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram.

The following unobservable inputs, all of which are classified as level 3 in the fair value hierarchy, were used by management in the valuation of its biological assets:

- Yield per plant – represents the expected number of grams of dry cannabis expected to be harvested from each plant
- Selling price – determined using a combination of third-party cannabis spot price reports in addition to wholesale contract prices where applicable which, combined, are expected to approximate selling prices
- Stage of growth – represents the number of days remaining in cultivation prior to harvest

The following table quantifies the significant unobservable inputs, and also provides the impact of a 5.0% increase or decrease in each input on the fair value of biological assets as at March 31, 2020:

Unobservable Input	Weighted average	Sensitivity	Effect on fair value
Yield per plant	100g	+/- 5.0%	\$914
Selling price per gram	\$5.26	+/- 5.0%	\$1,208

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

These estimates are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. All of the plants are to be harvested as agricultural produce and as at March 31, 2020, on average, were 37.7% complete (December 31, 2019 – 49.0%).

The Company estimates the harvest yields for the plants at various stages of growth. As at March 31, 2020, management estimates that the Company's biological assets will yield approximately 4,146 kg of dried flower (December 31, 2019 – 3,586 kg).

## 8 Fixed Assets

	Buildings and improvements	Production equipment	Processing equipment	Sales equipment	Office equipment	Land	Construction in progress	Total
<b>Cost</b>								
As at December 31, 2019	\$ 50,416	\$ 5,197	\$ 4,243	\$ 1,046	\$ 3,511	\$ 5,151	\$ 47,967	\$ 117,531
Transfers	824	175	(28)	(4)	77	-	(1,044)	-
Additions	2,193	442	2	29	74	-	7,822	10,562
Disposals	(279)	(58)	-	(25)	(111)	-	-	(473)
<b>As at March 31, 2020</b>	<b>\$ 53,154</b>	<b>\$ 5,756</b>	<b>\$ 4,217</b>	<b>\$ 1,046</b>	<b>\$ 3,551</b>	<b>\$ 5,151</b>	<b>\$ 54,745</b>	<b>\$ 127,620</b>
<b>Accumulated depreciation</b>								
As at December 31, 2019	\$ 7,035	\$ 1,090	\$ 995	\$ 232	\$ 584	\$ -	\$ -	\$ 9,936
Depreciation	1,557	246	218	42	107	-	-	2,170
Transfers	-	10	(13)	-	3	-	-	-
Disposals	(28)	-	-	(3)	(57)	-	-	(88)
<b>As at March 31, 2020</b>	<b>\$ 8,564</b>	<b>\$ 1,346</b>	<b>\$ 1,200</b>	<b>\$ 271</b>	<b>\$ 637</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,018</b>
<b>Net book value</b>								
As at December 31, 2019	\$ 43,381	\$ 4,107	\$ 3,248	\$ 814	\$ 2,927	\$ 5,151	\$ 47,967	\$ 107,595
<b>As at March 31, 2020</b>	<b>\$ 44,590</b>	<b>\$ 4,410</b>	<b>\$ 3,017</b>	<b>\$ 775</b>	<b>\$ 2,914</b>	<b>\$ 5,151</b>	<b>\$ 54,745</b>	<b>\$ 115,602</b>



## 9 Intangible Assets and Goodwill

### Intangible Assets

Cost	Licenses		Trademarks		Other		Total
As at December 31, 2019	\$	157,890	\$	34,620	\$	3,214	\$ 195,724
Additions		-		-		292	292
<b>As at March 31, 2020</b>	<b>\$</b>	<b>157,890</b>	<b>\$</b>	<b>34,620</b>	<b>\$</b>	<b>3,506</b>	<b>\$ 196,016</b>
<b>Accumulated amortization</b>							
As at December 31, 2019	\$	13,774	\$	3,995	\$	365	\$ 18,134
Amortization		2,632		1,131		67	3,830
<b>As at March 31, 2020</b>	<b>\$</b>	<b>16,406</b>	<b>\$</b>	<b>5,126</b>	<b>\$</b>	<b>432</b>	<b>\$ 21,964</b>
<b>Net carrying amount</b>							
As at December 31, 2019	\$	144,116	\$	30,625	\$	2,849	\$ 177,590
<b>As at March 31, 2020</b>	<b>\$</b>	<b>141,484</b>	<b>\$</b>	<b>29,494</b>	<b>\$</b>	<b>3,074</b>	<b>\$ 174,052</b>

### Goodwill

	As at March 31, 2020		As at December 31, 2019	
Balance, beginning of period	\$	201,014	\$	37,454
Acquisition of MPX		-		394,354
Acquisition of CBD For Life		-		3,490
Acquisition of GrowHealthy		-		-
Acquisition of Citiva		-		-
Adjustment for deferred tax liabilities		(1,650)		-
Impairment loss		(199,364)		(234,284)
<b>Balance, end of period</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>201,014</b>

The carrying amount of the Company's goodwill is tested at least annually for impairment. On each quarter end date, the Company assesses whether a triggering event has occurred, and it may be necessary to assess if an impairment might exist for a cash generating unit ("CGU") before the next annual testing date. The Company considers persistent and lasting decline in revenue, negative operating cash flows from CGUs, changes in internal strategic expansion plans, negative developments in the U.S. cannabis regulatory environment at the federal, state and local levels, and a significant continued decline in stock price, among other factors, as part of this assessment during each reporting period. The annual test for impairment involves determining the recoverable amount of the CGU to which goodwill and other intangibles are allocated and comparing this to the carrying value of the CGU.

The Company allocated all of its goodwill to CGUs representing cannabis operations in each state and CBD For Life as this represents the lowest level at which management monitors goodwill. CGUs were determined to be one level below reportable segments. For each CGU, the Company determined the fair value less cost of disposal to estimate the recoverable amount using the income approach. The calculation of the fair value less cost of disposal discounted future cash flows was based on the following key assumptions:

- The cash flow projections are based on financial forecasts based on actual historical operating performance in conjunction with anticipated future growth opportunities through the opening of additional dispensaries and/or regulatory developments in the adult-use cannabis markets, which span a period of three to 14 years, up to the point of which a stable growth rate is expected for each CGU. Cash flows beyond the period covered by the financial forecasts are extrapolated using a perpetual growth rate;
- The terminal growth rate used is based on historical and projected consumer inflation, historical and projected economic indicators, and projected industry growth;
- The post-tax discount rate, which is reflective of an industry Weighted Average Cost of Capital, was estimated based on a risk-free rate derived from 20-year U.S. Treasury notes, equity and small stock premiums based on industry and company fundamentals, an additional premium incorporated to reflect the risk associated with economic forecasts, and after-tax cost of debt based on the Company's specific debt; and
- The tax rates used in determining future cash flows were those substantively enacted at the valuation date.

As a result of the continued decline in the Company's stock price and market capitalization, the carrying value of the Company's total net assets exceeded the Company's market capitalization at March 31, 2020. For the three months ended March 31, 2020, the Company recorded an impairment loss of \$199,364 (March 31, 2019 - \$Nil) to reduce the goodwill of each of its CGUs. Impairment loss recorded under each CGU did not exceed the value of goodwill allocated to that CGU, and therefore, no amount of impairment was allocated to other intangible and fixed assets.

## 9 Intangible Assets and Goodwill (cont.)

### Goodwill (cont.)

The key assumptions used in determining the recoverable amount for each CGU and the impairment losses recognized were as follows:

For the three months ended March 31, 2020					
Cash Generating Unit	Discount rate	Terminal value growth rate	Fair value	Carrying value	Impairment loss <sup>1,2</sup>
Vermont	22.0%	3.0%	\$ 5,000	\$ 2,210	\$ (189)
Massachusetts	22.0%	3.0%	57,041	82,844	(27,817)
Florida	22.0%	3.0%	80,495	84,090	(3,634)
New York	22.0%	3.0%	23,625	22,835	-
Maryland	22.5%	3.0%	13,291	29,512	(15,474)
Arizona	22.5%	3.0%	83,743	153,055	(86,410)
Nevada	22.5%	3.0%	52,770	108,744	(64,959)
CBD For Life	N/A	N/A	9,832	9,832	(2,530)

<sup>1</sup> In order to align the Company with current general market conditions, an additional impairment loss of \$24,328 was recorded as part of the total impairment loss of \$199,364, for the three months ended March 31, 2020.

<sup>2</sup> Impairment loss for the three months ended March 31, 2020 includes an adjustment to deferred tax liabilities of \$1,650

## 10 Long-Term Debt

	Secured Notes	Unsecured Debentures	OID Loan	Stavola Trust Note	Other	Total
<b>As at December 31, 2018</b>	<b>\$ 31,231</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 31,231</b>
Fair value of financial liabilities issued	50,038	41,176	-	-	400	91,614
Fair value of financial liabilities acquired	-	-	36,608	10,800	854	48,262
Accretion of balance	3,959	3,032	3,533	-	64	10,588
Repayment	-	-	-	-	(40)	(40)
Redemptions	-	-	(40,141)	-	-	(40,141)
<b>As at December 31, 2019</b>	<b>\$ 85,228</b>	<b>\$ 44,208</b>	<b>\$ -</b>	<b>\$ 10,800</b>	<b>\$ 1,278</b>	<b>\$ 141,514</b>
Accretion of balance	2,115	1,063	-	-	22	3,200
Provision for debt obligation fees <sup>1</sup>	10,339	-	-	-	-	10,339
Repayment	-	-	-	(10,800)	(11)	(10,811)
<b>As at March 31, 2020</b>	<b>\$ 97,682</b>	<b>\$ 45,271</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,289</b>	<b>\$ 144,242</b>

<sup>1</sup> The provision for debt obligation fees is comprised of the Exit Fee of \$10,339, and related interest at 13% of \$2,164.

### Secured Notes

#### Tranche One Secured Notes

On May 14, 2018, the Company issued \$40,000 secured notes (the "Tranche One Secured Notes"). The Tranche One Secured Notes have a maturity date of May 14, 2021, and the Company may elect to extend the maturity date by 12 months to May 14, 2022 (the "Extension"), provided the Company pays the lender an extension fee of \$1,000 prior to the maturity date. The Tranche One Secured Notes bear interest at a rate of 13.0%, per annum, payable quarterly on the last business day of each fiscal quarter, beginning on June 29, 2018. In an event of default, the interest rate would increase by 3.0% to 16.0% per annum. Furthermore, the Company is required to pay the Exit Fee upon maturity of the Tranche One Secured Notes. However, the Exit Fee shall be forgiven and cancelled in full if, no later than five days prior to the maturity date, the Company pays the amounts outstanding at such time (other than the Exit Fee) in full.

The terms of the Tranche One Secured Notes impose certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to incur certain additional indebtedness, to grant liens, to make certain dividends and other payment restrictions affecting the Company's subsidiaries, to issue shares or convertible securities, and to sell certain assets. The financing is secured by all current and future assets of the Company and the rights of the remaining lenders are subordinate to the Tranche One Secured Notes. The terms also contain a financial covenant requiring the Company's asset value to be 1.75 times the total net debt at each quarter end ("the market value test") and maintain a minimum cash balance of \$1,000 while the Tranche One Secured Notes remain outstanding.

## 10 Long-Term Debt (cont.)

### Secured Notes (cont.)

#### *Tranche One Secured Notes (cont.)*

As at March 31, 2020, based on its internal covenant calculations, the Company was not in compliance with the market value test, and therefore in breach of a financial covenant. Furthermore, the Company was in default on its Secured Notes at March 31, 2020 and as a result, triggered a cross-default on the Unsecured Debentures on March 31, 2020. This default was triggered on the Company's long-term debt, consisting of principal amounts at face value of \$97,508 and \$60,000 and accrued interest amounts at March 31, 2020 of \$3,204 and \$1,200 for the Secured Notes and Unsecured Debentures, respectively. Further details on the default are disclosed in Note 17.

For the three months ended March 31, 2020, the Company has accrued \$12,503 related to the Exit Fee and related interest. Furthermore, as a result of this default the Company is classifying the debt as a current liability as the Secured Notes are due on demand. The event of default as well as the non-compliance with covenants is applicable to all amounts outstanding under the Secured Notes.

The Tranche One Secured Notes are convertible into common shares of the Company at the conversion rate of \$3.08 per share (the "Conversion Option"). The holders of the Tranche One Secured Notes may elect to convert the outstanding principal and accrued unpaid interest, in part or in full, at any time following issuance. The Tranche One Secured Notes were issued with warrants to purchase, in aggregate, up to 6,670,372 shares of the Company at an exercise price of \$3.60 per share ("Equity Warrants"), which expire May 14, 2021. If the Company elects the Extension for the Tranche One Secured Notes, the Extension also applies to the Equity Warrants.

Concurrent with the issuance of the Tranche One Secured Notes, \$10,000 comprising 3,891,051 Units of the Company (the "Units") were issued, where each Unit comprises one Class A Convertible Restricted Voting share ("Class A Share") of the Company at \$2.57 per share and a warrant to purchase one Class A Share of the Company at an exercise price of \$3.86 per ("Share Warrants"). The Share Warrants expire on May 14, 2021.

At issuance, the Class A Shares were recorded at their fair value of \$13,408, net of issuance costs. The fair value of the underlying host liability in the Tranche One Secured Notes was estimated to be \$29,231, net of issuance costs. The residual consideration was allocated proportionately based on the fair values of the Equity Warrants, Share Warrants and the Conversion Option, resulting in recording \$460, \$811 and \$1,671, net of issuance costs, respectively. Issuance costs of \$4,419 were allocated to each of the instruments in proportion to the total proceeds allocated. The fair values of the Conversion Option, Equity Warrants and the Share Warrants were estimated using the Black-Scholes model, with a volatility of 88.3%, dividend yield of 0.0% and risk-free rate of 2.0%. The fair value of the debt host contract without the Conversion Option was determined using the present value of future cash outflows discounted at the estimated market borrowing rate for the Company. Subsequently, in 2019, all Class A Shares were converted to common shares of the Company. Further details on the conversion are disclosed in Note 11.

During 2019, the noteholders waived the right to receive the cash interest payment due on September 30, 2019, electing instead to add the balance to the principal amount payable for Tranche One Secured Notes. The new higher principal amount is subject to the same terms as the original principal balance of Tranche One Secured Notes at issuance, including interest accrual, the Conversion Option, and maturity date. As a result of the waiver, interest payable decreased by \$1,358 and the host liability increased by \$1,191, with the residual of \$167 being allocated to the Conversion Option. Accordingly, the interest payment accrued on September 30, 2019, for the Exit Fee was added to the principal balance of the fee, this increased the balance to \$10,339. During the three months ended March 31, 2020, interest expense of \$1,359 (March 31, 2019 - \$1,300) and accretion expense of \$940 (March 31, 2019 - \$815) was recognized in the condensed interim consolidated statement of loss and comprehensive loss.

#### *Tranche Two Secured Notes*

On September 30, 2019, the Company issued an additional \$20,000 of secured notes (the "Tranche Two Secured Notes"). The Tranche Two Secured Notes accrue interest at 13.0%, mature May 14, 2021, and are convertible into 10,582,011 shares of the Company at an exercise price of \$1.89 per share ("Tranche Two Conversion Option"). The Tranche Two Secured Notes were issued with warrants to purchase, in aggregate, up to 5,076,142 shares of the Company at an exercise price of \$1.97 per share ("Tranche Two Equity Warrants"). The Extension applicable to the Tranche One Secured Notes is also applicable to the Tranche Two Secured Notes. Tranche Two Equity Warrants expire on May 14, 2021 unless the Extension is exercised by the Company, in which case, they expire on May 14, 2022.

The host debt, classified as a liability, was allocated its fair value of \$17,253, net of issuance costs. The residual consideration was allocated proportionately based on the fair values of the Tranche Two Equity Warrants and the Tranche Two Conversion Option, both of which are classified as equity, resulting in recording \$993 and \$1,420, respectively. Issuance costs of \$334 were allocated to each of the instruments in proportion to the total proceeds. The fair values of the Tranche Two Conversion Option, and Tranche Two Equity Warrants were estimated using the Black-Scholes model, with a volatility of 78.4% to 78.7%, dividend yield of 0.0% and risk-free rate of 1.6%. The fair value of the debt host contract without the Tranche Two Conversion Option was determined using the present value of future cash outflows discounted at the estimated market borrowing rate for the Company.

## 10 Long-Term Debt (cont.)

### Secured Notes (cont.)

#### *Tranche Two Secured Notes (cont.)*

During the three months ended March 31, 2020, interest expense of \$657 (March 31, 2019 - \$Nil) and accretion expense of \$405 (March 31, 2019 - \$Nil) was recognized in the condensed interim consolidated statement of loss and comprehensive loss.

All terms, restrictions, and covenants applicable to the Tranche One Secured Notes discussed above, are also applicable to the Tranche Two Secured Notes.

#### *Tranche Three Secured Notes*

On December 20, 2019, the Company issued an additional \$36,150 of secured notes (the "Tranche Three Secured Notes"). The Tranche Three Secured Notes accrue interest at 13.0%, mature May 14, 2021, and are convertible into 22,448,415 shares of the Company at an exercise price of \$1.61 per share ("Tranche Three Conversion Option"). The Tranche Three Secured Notes were issued with warrants to purchase, in aggregate, up to 10,792,508 shares of the Company at an exercise price of \$1.67 per share ("Tranche Three Equity Warrants"). The Extension applicable the Tranche One Secured Notes is also applicable to the Tranche Three Secured Notes. Tranche Three Equity Warrants expire on May 14, 2021 unless the Extension is exercised by the Company, in which case, they expire on May 14, 2022.

The host debt, classified as a liability, was allocated its fair value of \$31,594, net of issuance costs. The residual consideration was allocated proportionately based on the fair values of the Tranche Three Equity Warrants and the Tranche Three Conversion Option, both of which are classified as equity, resulting in recording \$1,664 and \$2,170, respectively. Issuance costs of \$722 were allocated to each of the instruments in proportion to the total proceeds allocated to each. The fair values of the Tranche Three Conversion Option, and Tranche Three Equity Warrants were estimated using the Black-Scholes model, with a volatility of 72.0% to 74.6%, dividend yield of 0.0% and risk-free rate of 1.6% to 1.7%. The fair value of the debt host contract without the Tranche Three Conversion Option was determined using the present value of future cash outflows discounted at the estimated market borrowing rate for the Company.

During the three months ended March 31, 2020, interest expense of \$1,188 (March 31, 2019 - \$Nil) and accretion expense of \$769 (March 31, 2019 - \$Nil) was recognized in the condensed interim consolidated statement of loss and comprehensive loss.

All terms, restrictions, and covenants applicable to the Tranche One Secured Notes and Tranche Two Secured Notes discussed above, are also applicable to the Tranche Three Secured Notes.

### Unsecured Debentures

#### *March 2019 Unsecured Debentures*

On March 18, 2019, the Company completed a private placement of \$35,000 of unsecured convertible debentures (the "March 2019 Unsecured Debentures"), formerly referred to as March 2019 Debentures, and corresponding warrants to purchase 2,177,291 common shares of the Company at an exercise price of \$6.43 per share from closing date until March 15, 2022 ("March 2019 Equity Warrants").

The March 2019 Unsecured Debentures bear interest at a rate of 8.0%, per annum, payable quarterly on the last business day of each fiscal quarter, beginning on March 31, 2019. Interest is paid in cash, shares, or a combination of cash and shares, up to 50%, at the Company's election. The March 2019 Unsecured Debentures mature on March 15, 2023.

The March 2019 Unsecured Debentures are convertible into 5,912,159 common shares of the Company at \$5.92 per share ("March 2019 Conversion Option"). The holders of the March 2019 Unsecured Debentures may elect to convert the outstanding principal and accrued unpaid interest, in part or in full, at any time following issuance. The Company may force the conversion of the March 2019 Unsecured Debentures into common shares of the Company at any time following July 16, 2019, if the daily volume weighted average trading price of the Company's common shares on the OTCQX is greater than \$10.29 for any ten consecutive trading days.

At issuance, the March 2019 Equity Warrants were classified as equity and recognized at their fair value of \$5,099, net of issuance costs. The fair values of the March 2019 Conversion Option, and March 2019 Equity Warrants were estimated using the Black-Scholes model, with a volatility of 74.7%, dividend yield of 0.0% and risk-free rate of 1.6%. The fair value of the debt host contract without the March 2019 Conversion Option was \$23,710, determined using the present value of future cash outflows discounted at the estimated market borrowing rate for the Company. The host debt was classified as a liability. The residual consideration of \$4,848 was allocated to the March 2019 Conversion Option and recorded in equity.

In relation to the issuance of March 2019 Unsecured Debentures, the Company incurred fees of \$1,343 which comprises \$688 in common shares and \$655 in cash. Issuance costs were allocated to each of the instruments in proportion to the total proceeds allocated to each.

## 10 Long-Term Debt (cont.)

### Unsecured Debentures (cont.)

#### *March 2019 Unsecured Debentures (cont.)*

During the three months ended March 31, 2020, interest expense of \$700 (March 31, 2019 - \$124) and accretion expense of \$629 (March 31, 2019 - \$95) was recognized in the condensed interim consolidated statement of loss and comprehensive loss.

The terms of the March 2019 Unsecured Debentures impose certain restrictions on its operating and financing activities, including certain restrictions on the Company's ability to incur certain additional indebtedness at the subsidiary level. As at March 31, 2020, the Company was in compliance with all covenants.

The Company was in default on its Secured Notes at March 31, 2020 and as a result, triggered a cross-default on the Unsecured Debentures on March 31, 2020. Further details on the default are disclosed in Note 17. Furthermore, as a result of this default the company is classifying the debt as a current liability as the Unsecured Debentures are due on demand. The event of default is applicable to all amounts outstanding under the Unsecured Debentures.

#### *May 2019 Unsecured Debentures*

On May 2, 2019, the Company completed a private placement of \$25,000 of unsecured convertible debentures (the "May 2019 Unsecured Debentures"), formerly referred to as May 2019 Debentures, and corresponding warrants to purchase 1,555,207 common shares of the Company at an exercise price of \$6.43 per share from closing date until March 15, 2022 ("May 2019 Equity Warrants").

The May 2019 Unsecured Debentures bear interest at a rate of 8.0%, per annum, payable quarterly on the last business day of each fiscal quarter, beginning on June 30, 2019. Interest is paid in cash, shares, or a combination of cash and shares, up to 50%, at the Company's election. The May 2019 Unsecured Debentures mature on March 15, 2023.

The May 2019 Unsecured Debentures are convertible into 4,222,971 common shares of the Company at \$5.92 per share ("May 2019 Conversion Option"). The holders of the May 2019 Unsecured Debentures may elect to convert the outstanding principal and accrued unpaid interest, in part or in full, at any time following issuance. The Company may force the conversion of the May 2019 Unsecured Debentures into common shares of the Company at any time following September 1, 2019, if the daily volume weighted average trading price of the Company's common shares on the OTCQX is greater than \$10.29 for any ten consecutive trading days.

At issuance, the May 2019 Equity Warrants were classified as equity and recognized at their fair value of \$2,900, net of issuance costs. The fair values of the May 2019 Conversion Option, and May 2019 Equity Warrants were estimated using the Black-Scholes model, with a volatility of 73.6%, dividend yield of 0.0% and risk-free rate of 1.6%. The fair value of the debt host contract without the May 2019 Conversion Option was \$17,467, determined using the present value of future cash outflows discounted at the estimated market borrowing rate for the Company. The host debt was classified as a liability. The residual consideration of \$4,207 was allocated to the May 2019 Conversion Option and recorded in equity.

In relation to the issuance of May 2019 Unsecured Debentures, the Company incurred fees of \$427 which comprises \$75 in common shares and \$352 in cash. Issuance costs were allocated to each of the instruments in proportion to the total proceeds allocated to each.

During the three months ended March 31, 2020, interest expense of \$500 (March 31, 2019 - \$Nil) and accretion expense of \$434 (March 31, 2019 - \$Nil) was recognized in the condensed interim consolidated statement of loss and comprehensive loss.

The terms of the May 2019 Unsecured Debentures impose certain restrictions on its operating and financing activities, including certain restrictions on the Company's ability to incur certain additional indebtedness at the subsidiary level. As at March 31, 2020, the Company was in compliance with all covenants.

### Stavola Trust Note

As part of the MPX Acquisition (Note 5), the Company assumed a long-term note (the "Stavola Trust Note") of \$10,800, payable to the Elizabeth Stavola 2016 NV Irrevocable Trust. This trust is for the benefit of a former director and officer of the Company, Elizabeth Stavola, and is therefore a related party balance (Note 15). The Stavola Trust Note was originally issued at \$10,000, and the balance was increased at the acquisition date by \$800 as it became subordinate to the existing debt instruments of the Company when it was assumed during the MPX Acquisition. The Stavola Trust Note had a maturity date of January 19, 2020, and an interest rate of 8.0%. Repayment of the Stavola Trust Note was secured by the assets of certain subsidiaries of the Company.

For the three months ended March 31, 2020, interest expense of \$24 (March 31, 2019 - \$121) was recognized in the condensed interim consolidated statement of loss and comprehensive loss. On January 10, 2020, the Stavola Trust Note was paid in full.

## 11 Share Capital

### Share Capital

Authorized: Unlimited common shares.

The Company's common shares are voting and dividend-paying. On September 24, 2019, the Company converted the remaining Class A Shares into common shares on a 1:1 basis. Following the conversion, there were no remaining Class A Shares outstanding.

The Company's common shares are voting and dividend-paying. The following is a summary of the common share issuances for the three months ended March 31, 2020:

- 75,000 common shares of the Company were issued to settle outstanding obligations, with share issuance costs of \$193.

## 12 Share-based Payments

### Stock Options

In November 2015, ICM established the ICM 2015 Equity Compensation Plan (the "Plan"), which was subsequently amended on October 15, 2018. The Plan authorized the issuance of up to 2,000,000 Class A common shares. Options granted generally vest within 3 years, and typically have a life of 10 years. The option price under the Plan is determined at the sole discretion of management and the exercise price of all stock options shall be the higher of the closing price on the grant date, the closing price of the previous trading day before the grant date, or if and when appropriate, the five-day volume weighted average price. Following the Class A conversion, no new class A shares were issued under the Plan, and all existing Class A options are convertible into common shares.

The Company has a rolling stock option plan (the "ICH Plan"), in which the maximum number of common shares which can be reserved for issuance under the ICH Plan is 20.0% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the closing price of the common shares on the trading day immediately preceding the day on which the option is granted, less any discount permitted by the CSE.

As part of the MPX Acquisition (Note 5), the Company assumed the options outstanding at the date of acquisition under the MPX stock option plan (the "MPX Plan"). Following the acquisition, no new options were issued under the MPX Plan.

The following table summarizes certain information in respect of option activity under the stock option plan:

	For the three months ended March 31, 2020			For the year ended December 31, 2019		
	Number	Weighted Average Exercise Price (CAD)	Weighted Average Contractual Life	Number	Weighted Average Exercise Price (CAD)	Weighted Average Contractual Life
Options outstanding, beginning	19,577,920	\$ 4.80		7,171,250	\$ 3.51	
Granted	-	-		16,863,371	5.46	
Exercised	-	-		(3,081,863)	2.18	
Forfeited/Expired	(1,430,056)	3.32		(1,374,838)	5.12	
Options outstanding, ending	18,147,864	\$ 4.92	7.64	19,577,920	\$ 4.80	8.18

Under the ICH Plan, holders of the Company's stock options are entitled to a cashless exercise, whereby the Company will issue common shares net of the monetary value that would otherwise have been remitted to the Company by the option holder. As a result, the number of common shares issued is less than the number of options exercised.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following ranges of assumptions:

	For the three months ended March 31, 2020	For the year ended December 31, 2019
Risk-free interest rate	0.60%	1.5 - 1.7%
Expected dividend yield	0.0%	0.0%
Expected volatility	81.60%	77.0% - 82.0%
Expected option life	7 years	7 years

The Company uses an expected volatility based on its historical trading data.

The related share-based compensation expense for the three months ended March 31, 2020, was \$3,795 (March 31, 2019 - \$1,646).

## 12 Share-based Payments (cont.)

### Warrants

The following table summarizes certain information in respect of the warrants for the Company's shares:

	For the three months ended March 31, 2020		For the year ended December 31, 2019	
	Number	Weighted Average Exercise Price (CAD\$)	Number	Weighted Average Exercise Price (CAD\$)
Warrants outstanding, beginning	49,236,082 \$	4.06	20,933,995 \$	3.38
Granted	-	-	34,643,090	4.14
Exercised	-	-	(3,605,170)	3.49
Expired	-	-	(2,735,833)	3.72
Warrants outstanding, ending	49,236,082 \$	4.06	49,236,082 \$	4.06

There was no activity in warrants during the three months ended March 31, 2020.

The Company used the following inputs to revalue warrant derivatives:

	For the three months ended March 31, 2020	For the year ended December 31, 2019
Volatility	80.6 - 89.5%	73.3 - 81.1%
Risk-free rate	0.5%	1.5 - 1.7%
Dividend yield	0.0%	0.0%

The revaluation of warrant derivatives held by the Company resulted in a fair value of \$346 at March 31, 2020 (December 31, 2019 - \$1,671). The Company recognized a gain resulting from the change in fair value on financial instruments for the three months ended March 31, 2020 of \$1,480 (March 31, 2019 - \$3,210).

### Warrants Outstanding

Full share equivalent warrants outstanding and exercisable are as follows:

Year of expiry	As at March 31, 2020		As at December 31, 2019	
	Number	Weighted average exercise price (CAD\$)	Number	Weighted average exercise price (CAD\$)
2021	26,596,362	4.37	26,596,362	4.37
2022	20,854,908	3.62	20,854,908	3.62
2023	1,784,812	4.57	1,784,812	4.57
Warrants Outstanding	49,236,082 \$	4.06	49,236,082 \$	4.06

## 13 Financial Instruments

Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. The Company characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The levels of the fair value hierarchy are as follows:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of cash, receivables, payables and accrued liabilities approximate their fair values because of the short-term nature of these financial instruments. Balances with due to and due from related parties (Note 10 and Note 15) are due within 12 months or payable on demand. Therefore, balances due to and due from related parties are considered current and short-term in nature, with a carrying value which approximates fair value.

### 13 Financial Instruments (cont.)

The following table summarizes the Company's financial instruments as at March 31, 2020:

	Amortized cost	Fair value through profit and loss	Total
<b>Financial Assets</b>			
Cash	\$ 6,459	\$ -	\$ 6,459
Receivables and prepaid assets	8,079	-	8,079
Other assets	-	60	60
<b>Financial Liabilities</b>			
Payables and accrued liabilities	\$ 40,622	\$ -	\$ 40,622
Long-term debt	144,242	-	144,242
Derivative liabilities	-	191	191

The following table summarizes the Company's financial instruments as at December 31, 2019:

	Amortized cost	Fair value through profit and loss	Total
<b>Financial Assets</b>			
Cash	\$ 34,821	\$ -	\$ 34,821
Receivables and prepaid assets	7,610	-	7,610
Long-term investments	316	100	416
<b>Financial Liabilities</b>			
Payables and accrued liabilities	\$ 25,396	\$ -	\$ 25,396
Long-term debt	141,514	-	141,514
Derivative liabilities	-	1,671	1,671

During the three months ended March 31, 2020, there was a transfer within the fair value hierarchy from long-term investments from Level 3 to Level 1 as a result of now available quoted market prices to re-measure the financial asset each reporting period. There were no other transfers in the period.

The following table presents the fair value hierarchy for the Company's financial assets and financial liabilities that are re-measured at their fair values periodically:

	As at March 31, 2020				As at December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>								
Long Term Investments - Other	\$ 60	\$ -	\$ -	\$ 60	\$ -	\$ -	\$ 100	\$ 100
<b>Financial Liabilities</b>								
Derivative liabilities	\$ -	\$ -	\$ 191	\$ 191	\$ -	\$ -	\$ 1,671	\$ 1,671

All level 1 investments are comprised of equity investments which are re-measured at fair value from quoted market prices.

Changes in level 1 financial assets were as follows:

	Financial Assets
Balance at December 31, 2019	\$ 100
Revaluations on level 1 instruments	(40)
<b>Balance at March 31, 2020</b>	<b>\$ 60</b>

All level 3 instruments are comprised of derivatives which are recorded at fair value using the Black-Scholes option pricing model. Derivative liabilities include warrants issued in connection with and assumed by the Company as part of the MPX Acquisition (Note 5).



### 13 Financial Instruments (cont.)

Changes in level 3 financial assets and liabilities were as follows:

	Derivative Liabilities	
Balance at December 31, 2019	\$	1,671
Revaluations on level 3 instruments		(1,480)
<b>Balance at March 31, 2020</b>	<b>\$</b>	<b>191</b>

The table below is the summary of the Company's long-term debt instruments (Note 10) at carrying value and fair value:

	As at March 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Debt</b>				
Unsecured Debentures	45,271	46,921	44,208	44,836
Secured Notes	97,682	92,017	85,228	87,142
Stavola Trust Note	-	-	10,800	10,743
Other	1,289	921	1,278	920
<b>Total</b>	<b>\$ 144,242</b>	<b>\$ 139,859</b>	<b>\$ 141,514</b>	<b>\$ 143,641</b>

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, credit risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors and management

#### *Reynold, Greenleaf & Associates, LLC*

During 2016, the Company provided funding in the aggregate amount of \$2,270 to Reynold, Greenleaf & Associates, LLC ("RGA"), a company incorporated in the U.S. which provides consulting and management services to companies operating in the medical cannabis industry in New Mexico. This resulted in a 24.6% ownership interest in RGA. Additionally, the Company has the ability to exercise significant influence over RGA as it has more than 20.0% of the voting interests and can elect two of seven directors to the board of RGA. Accordingly, RGA is classified as an investment in associate and the Company has applied IAS 28 Investments in Associates and Joint Ventures and the standard's corresponding equity method of accounting. No quoted market price exists for the investment.

The table below summarizes the changes to the carrying value of the Company's investment in RGA:

	Reynold, Greenleaf & Associates, LLC	
<b>As at December 31, 2018</b>	<b>\$</b>	<b>2,281</b>
Share of net income		244
Interest receivable		(89)
<b>As at December 31, 2019</b>	<b>\$</b>	<b>2,436</b>
Share of net loss		(41)
Distributions		(109)
<b>As at March 31, 2020</b>	<b>\$</b>	<b>2,286</b>

During the three months ended March 31, 2020, net loss for RGA was \$165 (March 31, 2019 – net income of \$297). The Company recorded its proportionate share of loss which amounts to \$41 (March 31, 2019 – profit of \$73). During the three months ended March 31, 2020, the Company also received a one-time distribution of \$109. The carrying value of the Company's investment in RGA at March 31, 2020, was \$2,286 (December 31, 2019 - \$2,436).

The following table is a summary of the USD and CAD denominated obligations as of March 31, 2020:

	< 1 Year		1-2 Years		3-5 Years		> 5 Years		Total
<b>USD Denominated</b>									
Payables and accrued liabilities	\$	39,815	\$	-	\$	-	\$	-	\$ 39,815
Long-term debt		190,665		164		599		1,095	192,523
<b>Total USD Denominated</b>	<b>\$</b>	<b>230,480</b>	<b>\$</b>	<b>164</b>	<b>\$</b>	<b>599</b>	<b>\$</b>	<b>1,095</b>	<b>\$ 232,338</b>
<b>CAD Denominated</b>									
Payables and accrued liabilities	\$	1,084	\$	-	\$	-	\$	-	\$ 1,084
<b>Total CAD Denominated</b>	<b>\$</b>	<b>1,084</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ 1,084</b>

## 14 Commitments and Contingencies

### Commitments

The Company has contractual obligations as of March 31, 2020, to make the following payments:

	<1 Year	1-2 Years	3-5 Years	> 5 Years	Total
Finance leases	6,627	7,011	13,213	65,476	92,327
Service contracts	352	13	2	-	367
Consultants and advisors	39	-	-	-	39
Construction contracts	274	-	-	-	274
<b>Total Commitments</b>	<b>\$ 7,292</b>	<b>\$ 7,024</b>	<b>\$ 13,215</b>	<b>\$ 65,476</b>	<b>\$ 93,007</b>

The Company's commitments include service contracts, consultants and advisors, as well as leases and construction contracts for offices, dispensaries and cultivation and processing facilities.

On May 23, 2019, the Company established a line of credit with Zia Integrated, LLC, ("Zia") a cannabis management and consulting firm based in Maryland, permitting Zia drawdowns of up to an aggregate of \$15,000. For each drawdown made by Zia, a convertible promissory note will be issued between the Company and Zia. As of the date of filing of the condensed interim consolidated financial statements, no drawdowns have been made on the line of credit and the principal amount on the convertible promissory note is \$Nil (December 31, 2019 - \$Nil).

### Contingencies

The Company has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Based on consultation with legal counsel, management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position, except as disclosed below.

The events that allegedly gave rise to the following claims occurred prior to the Company's closing of the MPX transaction in February 2019 are as follows:

- On March 26, 2019, MPX received a demand letter from a corporate finance firm, with respect to alleged fees owed by MPX to the firm. Subsequently, on September 20, 2019, the Company reached a settlement and agreed to pay \$2,750 in consideration. This matter has been accounted for in accordance with IFRS 3 as a reduction in the goodwill acquired as part of the MPX Acquisition. As of March 31, 2020, the settlement was paid in full;
- There is a claim from a former consultant against MPX, with respect to alleged consulting fees owed by MPX to the consultant, claiming the right to receive approximately \$500 and punitive damages;
- There is a claim from two former noteholders against ICH and MPX ULC, with respect to alleged payments of \$1,250 made by the noteholders to MPX; and
- There is a claim against ICH, MPX ULC and MPX, with respect to a prior acquisition made by MPX in relation to a subsidiary that was not acquired by the Company as part of the MPX Acquisition, claiming \$3,000 in connection with alleged contractual obligations of MPX.

In addition, the Company is currently reviewing the following matters with legal counsel and has not yet determined the range of potential losses:

There is a claim against the Company, for shares owed to prior shareholders of GrowHealthy Holdings, LLC ("GHH"), in relation to the Company acquiring substantially all the assets of GHH. During the three months ended March 31, 2020, the claim was amended to also include monetary damages for an unspecified amount.

On March 4, 2020, a security services firm filed a complaint against McCrory's, GHHIA, GHP, and IHF, collectively, claiming \$950 in damages, as a result of an alleged breach of a contractual relationship by McCrory's, GHHIA, GHP, and IHF.

On April 19, 2020, Hi-Med LLC ("Hi-Med"), an equity holder and one of the Unsecured Debentureholders of the Company in the principal amount of \$5,000, filed a complaint against the Company. Hi-Med is seeking damages for an unspecified amount and other remedies against the Company, for among other things, alleged breaches of provisions of the Unsecured Debentures and the related Debenture Purchase Agreement. Refer to Note 10 for further discussion on the Unsecured Debentures.

## 14 Commitments and Contingencies (cont.)

### Contingencies (cont.)

On April 20, 2020, a shareholder filed a class action lawsuit against the Company, and is seeking damages for an unspecified amount against the Company for alleged false and misleading statements regarding certain proceeds from the issuance of long-term debt, that were held in escrow to make interest payments in the event of default on such long-term debt.

On July 13, 2020, the Company announced a proposed Recapitalization Transaction as discussed more fully in Note 17. Completion of the Recapitalization Transaction will be subject to, among other things, approval of the plan of arrangement (the "Plan of Arrangement") by the Secured Lenders, Unsecured Debentureholders and Existing Shareholders at meetings expected to be held in September 2020, such other approvals as may be required by the Supreme Court of British Columbia (the "Court"), approval of the Plan of Arrangement by the Court and the receipt of all necessary regulatory and stock exchange approvals. As such, no amounts have been accrued with respect to this Recapitalization Transaction.

On July 23, 2020, a proposed class action was issued in the Ontario Superior Court of Justice in Toronto against the Company, the Company's former CEO and the Company's CFO. 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.

During the three months ended March 31, 2020, the Company filed a statement of claim against Oasis Investments II Master Fund Ltd. ("Oasis"), an Unsecured Debentureholder, in the Ontario Superior Court of Justice. In response to ICH's statement of claim, Oasis filed a defence and counterclaim, alleging that the Company breached certain debt covenants and seeking an order that the Company repay the debt instrument in the amount of \$25,000 including interest and related fees. On July 13, 2020, in connection with the proposed Recapitalization Transaction, the Company has agreed to discontinue with prejudice its litigation claim which it made on February 27, 2020 against Oasis (regardless of whether the Recapitalization Transaction is consummated), and Oasis has agreed, while the Restructuring Support Agreement is in effect, not to take any steps in connection with its counterclaim against the Company. In addition, the Company and Oasis have agreed that the counterclaim by Oasis against the Company will be dismissed as a condition of closing of the Recapitalization Transaction.

Subsequent to March 31, 2020, the Company received demand letters (the "Demand Letters") from two former employees, claiming combined damages of \$1,200. The Company is in the process of investigating the allegations set forth in the Demand Letters in the ordinary course. As of the date of filing the condensed interim consolidated financial statements, it remains uncertain if any amount is owed to the former employees as part of the Demand Letters.

## 15 Related Party Transactions

<b>Due from (to) related parties as at December 31, 2018</b>	<b>\$</b>	<b>391</b>
Related party due to balance acquired		(9,533)
Payments to and on behalf of related parties		777
Repayments made to related parties		31
Payments received from related parties		(1,199)
<b>Due from (to) related parties as at December 31, 2019</b>	<b>\$</b>	<b>(9,533)</b>
Payments to and on behalf of related parties		336
Repayments made to related parties		10,800
Payments received from related parties		(1)
<b>Due from (to) related parties as at March 31, 2020</b>	<b>\$</b>	<b>1,602</b>

As part of the MPX Acquisition, the Company acquired the following significant related party balances:

- Related party receivables of \$664 are due from companies owned by a former director and officer of the Company, Elizabeth Stavola. The balance was \$1,097 as at March 31, 2020 (December 31, 2019 – \$763). The related party balances are presented in the other current assets line on the condensed interim consolidated statement of financial position; and
- Related party term loan of \$10,800, is due to a trust whose beneficiary is a former director and officer of the Company, Elizabeth Stavola. For the three months ended March 31, 2020, interest expense of \$24 (March 31, 2019 – \$121) was recognized in the condensed interim consolidated statement of loss and comprehensive loss. On January 10, 2020, the Stavola Trust Note was paid in full. Refer to Note 10 for further details on the Stavola Trust Note.

Subsequent to March 31, 2020, Elizabeth Stavola resigned as a director and officer of the Company.

## 15 Related Party Transactions (cont.)

As at March 31, 2020, the Company had a loan due from a former director and officer of the Company Hadley Ford ("Ford"), with a balance of \$391 (December 31, 2019 - \$391). The total loan facility is up to CAD\$500 (equivalent \$391) and accrues interest at the rate of 2.5%. Interest is due upon maturity of the loan on June 30, 2020. Accrued interest on the loan for the three months ended March 31, 2020, was CAD\$35 (equivalent \$25) (March 31, 2019 - CAD\$21 or equivalent \$16). The related party balance is presented in the other current assets line on the condensed interim consolidated statement of financial position. Subsequent to March 31, 2020, as part of Ford's termination agreement, the maturity date of the loan was extended to June 30, 2021 and, when repaid, the balance of the loan due is to be partially offset by compensation owed to Ford.

On December 21, 2019, a former director and officer of the Company, Ford, was personally issued a loan by the managing member of Gotham Green Partners (the "Managing Member"), the entity which holds the Secured Notes issued by the Company (Note 10). As of the date of issuance of these financial statements, the Managing Member is also an insider of the Company as defined by applicable Canadian securities laws. The loan was non-interest bearing and was due on March 31, 2020. As of the date of issuance of these financial statements, the loan has not been repaid and remains outstanding. The Special Committee concluded, and the Board accepted, that the failure to disclose such personal loans to the Board was a breach of the Company's conflict policies and other obligations as an officer and director of the Company. Subsequent to March 31, 2020, the Board accepted Ford's resignation as a director and officer of the Company and as director and officer of the Company's subsidiaries.

## 16 Supplemental Cash Flow Information

### Supplemental Cash Flow Information

Non-cash transactions for the three months ended March 31, 2020 and 2019 were as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Supplemental Cash Flow Information:</b>		
Shares issued for the conversion of the OID Loan	\$ -	\$ 9,419
Impact of IFRS 16 adoption	-	13,081
Non-cash consideration transferred for the acquisition of MPX (Note 5)	-	451,174
Cashless exercise of MPX warrants recorded as derivatives	-	3,848

Non-cash working capital items for the three months ended March 31, 2020 and 2019 were as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Changes in non-cash working capital items:</b>		
Receivables and prepaid expenses	\$ (346)	\$ (814)
Inventory	(413)	(2,015)
Biological assets	(3,663)	(2,365)
Related party balances	(336)	(490)
Other assets	-	(1,304)
Accounts payable and accrued liabilities	813	6,385
Other liabilities	5,426	(547)
	<b>\$ 1,481</b>	<b>\$ (1,150)</b>

Depreciation, amortization, and loss on asset disposition are comprised of the following:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Depreciation:		
Fixed assets	\$ 2,170	\$ 1,140
Right of use assets	793	465
Amortization:		
Intangible assets	3,830	1,032
Loss on asset disposition:		
Inventory and biological assets	944	585
Fixed assets	-	122

## 17 Events After the Reporting Period

### Stock Option Grant

On April 1, 2020, the Company granted 135,000 stock options to recently hired employees and consultants during the three months ended March 31, 2020 at an exercise price of \$0.82.

### Legal Proceedings

Please refer to Note 14 for further discussion.

### COVID-19

Subsequent to March 31, 2020, the global emergence of the COVID-19 pandemic occurred. The impact of COVID-19 on the Company's business is currently unknown. The Company will continue to monitor guidance and orders issued by federal, state, and local authorities with respect to COVID-19. As a result, the Company may take actions that alter its business operations as may be required by such guidance and orders or take other steps that the Company determines are in the best interest of its employees, customers, partners, suppliers, shareholders, and stakeholders.

Any such alterations or modifications could cause substantial interruption to the Company's business and could have a material adverse effect on the Company's business, operating results, financial condition, and the trading price of common shares, and could include temporary closures of one or more of the Company's facilities; temporary or long-term labor shortages; temporary or long-term adverse impacts on the Company's supply chain and distribution channels; the potential of increased network vulnerability and risk of data loss resulting from increased use of remote access and removal of data from the Company's facilities. In addition, COVID-19 could negatively impact capital expenditures and overall economic activity in the impacted regions or depending on the severity, globally, which could impact the demand for the Company's products and services.

It is unknown whether and how the Company may be impacted if the COVID-19 pandemic persists for an extended period of time or if there are increases in its breadth or in its severity, including as a result of the waiver of regulatory requirements or the implementation of emergency regulations to which the Company is subject. The COVID-19 pandemic poses a risk that the Company or its employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period.

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 common shares of the Company.

### Special Committee Investigation

Subsequent March 31, 2020, the Special Committee (Note 2) completed an investigation into the actions of a director and officer of the Company. On April 27, 2020, the Board accepted the resignation of Ford in his capacity as a director and officer of the Company and as director and officer of the Company's subsidiaries, effective immediately.

### Cease Trade Order ("CTO")

The Company did not file the following continuous disclosure documents (collectively, the "Annual Filings") prior to the filing deadline of June 15, 2020:

- a) audited annual financial statements for the year ended December 31, 2019;
- b) management's discussion and analysis relating to the audited financial statements for the year ended December 31, 2019; and
- c) certification of the foregoing filings as required by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

As a result, the Company is subject to a CTO issued by the Ontario Securities Commission on June 22, 2020.

## 17 Events After the Reporting Period (cont.)

### Cease Trade Order (cont.)

In addition, the Company did not file the following continuous disclosure documents (collectively, the "Interim Filings") prior to the filing deadline of July 14, 2020:

- a) interim financial statements for the three months ended March 31, 2020;
- b) management's discussion and analysis relating to the interim financial statements for the three months ended March 31, 2020; and
- c) certification of the foregoing filings as required by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

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 both the Annual Filings and the Interim Filings.

The annual financial statements for the year ended December 31, 2019 and other continuous disclosures documents (referred to above as the Annual Filings) were filed on July 31, 2020.

### Interim Financing

On July 13, 2020, the Company's wholly-owned U.S. subsidiary ("iAnthus SubCo") issued \$14,737 in aggregate principal amount of secured debentures ("Interim Financing") to the Secured Lenders as contemplated in the Recapitalization Transaction. The secured debentures under the Interim Financing mature on July 13, 2025, are subject to a 5.0% original issue discount and accrue interest at a rate of 8.0% annually. Interest is to be paid in kind by adding the interest accrued on the principal amount on the last day of each fiscal quarter (the first such interest payment date being September 30, 2020), and such amount thereafter becoming part of the principal amount and will accrue interest at a rate of 8.0%.

Interest paid in kind will be payable on the date that all of the principal amount is due and payable. The iAnthus SubCo is not permitted to redeem, convert or prepay the Interim Financing prior to July 13, 2023 without prior written consent of the lender. Similar to the Secured Notes, the Interim Financing is secured by all current and future assets of the Company.

### Event of Default and Financial Restructuring

Due to the liquidity constraints experienced by the Company subsequent to year end, the Company attempted to negotiate with the holders of the Secured Notes for temporary relief of the Company's interest obligations due March 31, 2020, however, the parties were unable to reach a satisfactory agreement. The Company did not make the March 31, 2020 interest payment totaling \$4,404 to the Lenders. The Company is currently in default of the obligations under the Company's long-term debt, consisting of principal amounts at face value of \$97,508 and \$60,000 and accrued interest amounts at March 31, 2020 of \$3,204 and \$1,200 for the Secured Notes and Unsecured Debentures, respectively. In addition, as a result of the default, the Company has accrued the Exit Fee of \$12,503 in excess of the aforementioned amounts.

In the event of a default, all amounts, including interest and principal, become immediately due and payable to the holders of the Secured Notes and Unsecured Notes. Furthermore, as a result of the default, the Company is required to pay the Exit Fee as described in Note 3. Upon the payment of the Exit Fee by the Company, the noteholders of the Tranche One Secured Notes are required to transfer the 3,891,051 shares issued under the \$10,000 equity financing that closed concurrently with the Tranche One Secured Notes. As of the date of this report, such shares have not been transferred to the Company. Refer to Note 10 for additional details pertaining to the Secured Notes and the Unsecured Notes.

On June 22, 2020, the Company received notice from the Collateral Agent holding security for the benefit of the holders of the Company's Secured Notes, with a demand for repayment under the Secured Notes Purchase Agreement of the entire principal amount, together with interest, fees, costs and other allowable charges that have accrued or may accrue. The Collateral Agent also concurrently provided the Company with BIA Notices under section 244 of the BIA. Pursuant to section 244 of the BIA, the Collateral Agent shall not enforce the security over the collateral granted by the Company until the expiry of 10 days after sending the BIA Notices unless the Company consents to an earlier enforcement of the security.

On July 13, 2020, the Company announced that it entered into a Restructuring Support Agreement with the Secured Lenders and a majority of the Unsecured Debentureholders to effect a proposed Recapitalization Transaction. Pursuant to the Recapitalization Transaction, the Secured Lenders, the Unsecured Debentureholders and the Existing Shareholders of the Company are to be allocated and issued, approximately, the amounts of Restructured Senior Debt (as defined below), Interim Financing, Junior Non-Convertible Unsecured Notes (as defined below) and percentage of the pro forma common equity, as presented in the following table:

## 17 Events After the Reporting Period (cont.)

### Event of Default and Financial Restructuring (cont.)

	Restructured Senior Debt <sup>1</sup>	Interim Financing <sup>2</sup>	Junior Non-Convertible Unsecured Notes <sup>4</sup>	Pro Forma Common Equity <sup>5,6</sup>
Secured Lenders	\$ 85,000	\$ 13,965 <sup>3</sup>	\$ 5,000	48.625%
Unsecured Debentureholders	-	-	15,000	48.625%
Existing Shareholders	-	-	-	2.75%
<b>Total</b>	<b>\$ 85,000</b>	<b>\$ 13,965</b>	<b>\$ 20,000</b>	<b>100.00%</b>

- The principal balance of the Secured Notes will be reduced to \$85,000, which will be increased by the amount of the Interim Financing; first lien, senior secured position over all assets of the Company; and non-convertible; payment in kind interest at an 8% annual interest rate; maturity date of five years after the consummation of the Recapitalization Transaction; and non-callable for three years (the "Restructured Senior Debt").
- The Secured Lenders will provide \$14,737 of Interim Financing to the iAnthus SubCo, on substantially the same terms as the Restructured Senior Debt, with a 5% original issue discount (principal to be grossed up). The Interim Financing was funded to the iAnthus SubCo within three business days of execution of the Restructuring Support Agreement. In the event of proceedings commenced by the Company for approval of a plan of compromise and arrangement under the CCAA (the "CCAA Proceedings"), the Interim Financing amount will be increased by \$1,000. The amounts of the Interim Financing advanced to the iAnthus SubCo is expected to be converted into and the principal balance will be added to the Restructured Senior Debt upon consummation of the Recapitalization Transaction.
- Excluding original issue discount of 5%.
- The Junior Non-Convertible Unsecured Notes, have an 8% paid-in-kind cumulative dividend; a maturity date of five years after the consummation of the Recapitalization Transaction; is non-callable for three years; and is subordinate to the Restructured Senior Debt but senior to the Common Shares ("Junior Non-Convertible Unsecured Notes").
- Assuming the Recapitalization Transaction is completed pursuant to the Arrangement Proceedings. If the Requisite Approvals (including approval of the Existing Shareholders) are not obtained and the implementation of the Recapitalization Transaction is pursued pursuant to the CCAA Proceedings, the Common Shareholder Interest will be allocated equally to the Secured Lenders and the Unsecured Debentureholders, as separate classes, and the Existing Shareholders will not receive any recovery.
- Following consummation of the Recapitalization Transaction, a to-be-determined amount of equity will be made available for management, employee, and director incentives, as determined by the New Board (as defined below); all existing warrants and options of the Company will be cancelled; and the Common Shares may be consolidated pursuant to a yet-to-be decided consolidation ratio.

The form of the Junior Non-Convertible Unsecured Notes provided to the Secured Lenders and Unsecured Debentureholders and described herein is subject to tax planning and may instead be subordinated unsecured debt of the Company or other form of consideration that is agreed to by the Secured Lenders, each of the Initial Consenting Unsecured Debentureholders and the Company, on substantially similar economic terms.

Upon implementation of the Recapitalization Transaction, the board of directors (the "New Board") will be constituted as follows: (i) three nominees by the Secured Lenders; (ii) three nominees by the Initial Consenting Unsecured Debentureholders; and (iii) a new CEO as the seventh member of the New Board, to be agreed upon by the Secured Lenders' and Initial Consenting Unsecured Debentureholders' nominees.

Under the terms of the proposed Recapitalization Transaction, the Collateral, the Secured Lenders and the Initial Consenting Unsecured Debentureholders agree to forbear from further exercising any rights or remedies in connection with any events of default that now exist or may in the future arise under any of the purchase agreements in respect of the Secured Debentures and all other agreements delivered in connection therewith, the purchase agreements in respect of the Unsecured Debentures and all other agreements delivered in connection therewith, and any other agreement to which the Collateral Agent, Secured Lenders or Initial Consenting Unsecured Debentureholders are party with the Company (the "Defaults"), and shall take such steps as are necessary to stop any current or pending enforcement efforts in relation thereto. Upon consummation of the Recapitalization Transaction, the Collateral Agent, Secured Lenders and Initial Consenting Unsecured Debentureholders are expected to irrevocably waive all Defaults and take all steps required to withdraw, revoke and/or terminate any enforcement efforts in relation thereto.

Completion of the Recapitalization Transaction will be subject to, among other things, approval of the Plan of Arrangement by the Secured Lenders, Unsecured Debentureholders and Existing Shareholders at meetings expected to be held in September 2020, such other approvals as may be required by the Supreme Court of British Columbia (the "Court"), approval of the Plan of Arrangement by the Court and the receipt of all necessary regulatory and stock exchange approvals (collectively, the "Requisite Approvals"). If the Requisite Approvals are obtained, the Plan of Arrangement will bind all Secured Lenders, Unsecured Debentureholders and Existing Shareholders. Subsequent to March 31, 2020, the Supreme Court of British Columbia issued an interim order authorizing the meeting to approve the Plan of Arrangement, and date a for the meeting was determined.

## 17 Events After the Reporting Period (cont.)

### Event of Default and Financial Restructuring (cont.)

In the event that the Requisite Approvals are not obtained and the Court does not approve the Recapitalization Transaction, then the Recapitalization Transaction will be pursued pursuant to the CCAA Proceedings, provided that if the CCAA Proceedings are necessary, the Common Shareholder Interest shall be allocated equally to the Secured Lenders and the Unsecured Debentureholders, as separate classes, and the Existing Shareholders will not receive any recovery. On August 6, 2020, the Court issued an Interim Court Order to schedule the meeting with all Secured Noteholders, Unsecured Debentureholders, and Equity Holders on September 14, 2020.

### Mutual Termination of Acquisition

On July 31, 2020, the Company and WSCC, Inc. ("Sierra Well") announced the mutual termination of the merger agreement previously announced in September 2019. As a result of the prolonged timeline to achieve the necessary conditions to close 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.

Previously, in September 2019, the Company, through its wholly owned subsidiary, iA Northern Nevada, Inc., entered into an agreement to acquire Sierra Well, subject to regulatory approval. Sierra Well operates two dispensaries, two cultivation facilities and one processing facility in Nevada.

### Nevada Settlement

Subsequent to March 31, 2020, the Company intervened in the litigation to defend its interests in the Marijuana Retail Store licenses which were granted by the Nevada Department of Taxation (the "NV DOT") and were the subject of the plaintiffs' challenge. The Company, through its subsidiary, GMNV, currently has two Nevada medical cannabis establishment registration certificates, one for cultivation and one for product manufacturing. GMNV also currently has two Nevada adult-use licenses, one for cultivation and one for product manufacturing. In December 2018, GMNV was awarded four conditional adult-use dispensary licenses ("Marijuana Retail Store(s)"). The Nevada DOT award of conditional adult-use Marijuana Retail Store licenses is being challenged by several unsuccessful applicants in an action in Nevada state court. On July 30, 2020, the settling plaintiffs and settling intervenors filed a motion in opposition to this application. On July 31, 2020, the Court denied the non-settling plaintiffs' application for a temporary restraining order preventing the effectiveness of the settlement agreement. Accordingly, GMNV's transfer offer of its conditional dispensary license is now subject to fulfillment of the conditions set forth in the settlement agreement, one of which has been fulfilled by the NV DOT.

### Director and Officer Resignation

Subsequent to March 31, 2020, on August 4, 2020, Elizabeth Stavola resigned as a director and officer of the Company. Refer to Note 15 for further discussion.