
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**FORM 10-Q/A
Amendment No. 1**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-56228

IANTHUS CAPITAL HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

British Columbia, Canada
(State or other jurisdiction of
incorporation or organization)

**214 King Street, Suite 314
Toronto, Ontario M5H 3S6**
(Address of principal executive offices)

98-1360810
(I.R.S. Employer
Identification No.)

M5H 3S6
(Zip Code)

(646) 518-9418

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of common shares outstanding as of October 30, 2023 was 6,510,526,890.

EXPLANATORY NOTE

iAnthus Capital Holdings, Inc. (together with its consolidated subsidiaries, the "Company") is filing this Amendment No. 1 on Form 10-Q/A to amend its Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, initially filed with the Securities and Exchange Commission and SEDAR on November 9, 2023 (the "Original Form 10-Q"). This Form 10-Q/A amends and restates Items 1, 2, and 4 of Part I of the Original Form 10-Q which includes the Company's restated unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2023 and related notes (the "Amended Form 10-Q").

In connection with the preparation of the Company's consolidated financial statements for the fiscal year ended December 31, 2023, the Company's management identified an error related to its financial reporting process in connection with an intercompany consolidation of two wholly-owned subsidiaries and in the valuation of inventory, both resulting in an overstatement of inventory in the Original Form 10-Q. This error resulted in an overstatement of 'inventories, net' and 'accrued and other current liabilities' on the unaudited interim condensed consolidated balance sheet as of September 30, 2023, and an overstatement of 'income tax expense', and an understatement of 'cost and expenses applicable to revenues', on its unaudited interim condensed consolidated statements of operations for the three and nine months ended September 30, 2023. This error has no impact on the cash balance as of September 30, 2023 and results in no net change in cash flows for the nine months ended September 30, 2023, which is illustrated in further detail in Note 15 of the Financial Statements in Item 1 of Part I of this Amended Form 10-Q.

The Company has made no attempt in this Quarterly Report on Form 10-Q/A to modify or update the disclosures presented in the Original Form 10-Q other than as noted in the previous paragraph. Except as noted above, this Quarterly Report on Form 10-Q/A does not reflect events occurring after the filing of the Original Report. Accordingly, this Quarterly Report on Form 10-Q/A should be read in conjunction with the Company's other filings with the Securities and Exchange Commission ("SEC") subsequent to the filing of the Original Form 10-Q, including any amendments thereto.

In accordance with Rule 12b-15 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), this Form 10-Q/A includes new certifications by the Company's Chief Executive Officer and Chief Financial Officer filed as Exhibits 31.1, 31.2, 32.1 and 32.2 to this Form 10-Q/A.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Quarterly Report on Form 10-Q/A contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Any statements in this Quarterly Report on Form 10-Q/A about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as “believe,” “will,” “expect,” “anticipate,” “estimate,” “intend,” “plan” and “would.” For example, statements concerning financial condition, possible or assumed future results of operations, growth opportunities, industry ranking, plans and objectives of management, markets for our common shares and future management and organizational structure are all forward-looking statements. Forward-looking statements are not guarantees of performance. They involve known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to differ materially from any results, levels of activity, performance or achievements expressed or implied by any forward-looking statements.

Any forward-looking statements are qualified in their entirety by reference to the risk factors discussed throughout our most recent Annual Report on Form 10-K and any updates described in our Quarterly Reports and Current Reports on Form 8-K as may be amended, supplemented or superseded from time to time by other reports we file with the U.S. Securities and Exchange Commission (the “SEC”). You should read this Quarterly Report and the documents that we referenced herein and have filed as exhibits to the reports we file with the SEC, completely and with the understanding that our actual future results may be materially different from what we expect. You should assume that the information appearing in this Quarterly Report on Form 10-Q/A is accurate as of the date hereof. Because the risk factors in our SEC reports could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this Quarterly Report on Form 10-Q/A, and particularly our forward-looking statements, by these cautionary statements.

ITEM 1. FINANCIAL STATEMENTS

IANTHUS CAPITAL HOLDINGS, INC.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars or shares)

	September 30, 2023 <i>(Unaudited and Restated)</i>	December 31, 2022 <i>(Audited)</i>
Assets		
Cash	\$ 15,104	\$ 14,336
Restricted cash	70	70
Accounts receivable, net of allowance for doubtful accounts of \$85 (December 31, 2022 - \$87)	4,850	3,999
Prepaid expenses	2,497	2,215
Inventories, net	27,571	29,800
Other current assets	555	202
Current Assets	50,647	50,622
Investments	826	232
Property, plant and equipment, net	95,668	103,320
Operating lease right-of-use assets, net	26,377	28,399
Other long-term assets	3,809	3,847
Intangible assets, net	108,787	117,047
Total Assets	\$ 286,114	\$ 303,467
Liabilities and Shareholders' (Deficit) Equity		
Accounts payable	\$ 16,419	\$ 10,690
Accrued and other current liabilities	93,998	74,036
Current portion of long-term debt, net of issuance costs	15,136	51
Current portion of operating lease liabilities	7,747	7,789
Current Liabilities	133,300	92,566
Long-term debt, net of issuance costs	145,416	147,261
Deferred income tax	23,763	23,815
Long-term portion of operating lease liabilities	27,274	28,836
Total Liabilities	329,753	292,478
Commitments (Refer to Note 10)		
Shareholders' (Deficit) Equity		
Common shares - no par value. Authorized - unlimited number. 6,459,844 - issued and outstanding (December 31, 2022 - 6,403,289 - issued and outstanding)	—	—
Additional paid-in capital	1,265,310	1,262,012
Accumulated deficit	(1,308,949)	(1,251,023)
Total Shareholders' (Deficit) Equity	\$ (43,639)	\$ 10,989
Total Liabilities and Shareholders' (Deficit) Equity	\$ 286,114	\$ 303,467

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

iANTHUS CAPITAL HOLDINGS, INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
	<i>(Restated)</i>		<i>(Restated)</i>	
Revenues, net of discounts	\$ 42,890	\$ 39,371	\$ 118,358	\$ 125,642
Costs and expenses applicable to revenues (exclusive of depreciation and amortization expense shown separately below)	(29,542)	(23,190)	(71,108)	(67,301)
Gross profit	13,348	16,181	47,250	58,341
Operating expenses				
Selling, general and administrative expenses	18,917	23,220	58,997	104,756
Depreciation and amortization	6,134	7,824	18,882	23,040
(Recoveries), write-downs and other charges, net	(69)	(1,139)	467	(928)
Total operating expenses	24,982	29,905	78,346	126,868
Loss from operations	(11,634)	(13,724)	(31,096)	(68,527)
Interest and other income	712	663	1,589	12,917
Interest expense	(4,014)	(3,455)	(11,648)	(15,142)
Accretion expense	(994)	(1,020)	(2,946)	(2,561)
Provision for debt obligation fee	—	—	—	(804)
Loss on debt extinguishment (Refer to Note 5)	—	—	(1,288)	(316,577)
Gains/(losses) from changes in fair value of financial instruments	59	(134)	15	(374)
Loss before income taxes	(15,871)	(17,670)	(45,374)	(391,068)
Income tax expense	3,311	4,325	12,552	14,591
Net loss	\$ (19,182)	\$ (21,995)	\$ (57,926)	\$ (405,659)
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.17)
Weighted average number of common shares outstanding - basic and diluted	6,421,756	6,244,489	6,427,023	2,351,683

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

IANTHUS CAPITAL HOLDINGS, INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY
(In thousands of U.S. dollars or shares)

	Three Months Ended September 30, 2023			
	Number of Common Shares ('000)	Additional Paid-in-Capital	Accumulated Deficit <i>(Restated)</i>	Total Shareholders' (Deficit) <i>(Restated)</i>
Balance – June 30, 2023	6,445,223	\$ 1,264,863	\$ (1,289,767)	\$ (24,904)
Share-based compensation	19,439	473	—	473
Share settlement for taxes paid related to restricted stock units	(4,818)	(26)	—	(26)
Net loss <i>(Restated)</i>	—	—	(19,182)	(19,182)
Balance – September 30, 2023	<u>6,459,844</u>	<u>\$ 1,265,310</u>	<u>\$ (1,308,949)</u>	<u>\$ (43,639)</u>

	Nine Months Ended September 30, 2023			
	Number of Common Shares ('000)	Additional Paid-in-Capital	Accumulated Deficit <i>(Restated)</i>	Total Shareholders' Equity (Deficit) <i>(Restated)</i>
Balance – January 1, 2023	6,403,289	\$ 1,262,012	\$ (1,251,023)	\$ 10,989
Share-based compensation	72,252	3,555	—	3,555
Share settlement for taxes paid related to restricted stock units	(15,697)	(257)	—	(257)
Net loss <i>(Restated)</i>	—	—	(57,926)	(57,926)
Balance – September 30, 2023	<u>6,459,844</u>	<u>\$ 1,265,310</u>	<u>\$ (1,308,949)</u>	<u>\$ (43,639)</u>

	Three Months Ended September 30, 2022				Total Shareholders' Equity
	Number of Common Shares ('000)	Shares to be Issued	Additional Paid-in-Capital	Accumulated Deficit	
Balance – June 30, 2022	6,244,298	\$ 1,531	\$ 1,254,741	\$ (1,185,296)	\$ 70,976
Share-based compensation	—	—	4,657	—	4,657
Share issuance - MPX purchase option	408	(1,500)	1,500	—	—
Net loss	—	—	—	(21,995)	(21,995)
Balance – September 30, 2022	<u>6,244,706</u>	<u>\$ 31</u>	<u>\$ 1,260,898</u>	<u>\$ (1,207,291)</u>	<u>\$ 53,638</u>

	Nine Months Ended September 30, 2022				
	Number of Common Shares ('000)	Shares to be Issued	Additional Paid-in-Capital	Accumulated Deficit	Total Shareholders' (Deficit) Equity
Balance – January 1, 2022 - (Revised)	171,718	\$ 1,531	\$ 776,462	\$ (801,632)	\$ (23,639)
Share-based compensation	—	—	27,493	—	27,493
Share issuance - Recapitalization Transaction	6,072,580	—	455,443	—	455,443
Share issuance - MPX purchase option	408	(1,500)	1,500	—	—
Net loss	—	—	—	(405,659)	(405,659)
Balance – September 30, 2022	<u>6,244,706</u>	<u>\$ 31</u>	<u>\$ 1,260,898</u>	<u>\$ (1,207,291)</u>	<u>\$ 53,638</u>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

IANTHUS CAPITAL HOLDINGS, INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Nine Months Ended September 30,	
	2023	2022
	<i>(Restated)</i>	
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (57,926)	\$ (405,659)
Adjustments to reconcile net loss to net cash provided by (used in) operations:		
Interest income	(4)	(83)
Interest expense	11,648	15,142
Accretion expense	2,946	2,561
Provision for debt obligation fee	—	804
Depreciation and amortization	20,397	24,788
Write-downs, (recoveries) and other charges, net	467	(928)
Inventory reserve	814	—
Share-based compensation	3,555	27,493
(Gains)/losses from changes in fair value of financial instruments	(15)	374
Gain from nonmonetary consideration from acquisition (Refer to Note 4)	—	(10,460)
Loss on debt extinguishment (Refer to Note 5)	1,288	316,577
Change in operating assets and liabilities (Refer to Note 13)	21,575	15,246
NET CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 4,745	\$ (14,145)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,488)	(5,764)
Acquisition of other intangible assets	(2,404)	(108)
Proceeds from sale of property, plant and equipment	1,277	2,399
Issuance of related party promissory note	—	(92)
Cash impact of deconsolidation of subsidiaries	(68)	—
Purchase of subsidiaries, net of cash acquired	—	4
NET CASH USED IN INVESTING ACTIVITIES	\$ (3,683)	\$ (3,561)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of debt	(37)	(347)
Proceeds from issuance of debt	—	24,250
Taxes paid related to net share settlement of restricted stock units	(257)	—
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	\$ (294)	\$ 23,903
CASH AND RESTRICTED CASH		
NET INCREASE IN CASH AND RESTRICTED CASH DURING THE PERIOD	768	6,197
CASH AND RESTRICTED CASH, BEGINNING OF PERIOD (Refer to Note 13)	14,406	16,578
CASH AND RESTRICTED CASH, END OF PERIOD (Refer to Note 13)	\$ 15,174	\$ 22,775

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Note 1 – Organization and Description of Business

(a) Description of Business

iAnthus Capital Holdings, Inc. (“ICH”), together with its consolidated subsidiaries (the “Company”) was incorporated under the laws of British Columbia, Canada, on November 15, 2013. The Company is a vertically-integrated multi-state owner and operator of licensed cannabis cultivation, processing and dispensary facilities in the United States. 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.

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 OTCQB Tier of the OTC Markets Group Inc. under the symbol “ITHUF.”

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 proceeding 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.

(b) Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements (the “financial statements”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements and, therefore, certain information, footnotes and disclosures normally included in the annual financial statements, prepared in accordance with U.S. GAAP, have been condensed or omitted in accordance with SEC rules and regulations.

The financial data presented herein should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022, included in the Company’s Annual Report on the Form 10-K filed with the SEC on March 30, 2023. In the opinion of management, the financial data presented includes all adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented. These unaudited interim condensed consolidated financial statements include estimates and assumptions of management that affect the amounts reported on the unaudited interim condensed consolidated financial statements. Actual results could differ from these estimates.

The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2023, or any other period.

Except as otherwise stated, these unaudited interim condensed consolidated financial statements are presented in U.S. dollars.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

(c) Consummation of Recapitalization Transaction

On June 24, 2022 (the “Closing Date”), the Company completed its previously announced recapitalization transaction (the “Recapitalization Transaction”) pursuant to the terms of the Restructuring Support Agreement (the “Restructuring Support Agreement”) dated July 10, 2020, as amended on June 15, 2021, by and among the Company, all of the holders (the “Secured Lenders”) of the 13.0% senior secured convertible debentures (the “Secured Notes”) issued by iAnthus Capital Management, LLC (“ICM”), a wholly-owned subsidiary of the Company, and a majority of the holders (the “Consenting Unsecured Lenders”) of the Company’s 8.0% unsecured convertible debentures (the “Unsecured Debentures”). Closing of the Recapitalization Transaction through an amended and restated plan of arrangement (the “Plan of Arrangement”) was subject to certain conditions, including: approval of the Secured Lenders, all of the holders (the “Unsecured Lenders”) and together with the Secured Lenders, the “Lenders”) of the Unsecured Debentures and existing holders of our common shares, warrants and options; approval of the Plan of Arrangement by the Supreme Court of British Columbia (the “Court”); and the receipt of all necessary state regulatory approvals in which the Company operates that required approval; and approval by the Canadian Securities Exchange (collectively, the “Requisite Approvals”). All Requisite Approvals required to close the Recapitalization Transaction were satisfied, conditioned, or waived by the Company, the Secured Lenders and Consenting Unsecured Lenders on the Closing Date. Pursuant to the terms of the Restructuring Support Agreement, Gotham Green Admin 1, LLC as collateral agent (the “Collateral Agent”), the Secured Lenders and the Consenting Unsecured Lenders agreed to forbear from further exercising any rights or remedies in connection with any events of default that existed or may have existed in the future arising under any of the purchase agreements with respect to the Secured Notes and all other agreements delivered in connection therewith, the purchase agreements with respect to the Unsecured Debentures and all other agreements delivered in connection therewith and any other agreement to which the Collateral Agent, Secured Lenders, or Consenting Unsecured Lenders are a party to (collectively, the “Defaults”). As of the Closing Date, the Collateral Agent, Secured Lenders and Consenting Unsecured Lenders irrevocably waived all Defaults.

In connection with the closing of the Recapitalization Transaction, the Company issued an aggregate of 6,072,580 common shares to the Secured Lenders and the Unsecured Lenders. Specifically, the Company issued 3,036,290 common shares (the “Secured Lender Shares”), or 48.625% of the outstanding common shares of the Company, to the Secured Lenders and 3,036,290 common shares (the “Unsecured Lender Shares” and together with Secured Lender Shares, the “Shares”), or 48.625% of the outstanding common shares of the Company, to the Unsecured Lenders. As of the Closing Date, there were 6,244,298 common shares of the Company issued and outstanding. As of the Closing Date, the then existing holders of the Company’s common shares collectively held 171,718 common shares, or 2.75% of the outstanding common shares of the Company.

As of the Closing Date, the outstanding principal amount of the Secured Notes (including the interim financing secured notes in the aggregate principal amount of approximately \$14.7 million originally due on July 13, 2025) together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Secured Lender Shares, (B) the June Secured Debentures (as defined below) in the aggregate principal amount of \$99.7 million and (C) the June Unsecured Debentures (as defined below) in the aggregate principal amount of \$5.0 million. Also, as of the Closing Date, the outstanding principal amount of the Unsecured Debentures together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Unsecured Lender Shares and (B) the June Unsecured Debentures in the aggregate principal amount of \$15.0 million. Furthermore, all existing options and warrants to purchase common shares of the Company, including certain debenture warrants and exchange warrants previously issued to the Secured Lenders, the warrants previously issued in connection with the Unsecured Debentures and all other Affected Equity (as defined in the Plan of Arrangement), were cancelled and extinguished for no consideration.

Secured Debenture Purchase Agreement

In connection with the closing of the Recapitalization Transaction, the Company entered into a Third Amended and Restated Secured Debenture Purchase Agreement (the “Secured DPA”), dated as of June 24, 2022, with ICM, the other Credit Parties (as defined in the Secured DPA), the Collateral Agent, and the lenders party thereto (the “New Secured Lenders”) pursuant to which ICM issued the New Secured Lenders 8.0% secured debentures (the “June Secured Debentures”) in the aggregate principal amount of \$99.7 million pursuant to the Plan of Arrangement.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

The June Secured Debentures accrue interest at a rate of 8.0% per annum (increasing to 11.0% upon the occurrence of an Event of Default (as defined in the Secured DPA)), are due on June 24, 2027 and may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date upon prior written notice to the New Secured Lenders without premium or penalty. Upon receipt of a Change of Control Notice (as defined in the Secured DPA), each New Secured Lender may provide notice to ICM to either (i) purchase the June Secured Debenture at a price equal to 103.0% of the then outstanding principal amount together with interest accrued thereon (the "Offer Price") or (ii) if the Change of Control Transaction (as defined in Secured DPA) results in a new issuer, or if the New Secured Lender desires that the June Secured Debenture remain unpaid and continue in effect after the closing of the Change of Control Transaction, convert or exchange the June Secured Debenture into a replacement debenture of the new issuer or ICM, as applicable, in the aggregate principal amount of the Offer Price on substantially equivalent terms to those terms contained in the June Secured Debenture. Notwithstanding the foregoing, if 90.0% or more of the principal amount of all June Secured Debentures outstanding have been tendered for redemption on the date of the Change of Control Notice, ICM may, at its sole discretion, redeem all of the outstanding June Secured Debentures at the Offer Price. As security for the Obligations (as defined in the Secured DPA), ICM and the Company granted to the Collateral Agent, for the benefit of the New Secured Lenders, a security interest over all of their present and after acquired personal property.

Pursuant to the Secured DPA, so long as Gotham Green Partners, LLC or any of its Affiliates (as defined in the Secured DPA) hold at least 50.0% of the outstanding principal amount of June Secured Debentures, the Collateral Agent will have the right to appoint two non-voting observers to the Company's board of directors (the "Board" or "Board of Directors"), each of which shall receive up to a maximum amount of \$25 in any 12-month period for reasonable out-of-pocket expenses.

In addition, pursuant to the Secured DPA, the New Secured Lenders purchased an additional \$25.0 million of June Secured Debentures (the "Additional Secured Debentures").

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Unsecured Debenture Purchase Agreement

In connection with the closing of the Recapitalization Transaction, ICH, as guarantor of the Guaranteed Obligations (as defined in the Unsecured DPA (as defined herein)), entered into an Unsecured Debenture Purchase Agreement (the “Unsecured DPA”) dated as of June 24, 2022 with ICM, the Secured Lenders and the Consenting Unsecured Lenders pursuant to which ICM issued 8.0% unsecured debentures (the “June Unsecured Debentures”) in the aggregate principal amount of \$20.0 million pursuant to the Plan of Arrangement, including \$5.0 million to the Secured Lenders and \$15.0 million to the Unsecured Lenders.

The June Unsecured Debentures accrue interest at a rate of 8.0% per annum (increasing to 11.0% upon the occurrence of an Event of Default (as defined in the Unsecured DPA)), are due on June 24, 2027 and may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date upon prior written notice to the Unsecured Lenders without premium or penalty. Upon receipt of a Change of Control Notice (as defined in the Unsecured DPA), each Unsecured Lender may provide notice to ICM to either (i) purchase the June Unsecured Debenture at a price equal to 103.0% of the then outstanding principal amount together with interest accrued thereon (the “Unsecured Offer Price”) or (ii) if the Change of Control Transaction (as defined in Unsecured DPA) results in a new issuer, or if the Unsecured Lender desires that the June Unsecured Debenture remain unpaid and continue in effect after the closing of the Change of Control Transaction, convert or exchange the June Unsecured Debenture into a replacement debenture of the new issuer or ICM, as applicable, in the aggregate principal amount of the Unsecured Offer Price on substantially equivalent terms to those terms contained in the June Unsecured Debenture. Notwithstanding the foregoing, if 90.0% or more of the principal amount of all June Unsecured Debentures outstanding have been tendered for redemption on the date of the Change of Control Notice, ICM may, at its sole discretion, redeem all of the outstanding June Unsecured Debentures at the Unsecured Offer Price. Pursuant to the Unsecured DPA, the Obligations (as defined in the Unsecured DPA) are subordinated in right of payment to the Senior Indebtedness (as defined in the Unsecured DPA).

Refer to Note 5 for further discussion regarding the Recapitalization Transaction.

(d) Going Concern

These unaudited interim condensed consolidated financial statements have been prepared under the assumption that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the three and nine months ended September 30, 2023, the Company reported net losses of \$19.2 million and \$57.9 million, respectively, an operating cash inflow of \$4.7 million for the nine months ended September 30, 2023, and an accumulated deficit of \$1,308.9 million as of September 30, 2023.

The closing of the Recapitalization Transaction resulted in lower interest rates on the June Secured Debentures and the \$11.0 million senior secured bridge notes issued by iAnthus New Jersey, LLC (“INJ”) on February 2, 2021 (“Senior Secured Bridge Notes”) and allows interest to be paid-in-kind. As such, the Company believes it may continue to generate positive cash flows from operations in the near future. Notwithstanding the foregoing, the Company’s substantial losses and working capital deficiency cast substantial doubt on the Company’s ability to continue as a going concern for a period of no less than 12 months from the date of this report. These unaudited interim condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

(e) Basis of Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of ICH together with its consolidated subsidiaries, except for subsidiaries which ICH has identified as variable interest entities where ICH is not the primary beneficiary.

(f) Use of Estimates

The preparation of the unaudited interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations regarding future events that are believed to be reasonable under the circumstances. Actual results may differ significantly from these estimates.

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Significant estimates made by management include, but are not limited to: economic lives of leased assets; inputs used in the valuation of inventory; allowances for potential uncollectability of accounts receivable, provisions for inventory obsolescence; impairment assessment of long-lived assets; depreciable lives of property, plant and equipment; useful lives of intangible assets; accruals for contingencies including tax contingencies; valuation allowances for deferred income tax assets; estimates of fair value of identifiable assets and liabilities acquired in business combinations; estimates of fair value of derivative instruments; and estimates of the fair value of stock-based payment awards.

(g) Coronavirus Pandemic

The Company may be impacted by business interruptions from pandemics and public health emergencies, including those related to the novel coronavirus, known as COVID-19 (“COVID-19”). In the event of an outbreak of infectious disease, a pandemic, or a similar public health threat, such as the outbreak of COVID-19, or a fear of any of the foregoing, the Company may take actions that alter its business operations as may be required by federal, state or local authorities’ 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 the Company’s common shares. For example, COVID-19 previously resulted in temporary closures of some of the Company’s facilities; labor shortages; adverse impacts on the Company’s supply chain and distribution channels; and 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, a health epidemic, such as COVID-19, could negatively impact capital expenditures and overall economic activity in the impacted regions, 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 continues to persist 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 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 its common shares.

(h) Revision of Prior Period Financial Statements

During the three months ended March 31, 2022, the Company determined that it had not appropriately recorded cost of inventory as of December 31, 2021. This resulted in an overstatement of the inventory balance, accrued and other current liabilities, income tax expense and accumulated deficit as of December 31, 2021, and an understatement of costs and expenses applicable to revenues for the year ended December 31, 2021.

Based on an analysis of Accounting Standards Codification (“ASC”) 250 – “Accounting Changes and Error Corrections” (“ASC 250”), Staff Accounting Bulletin 99 – “Materiality” (“SAB 99”) and Staff Accounting Bulletin 108 – “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements” (“SAB 108”), the Company determined that these errors were immaterial to the previously issued financial statements, and as such no restatement was necessary. Correcting prior period financial statements for immaterial errors would not require previously filed reports to be amended.

The effect of the adjustments on the line items within the Company’s unaudited interim condensed consolidated statements of changes in shareholders’ deficit for three and nine months ended September 30, 2022 is as follows:

	September 30, 2022		
	As reported	Adjustment	As revised
Accumulated deficit – Balance January 1, 2022	\$ (800,390)	\$ (1,242)	\$ (801,632)
Total shareholders’ deficit – January 1, 2022	(22,397)	(1,242)	(23,639)

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Note 2 – Leases

The Company mainly leases office space and cannabis cultivation, processing and retail dispensary space. Leases with an initial term of less than 12 months are not recorded on the unaudited interim condensed consolidated balance sheets. The Company recognizes operating lease right-of-use assets and operating lease liabilities based on the present value of future minimum lease payments over the lease term at commencement date and lease expense for these leases on a straight-line basis over the lease term. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The Company has determined that it was reasonably certain that the renewal options on the majority of its cannabis cultivation, processing and retail dispensary space would be exercised based on operating history and knowledge, current understanding of future business needs and the level of investment in leasehold improvements, among other considerations. The incremental borrowing rate used in the calculation of the lease liability is based on the rate available to the parent company. The depreciable life of assets and leasehold improvements are limited by the expected lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Certain subsidiaries of the Company rent or sublease certain office space to/from other subsidiaries of the Company. These intercompany subleases are eliminated on consolidation and have lease terms ranging from less than one year to 15 years.

Maturities of lease liabilities for operating leases as of September 30, 2023, were as follows:

	Operating Leases
2024	\$ 7,747
2025	7,869
2026	7,825
2027	7,246
2028	7,143
Thereafter	48,668
Total lease payments	\$ 86,498
Less: interest expense	(51,477)
Present value of lease liabilities	\$ 35,021
Weighted-average remaining lease term (years)	10.5
Weighted-average discount rate	20%

For the three and nine months ended September 30, 2023, the Company recorded operating lease expenses of \$2.3 million and \$6.8 million, respectively (September 30, 2022—\$2.4 million and \$7.1 million, respectively), which are included in costs and expenses applicable to revenues and selling, general and administrative expenses on the unaudited interim condensed consolidated statements of operations.

The Company has entered into multiple sublease agreements pursuant to which it serves as lessor to the sublessees. The gross rental income and underlying lease expense are presented gross on the Company's unaudited interim condensed consolidated statements of operations. For the three and nine months ended September 30, 2023, the Company recorded sublease income of \$0.2 million and \$0.7 million, respectively (September 30, 2022 – \$0.2 million and \$0.7 million, respectively), which is included in other income on the unaudited interim condensed consolidated statements of operations.

Supplemental balance sheet information related to leases are as follows:

Balance Sheet Information	Classification	September 30, 2023	December 31, 2022
Operating right-of-use assets, net	Operating leases	\$ 26,377	\$ 28,399
Lease liabilities			
Current portion of operating lease liabilities	Operating leases	\$ 7,747	\$ 7,789
Long-term portion of operating lease liabilities	Operating leases	27,274	28,836
Total		\$ 35,021	\$ 36,625

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Note 3 - Inventories, net

Inventories are comprised of the following items:

	September 30, 2023 <i>(Restated)</i>	December 31, 2022 <i>(Audited)</i>
Supplies	\$ 4,111	\$ 7,018
Raw materials	10,522	8,903
Work in process	5,369	5,807
Finished goods	8,135	8,703
Inventory reserve	(566)	(631)
Total	\$ 27,571	\$ 29,800

Inventories are written down for any obsolescence or when the net realizable value considering future events and conditions is less than the carrying value. For the three and nine months ended September 30, 2023, the Company recorded \$Nil and \$0.9 million, respectively (September 30, 2022 – \$Nil and \$0.5 million, respectively), related to spoiled inventory in costs and expenses applicable to revenues on the unaudited interim condensed consolidated statements of operations.

Note 4 – Acquisitions

Acquisition of MPX New Jersey LLC

On February 1, 2022, the Company’s wholly-owned subsidiary, INJ, closed on its acquisition of MPX New Jersey LLC (“MPX NJ”), a New Jersey-based entity with a New Jersey medical cannabis permit and, as of April 13, 2023, an expanded cannabis permit to allow for certain adult-use operations. The acquisition consisted of INJ exercising its right to convert the principal balance of a loan and accrued interest owed pursuant to its loan agreement of \$4.6 million into a 99% equity interest in MPX NJ. In addition, pursuant to an option agreement, INJ exercised its option to acquire the remaining 1% of MPX NJ for nominal consideration. The transaction with MPX NJ is a related party transaction due to the fact that Elizabeth Stavola, a former officer and director of the Company, is a former officer, director and majority owner of MPX NJ.

This transaction was treated as an asset acquisition under U.S. GAAP as substantially all of the fair value of the gross assets acquired were deemed to be associated with the acquired cultivation, production and retail licenses recognized as intangible assets in the table below.

The following table summarizes the allocation of the purchase price to the fair values assigned to the assets acquired and liabilities assumed:

Consideration	
Cash	\$ 1
Settlement of pre-existing relationships	19,193
Fair value of consideration	\$ 19,194
Assets acquired and liabilities assumed	
Cash	\$ 5
Fixed assets	100
Other non-current assets	15
Intangible assets	19,100
Accounts payable	(15)
Accrued and other current liabilities	(11)
Net assets acquired	\$ 19,194

The Company has determined that this acquisition is an asset acquisition under ASC 805 Business Combinations whereby the total consideration is allocated to the acquired net tangible and intangible assets based on their estimated fair values as of the closing date. The Company determined the fair value of the net identifiable assets received from the asset acquisition was a more reliable

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measurement of the assets exchanged as part of this asset acquisition. The Company concluded that the consideration included a nonmonetary component of \$14.5 million as noncash consideration exchanged for the net identifiable assets received from MPX NJ. The related tax impact of \$4.1 million was netted against this gain. As a result, the Company recorded a \$10.5 million gain within other income on the unaudited interim condensed consolidated statements of operations for the nine months ended September 30, 2022.

Operating results have been included in these unaudited interim condensed consolidated financial statements from the date of the acquisition. Supplemental pro forma financial information has not been presented as the impact was not material to the Company's unaudited interim condensed consolidated financial statements. The Company recorded acquisition costs of \$Nil and \$0.3 million within selling, general and administrative expenses on the unaudited interim condensed consolidated statements of operations for the nine months ended September 30, 2023 and 2022, respectively.

Note 5 - Long-Term Debt

As discussed in Note 1(c), the Company consummated the Recapitalization Agreement with the Secured Lenders and the Unsecured Lenders on the Closing Date, at which time the Company issued the Shares as well as the June Secured Debentures and June Unsecured Debentures in the aggregate principal amount of \$119.7 million in exchange for the full satisfaction of the Secured Notes, Unsecured Debentures and the accrued interest and accrued fee obligations in the aggregate amount of \$238.2 million. Upon the consummation of the Recapitalization Transaction and as of the Closing Date, all existing Defaults under the Secured Notes and Unsecured Debentures were waived. As a result of the consummation of the Recapitalization Agreement, as of the Closing Date, the Secured Lenders and the Unsecured Lenders owned, in the aggregate, 97.25% of the Company's common shares.

Background of Recapitalization Transaction

On March 31, 2020, the Company did not make interest payments due to the Secured Lenders and the Unsecured Lenders. Through June 24, 2022, the Company had been in default on the Secured Notes and Unsecured Debentures, which, as of June 24, 2022, consisted of \$97.5 million and \$60.0 million of principal amount and \$38.5 million and \$11.9 million in accrued interest, respectively. In addition, as a result of the default, the Company had accrued additional fees and interest of \$16.2 million in excess of the aforementioned amounts.

As a result of the March 31, 2020 default, the Board of Directors formed a special committee comprised of the Company's then five independent, non-management directors (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 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 and/or stakeholders of ICH and/or its subsidiaries that the Special Committee determined to be in the best interest of ICH and/or its subsidiaries;
- managing available sources of capital, including equity investments or debt financing or refinancing and the terms thereof;
- implementing the operational and financial restructuring of ICH 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 it in analyzing various strategic alternatives to address its capital structure and liquidity challenges.

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

On July 10, 2020, ICH and certain of its subsidiaries entered into the Restructuring Support Agreement with the Secured Lenders and the Consenting Unsecured Lenders to affect the Recapitalization Transaction. Under the Restructuring Support Agreement, certain of the Secured Lenders agreed to provide interim financing in the amount of \$14.7 million (the "Tranche Four Secured Notes").

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Subject to compliance with the Restructuring Support Agreement, the Secured Lenders and the Consenting Unsecured Lenders agreed to forbear from further exercising any rights or remedies in connection with any Defaults.

Consummation of the Recapitalization Transaction through the Plan of Arrangement was subject to certain conditions, including obtaining the Requisite Approvals. All Requisite Approvals required to consummate the Recapitalization Transaction were satisfied, conditioned, or waived by the Company, Secured Lenders and Consenting Unsecured Lenders, for purposes of closing the Recapitalization Transaction on the Closing Date.

The following table summarizes long term debt outstanding as of September 30, 2023:

	Secured Notes	June Secured Debentures	Additional Secured Debentures	June Unsecured Debentures	Other	Total
As of January 1, 2023	\$ 13,852	\$ 90,273	\$ 26,067	\$ 16,175	\$ 945	\$ 147,312
Fair value of financial liabilities issued	15,019	6,437	1,614	1,291	—	24,361
Accretion of balance	99	2,151	—	696	—	2,946
Debt extinguishment	(13,886)	—	—	—	—	(13,886)
Deconsolidation	—	—	—	—	(144)	(144)
Repayment	—	—	—	—	(37)	(37)
As of September 30, 2023	\$ 15,084	\$ 98,861	\$ 27,681	\$ 18,162	\$ 764	\$ 160,552

Accounting for the Recapitalization Transaction

On the Closing Date, the Company completed its previously announced Recapitalization Transaction pursuant to the terms of the Restructuring Support Agreement. The Recapitalization Transaction closed pursuant to the terms of the Plan of Arrangement under the Business Corporations Act (British Columbia) approved by the Court.

In accordance with debt extinguishment accounting rules outlined in ASC 470-50, Debt-Modifications and Extinguishments, (“ASC 470”), the Company recorded a loss on extinguishment of debt of \$316.6 million on the Closing Date. In connection with the extinguishment in the aggregate amount of \$238.2 million, the Company issued new debt in the principal amount of \$119.7 million, which was recorded at fair value of \$99.4 million and 6,072,580 common shares in the amount of \$455.4 million issued which were valued based upon the closing price of the Company’s common shares on the Closing Date.

On the Closing Date, the Company fully amortized the debt discount costs related to the old debt that was extinguished. As of September 30, 2023, the total and unamortized debt discount costs related to new debt were \$20.4 million and \$15.6 million, respectively (December 31, 2022— \$20.3 million and \$18.4 million, respectively). As of September 30, 2023, the total and unamortized debt issuance costs related to debts that were not part of the Recapitalization Transaction were \$0.7 million and \$Nil, respectively (December 31, 2022—\$0.7 million and less than \$0.1 million, respectively).

As of September 30, 2023, the total interest accrued on both current and long-term debt was \$Nil (December 31, 2022 - \$Nil). As of the Closing Date, the total accrued interest of \$56.3 million was extinguished and settled in full as part of the Recapitalization Transaction.

(a) Secured Notes

Tranche One

On May 14, 2018, the Company issued \$40.0 million secured notes (the “Tranche One Secured Notes”) with a maturity date of May 14, 2021. The principal amount of such notes along with accrued interest at the default rate of 16.0% per annum were extinguished on June 24, 2022 in connection with the closing of the Recapitalization Transaction.

For the three and nine months ended September 30, 2023, interest expense of \$Nil and \$Nil, respectively (September 30, 2022 - \$Nil and \$3.2 million, respectively), was recorded on the unaudited interim condensed consolidated statements of operations.

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As of June 24, 2022, immediately prior to the consummation of the Recapitalization Transaction, the Company was not in compliance with the market value test, and the Company did not make interest payments, and therefore was in breach of a financial covenant with respect to the Tranche One Secured Notes, Tranche Two Secured Notes (as defined herein), and Tranche Three Secured Notes (as defined herein). Furthermore, the Company was in default on its Secured Notes as of March 31, 2020, and as a result, an event of default occurred on April 4, 2020. This default was triggered on the Company's long-term debt, which, as of June 24, 2022, consisted of \$97.5 million and \$60.0 million of principal amount and \$38.5 million and \$11.9 million in accrued interest on the Secured Notes and the Unsecured Debentures, respectively. Furthermore, the Company also became obligated to pay an exit fee (the "Exit Fee") of \$10.3 million that accrues interest at a rate of 16% annually in relation to the Secured Notes. As a result of the default and through June 24, 2022, the Company classified the Tranche One Secured Notes, Tranche Two Secured Notes, and Tranche Three Secured Notes as current liabilities on the unaudited interim condensed consolidated balance sheets. As of June 24, 2022, this debt, related accrued interest and fees were fully satisfied pursuant to the terms of the Restructuring Support Agreement and no default existed with respect to the Tranche One Secured Notes, Tranche Two Secured Notes, and Tranche Three Secured Notes.

For the three and nine months ended September 30, 2023, interest expense of \$Nil and \$Nil, respectively (September 30, 2022 – \$Nil and \$0.8 million, respectively), was recorded in relation to the Exit Fee on the unaudited interim condensed consolidated statements of operations. As of June 24, 2022, the aggregate Exit Fee obligation of \$16.2 million was satisfied in connection with the closing of the Recapitalization Transaction, which was comprised of an aggregate of \$10.3 million in principal amount and \$5.9 million in accrued interest.

Tranche Two

On September 30, 2019, the Company issued an additional \$20.0 million of secured notes (the "Tranche Two Secured Notes"). The Tranche Two Secured Notes accrued interest at 13.0% per annum and had an original maturity date of May 14, 2021. The principal amount of such notes along with accrued interest at the default rate of 16.0% per annum were extinguished on June 24, 2022 in connection with the closing of the Recapitalization Transaction.

For the three and nine months ended September 30, 2023, interest expense of \$Nil and \$Nil, respectively (September 30, 2022 - \$Nil and \$1.6 million, respectively), was recorded on the unaudited interim condensed consolidated statements of operations.

All terms, restrictions and financial covenants applicable to the Tranche One Secured Notes were also applicable to the Tranche Two Secured Notes. As of June 24, 2022, this debt, related accrued interest and fees were fully satisfied pursuant to the terms of the Restructuring Support Agreement and no default existed with respect to the Tranche Two Secured Notes.

Tranche Three

On December 20, 2019, the Company issued an additional \$36.2 million of secured notes (the "Tranche Three Secured Notes"). The Tranche Three Secured Notes accrued interest at 13.0% per annum and had an original maturity date of May 14, 2021. The principal amount of such notes along with accrued interest at the default rate of 16.0% per annum were extinguished on June 24, 2022 in connection with the closing of the Recapitalization Transaction.

For the three and nine months ended September 30, 2023, interest expense of \$Nil and \$Nil, respectively (September 30, 2022 - \$Nil and \$2.8 million, respectively), was recorded on the unaudited interim condensed consolidated statements of operations.

All terms, restrictions and financial covenants applicable to the Tranche One Secured Notes and Tranche Two Secured Notes were also applicable to Tranche Three Secured Notes. As of June 24, 2022, this debt, related accrued interest and fees were fully satisfied pursuant to the terms of the Restructuring Support Agreement and no default existed with respect to the Tranche Three Secured Notes.

Tranche Four

On July 13, 2020, as part of the Recapitalization Transaction, the Company issued an additional \$14.7 million as Tranche Four Secured Notes which accrued interest at 8.0% per annum and had an original maturity date of July 13, 2025. On June 24, 2022, the terms of the Tranche Four Secured Notes were materially modified pursuant to the Restructuring Support Agreement and as such, were considered to be extinguished in connection with the closing of the Recapitalization Transaction.

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For the three and nine months ended September 30, 2023, interest expense of \$Nil and \$Nil, respectively (September 30, 2022 - \$Nil and \$0.7 million, respectively), and accretion expense of \$Nil and \$Nil, respectively (September 30, 2022 - \$Nil and \$0.2 million, respectively), were recorded on the unaudited interim condensed consolidated statements of operations.

iAnthus New Jersey, LLC Senior Secured Bridge Notes

On February 2, 2021, INJ issued an aggregate of \$11.0 million of Senior Secured Bridge Notes which mature on the earlier of (i) February 2, 2023, (ii) the date on which the Company closes a Qualified Financing (as defined below) and (iii) such earlier date that the principal amount may become due and payable pursuant to the terms of such notes. The Senior Secured Bridge Notes initially accrued interest at a rate of 14.0% per annum, decreasing to 8.0% upon the closing of the Recapitalization Transaction (increasing to 25.0% per annum in the event of default). “Qualified Financing” means a transaction or series of related transactions resulting in net proceeds to the Company of not less than \$10 million from the subscription of the Company’s securities, including, but not limited to, a private placement or rights offering.

On February 2, 2023, the Company and INJ entered into an amendment (the “Amendment”) to the Senior Secured Bridge Notes with all of the holders of the Senior Secured Bridge Notes. Pursuant to the Amendment, the maturity date of the Senior Secured Bridge Notes was extended until February 2, 2024, the interest on the principal amount outstanding was increased to a rate of 12.0% per annum, and an amendment fee equal to 10.0% of the principal amount outstanding of the Senior Secured Bridge Notes as of February 2, 2023 or \$1.4 million in the aggregate, was added to such notes such that it will become due and payable on the extended maturity date. In accordance with debt extinguishment accounting guidance outlined in ASC 470, the terms of the Senior Secured Bridge Notes were materially modified pursuant to the Amendment and as such, the Company recorded a loss on debt extinguishment of \$Nil and \$1.3 million, respectively on the unaudited interim condensed consolidated statements of operations for the three and nine months ended September 30, 2023.

The amended host debt, classified as a liability using the guidance of ASC 470, was recognized at the fair value of \$13.8 million.

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 March 31, 2023) and such amount thereafter becoming part of the principal amount, which will accrue additional interest. Interest paid in kind will be payable on the date when all of the principal amount is due and payable.

For the three and nine months ended September 30, 2023, interest expense of \$0.4 million and \$1.2 million, respectively (September 30, 2022 - \$0.3 million and \$1.1 million, respectively), and accretion expense of less than \$0.1 million and \$0.1 million, respectively (September 30, 2022 - \$0.1 million and \$0.3 million, respectively), was recorded on the unaudited interim condensed consolidated statements of operations.

The Senior Secured Bridge Notes are secured by a security interest in certain assets of INJ. ICH provided a guarantee in respect of all of the obligations of INJ under the Senior Secured Bridge Notes, and the Company is in compliance with the terms of the Senior Secured Bridge Notes as of September 30, 2023. The Senior Secured Bridge Notes are classified as current liabilities on the unaudited interim condensed consolidated balance sheets as they are due on February 2, 2024.

Certain of the Secured Lenders, including Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Oasis Investments II Master Fund LTD., Senvest Global (KY), LP, Senvest Master Fund, LP and Hadron Healthcare and Consumer Special Opportunities Master Fund, held greater than 5.0% of the outstanding common shares of the Company upon closing of the Recapitalization Transaction. As principal owners of the Company, these lenders are considered to be related parties.

(b) March 2019 Debentures

On March 18, 2019, the Company completed a private placement of \$35.0 million of unsecured convertible debentures (the “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 (“March 2019 Equity Warrants”). All of the March 2019 Equity Warrants expired on March 15, 2022. The March 2019 Debentures accrued 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 was to be paid in cash, shares, or a combination of cash and shares, up to 50.0%, at the Company’s election. The March 2019 Debentures would have matured on March 15, 2023; however, on June 24, 2022, the outstanding principal of March 2019 Debentures along with related accrued interest and applicable fees were extinguished as part of the closing of the Recapitalization Transaction.

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For the three and nine months ended September 30, 2023, interest expense of \$Nil and \$Nil, respectively (September 30, 2022 - \$Nil and \$1.4 million, respectively), and accretion expense of \$Nil and \$Nil, respectively (September 30, 2022 - \$Nil and \$0.7 million, respectively), was recorded on the unaudited interim condensed consolidated statements of operations.

The terms of the March 2019 Debentures imposed certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to incur certain additional indebtedness at the subsidiary level. As of June 24, 2022, immediately prior to the consummation of the Recapitalization Transaction, the Company was in default on its interest obligations to the holders of the Secured Notes. This default triggered a cross-default on its interest obligations to the holders of the March 2019 Debentures. As a result of this default, the Company classified the debt as a current liability on the unaudited interim condensed consolidated balance sheets as the March 2019 Debentures were due on demand. As of June 24, 2022, this debt, related accrued interest and fees were fully satisfied pursuant to the terms of the Restructuring Support Agreement and no default existed with respect to the March 2019 Debentures.

(c) May 2019 Debentures

On May 2, 2019, the Company completed a private placement of \$25.0 million of unsecured convertible debentures (the "May 2019 Debentures") and corresponding warrants to purchase 1,555,207 common shares of the Company at an exercise price of \$6.43 per common share ("May 2019 Equity Warrants"). All of the May 2019 Equity Warrants expired on March 15, 2022. The May 2019 Debentures accrued 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 was to be paid in cash, shares, or a combination of cash and shares, up to 50.0%, at the Company's election. The May 2019 Debentures would have matured on March 15, 2023; however, on June 24, 2022, the outstanding principal of May 2019 Debentures along with related accrued interest and applicable fees were extinguished as part of the closing of the Recapitalization Transaction.

For three and nine months ended September 30, 2023, interest expense of \$Nil and \$Nil, respectively (September 30, 2022 - \$Nil and \$1.0 million, respectively), and accretion expense of \$Nil and \$Nil, respectively (September 30, 2022 - \$Nil and \$0.4 million, respectively), was recorded on the unaudited interim condensed consolidated statements of operations.

The terms of the May 2019 Debentures imposed certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to incur certain additional indebtedness at the subsidiary level. As of June 24, 2022, immediately prior to the consummation of the Recapitalization Transaction, the Company was in default on its interest obligations to the holders of the Secured Notes. This default triggered a cross-default on its interest obligations to the holders of the May 2019 Debentures. Further, as a result of this default, the Company classified the debt as a current liability on the unaudited interim condensed consolidated balance sheets as the May 2019 Debentures were due on demand. As of June 24, 2022, this debt, related accrued interest and fees were fully satisfied pursuant to the terms of the Restructuring Support Agreement and no default existed with respect to the May 2019 Debentures.

(d) June Secured Debentures

On June 24, 2022 in connection with the closing of the Recapitalization Transaction, the Company entered into the Secured DPA, pursuant to which ICM issued the June Secured Debentures in the aggregate principal amount of \$99.7 million which accrue interest at the rate of 8.0% per annum increasing to 11.0% per annum upon the occurrence of an Event of Default (as defined in the Secured DPA), with a maturity date of June 24, 2027. The June Secured Debentures may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date of the Recapitalization Transaction upon prior written notice to the New Secured Lenders without premium or penalty.

The host debt, classified as a liability using the guidance of ASC 470, was recognized at the fair value of \$84.5 million.

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 June 30, 2022) and such amount thereafter becoming part of the principal amount, which will accrue additional interest. Interest paid in kind will be payable on the date when all of the principal amount is due and payable.

For the three and nine months ended September 30, 2023, interest expense of \$2.2 million and \$6.4 million, respectively (September 30, 2022 - \$2.1 million and \$2.2 million, respectively), and accretion expense of \$0.7 million and \$2.2 million, respectively (September 30, 2022 - \$0.7 million and \$0.8 million, respectively), was recorded on the unaudited interim condensed consolidated statements of operations.

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The terms of the Secured DPA impose certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to: incur certain additional indebtedness; grant liens; make certain dividends and other payment restrictions affecting the Company's subsidiaries; issue shares or convertible securities; and sell certain assets. The June Secured Debentures are secured by all current and future assets of the Company and ICM. The terms of the Secured DPAs do not have any financial covenants or market value test and ICM is in compliance with the terms of the June Secured Debentures as of September 30, 2023. The June Secured Debentures are classified as long-term liabilities on the unaudited interim condensed consolidated balance sheets.

Certain of the New Secured Lenders that hold the June Secured Debentures, including Gotham Green Fund 1, L.P., Gotham Green Fund 1 (Q), L.P., Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Gotham Green Credit Partners SPV 1, L.P., Gotham Green Partners SPV V, L.P., L.P., and Parallax Master Fund, LP, held greater than 5.0% of the outstanding common shares of the Company upon the closing of the Recapitalization Transaction. As principal owners of the Company, certain of the New Secured Lenders are considered to be related parties.

(e) June Unsecured Debentures

On June 24, 2022 in connection with the closing of the Recapitalization Transaction, the Company entered into the Unsecured DPA, pursuant to which ICM issued June Unsecured Debentures in the aggregate principal amount of \$20.0 million which accrue interest at the rate of 8.0% per annum increasing to 11.0% per annum upon the occurrence of an Event of Default (as defined in the Unsecured DPA), with a maturity date of June 24, 2027. The June Unsecured Debentures may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date of the Recapitalization Transaction upon prior written notice to the Unsecured Lender without premium or penalty.

The host debt, classified as a liability using the guidance of ASC 470, was recognized at the fair value of \$14.9 million.

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 June 30, 2022) and such amount thereafter becoming part of the principal amount, which will accrue additional interest. Interest paid in kind will be payable on the date when all of the principal amount is due and payable.

For the three and nine months ended September 30, 2023, interest expense of \$0.4 million and \$1.3 million, respectively (September 30, 2022 - \$0.4 million and \$0.4 million, respectively), and accretion expense of \$0.2 million and \$0.7 million, respectively (September 30, 2022 - \$0.2 million and \$0.2 million, respectively), was recorded on the unaudited interim condensed consolidated statements of operations.

The terms of the Unsecured DPA impose certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to: incur certain additional indebtedness; grant liens; make certain dividends and other payment restrictions affecting the Company's subsidiaries; issue shares or convertible securities; and sell certain assets. The terms of the Unsecured DPA do not have any financial covenants or market value test, and ICM is in compliance with the terms of the June Unsecured Debentures as of September 30, 2023. The June Unsecured Debentures are classified as long-term liabilities on the unaudited interim condensed consolidated balance sheets.

Certain of the Secured Lenders and Consenting Unsecured Lenders, including Gotham Green Fund 1, L.P., Gotham Green Fund 1 (Q), L.P., Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Gotham Green Credit Partners SPV 1, L.P., Gotham Green Partners SPV V, L.P., Oasis Investments II Master Fund LTD., Senvest Global (KY), LP, Senvest Master Fund, LP, Parallax Master Fund, L.P. and Hadron Healthcare and Consumer Special Opportunities Master Fund, held greater than 5.0% of the outstanding common shares of the Company upon the closing of the Recapitalization Transaction. As principal owners of the Company, certain of the Consenting Unsecured Lenders are considered to be related parties.

(f) Additional Secured Debentures

Pursuant to the terms of the Secured DPA, ICM issued the Additional Secured Debentures on June 24, 2022 in the aggregate principal amount of \$25.0 million which accrue interest at the rate of 8.0% per annum increasing to 11.0% per annum upon the occurrence of an Event of Default (as defined in the Secured DPA), with a maturity date of June 24, 2027.

The host debt, classified as a liability using the guidance of ASC 470, was recognized at the fair value of \$25.0 million.

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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 June 30, 2022) and such amount thereafter becoming part of the principal amount, which will accrue additional interest. Interest paid in kind will be payable on the date when all of the principal amount is due and payable.

For the three and nine months ended September 30, 2023, interest expense of \$0.6 million and \$1.6 million, respectively (September 30, 2022— \$0.5 million and \$0.5 million, respectively), was recorded on the unaudited interim condensed consolidated statements of operations.

The terms of the Secured DPA impose certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to: incur certain additional indebtedness; grant liens; make certain dividends and other payment restrictions affecting the Company's subsidiaries; issue shares or convertible securities; and sell certain assets. The Additional Secured Debentures are secured by all current and future assets of the Company and ICM. The terms of the Secured DPAs do not have any financial covenants or market value test, and ICM is in compliance with the terms of the Additional Secured Debentures as of September 30, 2023. The Additional Secured Debentures are classified as long-term liabilities on the unaudited interim condensed consolidated balance sheets.

Certain of the New Secured Lenders that hold Additional Secured Debentures, including Gotham Green Fund 1, L.P., Gotham Green Fund 1 (Q), L.P., Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Oasis Investments II Master Fund LTD., Senvest Global (KY), LP, Senvest Master Fund, LP and Hadron Healthcare and Consumer Special Opportunities Master Fund, held greater than 5.0% of the outstanding common shares of the Company upon the closing of the Recapitalization Transaction. As principal owners of the Company, certain of the New Secured Lenders are considered to be related parties.

Note 6 - Share Capital

(a) Share Capital

Authorized: Unlimited common shares. The shares have no par value.

The Company's common shares are voting and dividend-paying. The following is a summary of the common share issuances for the nine months ended September 30, 2023:

- On January 3, 2023, the Company issued common shares totaling 15,628 for vested restricted stock units, out of which the Company withheld 7,776 shares to satisfy employees' tax obligations with respect thereto of \$0.2 million.
- On March 3, 2023, the Company issued common shares totaling 27,930 for vested restricted stock units.
- On April 20, 2023, the Company issued common shares totaling 9,255 for vested restricted stock units, out of which the Company withheld 3,103 shares to satisfy employees' tax obligations with respect thereto of less than \$0.1 million.
- On July 6, 2023, the Company issued common shares totaling 19,439 for vested restricted stock units, out of which the Company withheld 4,818 shares to satisfy employees' tax obligations with respect thereto of less than \$0.1 million.

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The following is a summary of the common share issuances for the nine months ended September 30, 2022:

- On June 24, 2022, an aggregate of 6,072,580 common shares were issued to the Secured Lenders and Unsecured Lenders in connection with the closing of the Recapitalization Transaction.
- On August 18, 2022, 408 common shares were issued to settle shares to be issued with regards to purchase options assumed by the Company on February 5, 2019 as part of MPX Acquisition.

(b) Warrants

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

	September 30, 2023		December 31, 2022	
	Units	Weighted Average Exercise Price (CS)	Units	Weighted Average Exercise Price (CS)
Warrants outstanding, beginning	—	\$ —	22,640	\$ 3.56
Forfeited	—	—	(17,955)	2.52
Expired	—	—	(4,685)	7.53
Warrants outstanding, ending	—	\$ —	—	\$ —

As per the terms of the Restructuring Support Agreement, all outstanding warrants were forfeited as of the Closing Date of the Recapitalization Transaction, and warrants classified as derivative liabilities were revalued to \$Nil as of December 31, 2022. The Company recognized revaluation gain of \$Nil and \$Nil, respectively for the three and nine months ended September 30, 2023 (September 30, 2022 \$Nil and less than \$0.1 million, respectively) on the unaudited interim condensed consolidated statements of operations.

(c) Potentially Dilutive Securities

The following table summarizes potentially dilutive securities, and the resulting common share equivalents outstanding as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Common share options	7,877	7,877
Restricted stock units	337,115	173,230
Total	344,992	181,107

(d) Stock Options

All existing options (the "Original Awards") to purchase common shares of the Company issued to officers were cancelled and extinguished for no consideration on the date of closing the Recapitalization Transaction. On September 19, 2022, the Board awarded stock options to two officers of the Company as replacement awards for the Original Awards under the Company's Amended and Restated Omnibus Incentive Plan (the "Omnibus Incentive Plan") dated October 15, 2018. The Original Awards were cancelled on June 24, 2022, as part of the Recapitalization Transaction, and the new stock options were granted on September 19, 2022 (the "Replacement Stock Options"). As the fair value of the Original Awards was \$Nil on the modification date, the incremental compensation cost recognized is equal to the fair value of the Replacement Stock Options on the modification date, which shall be recognized over the remaining requisite service period. The Replacement Stock Options granted vested fully after the three-year grant period ended on July 10, 2023. Accordingly, the unrecognized compensation cost is \$Nil, having been amortized on a straight-line basis over the weighted average requisite service period of three years.

Share-based compensation expense related to stock options for the three and nine months ended September 30, 2023 was less than \$0.1 million and less than \$0.1 million, respectively (September 30, 2022 - \$0.2 million and \$2.0 million, respectively), and is presented in selling, general and administrative expenses on the unaudited interim condensed consolidated statements of operations.

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The following table summarizes certain information in respect of option activity during the period:

	Nine Months Ended September 30, 2023			Year Ended December 31, 2022		
	Units	Weighted Average Exercise Price (1)	Weighted Average Contractual Life	Units	Weighted Average Exercise Price (1)	Weighted Average Contractual Life
Options outstanding, beginning	7,877	\$ 0.05	7.78	10,504	\$ 3.65	—
Granted	—	—	—	7,877	0.05	—
Cancellations	—	—	—	(7,111)	3.48	—
Forfeitures	—	—	—	(3,152)	4.33	—
Expirations	—	—	—	(241)	0.89	—
Options outstanding, ending (2)	<u>7,877</u>	<u>\$ 0.05</u>	<u>6.78</u>	<u>7,877</u>	<u>\$ 0.05</u>	<u>7.78</u>

(1) The Original Awards are denominated in Canadian dollars. Exercise prices have been converted to U.S. dollar equivalents using an exchange rate of CAD\$1.352 to \$1.00 as of September 30, 2023.

(2) As of September 30, 2023, 7,877 of the stock options outstanding were exercisable (December 31, 2022 - 6,564).

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

	September 30, 2023	December 31, 2022
Risk-free interest rate	—	3.8%
Expected dividend yield	—	0.0%
Expected volatility	—	128.6%
Expected life	—	4.3 years

The expected volatility was estimated by using the historical volatility of the Company. The expected life in years represents the period of time that options granted are expected to be outstanding. In accordance with SAB Topic 14, the Company uses the simplified method for estimating the expected term. The Company believes the use of the simplified method is appropriate due to the employee stock options qualifying as “plain-vanilla” options under the criteria established by SAB Topic 14. The risk-free rate was based on the United States bond yield rate at the time of grant of the award. Expected annual rate of dividends is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

(e) Restricted Stock Units

On December 31, 2021, the Board approved a long-term incentive program, pursuant to which, on July 26, 2022, the Company issued certain employees of the Company and its subsidiaries, restricted stock units (“RSUs”), under the Company’s Amended and Restated Omnibus Incentive Plan dated October 15, 2018. RSUs represent a right to receive a single common share that is both non-transferable and forfeitable until certain conditions are satisfied. The allocation of RSUs was contingent on the closing of the Recapitalization Transaction and was subject to approval of the Canadian Securities Exchange and the Board.

On December 31, 2021 and June 23, 2022, the Board approved the allocation of 363,921 and 26,881 RSUs, respectively, to Board members, directors, officers, and key employees of the Company. The RSUs granted by the Company vest upon the satisfaction of both a service-based condition of three years and a liquidity condition, the latter of which was not satisfied until the closing of the Recapitalization Transaction. As the liquidity condition was not satisfied until the closing of the Recapitalization Transaction, in prior periods, the Company had not recorded any expense related to the grant of RSUs. Share-based compensation expense in relation to the RSUs is recognized using the graded vesting method, in which compensation costs for each vesting tranche is recognized ratably from the service inception date to the vesting date for that tranche. The fair value of the RSUs is determined using the Company’s closing stock price on the grant date.

Certain RSU recipients were also holders of the Original Awards, which were cancelled upon closing the Recapitalization Transaction. The RSUs granted to these employees have been treated as replacement awards (the “Replacement RSUs”) and are accounted for as a modification to the Original Awards. As the fair value of the Original Awards was \$Nil on the modification dates,

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the incremental compensation cost recognized is equal to the fair value of the Replacement RSUs on the modification date, which shall be recognized over the remaining requisite service period.

On September 19, 2022, the Board awarded 27,108 RSUs to four Board members. Of the RSUs awarded, 7,843 were fully vested on issuance and 19,265 vested over a one-year period. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

On November 23, 2022, the Board awarded 7,317 RSUs to an officer of the Company, which shall vest over a three-year period. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

On December 8, 2022, the Board awarded 27,930 RSUs to Julius Kalceвич, a former officer of the Company, for compensation owed under section 4(g) of Mr. Kalceвич's employment agreement (refer to Note 12). The fair value of the RSUs was determined on the grant date and the award was fully vested upon issuance.

On December 23, 2022, the Board awarded 21,400 RSUs to key employees of the Company, which shall vest over a three-year period. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

On May 17, 2023, the Board awarded 25,977 RSUs to employees and one Board member. Of the RSUs awarded, 5,587 were fully vested on issuance and 20,391 shall vest over a period of one to three years. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

On June 27, 2023, the Board awarded 12,950 RSUs to an employee. The RSUs shall vest over a period of three years. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

On August 31, 2023, the Board awarded 207,194 RSUs to two officers. The RSUs shall vest over a period of three years. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

During the three and nine months ended September 30, 2023, the Company recognized \$0.5 million and \$3.5 million, respectively of share-based compensation expense associated with the RSUs (September 30, 2022—\$4.4 million and \$25.5 million, respectively). Share-based compensation expense is presented in selling, general and administrative expenses on the unaudited interim condensed consolidated statements of operations.

As of September 30, 2023, there was approximately \$4.5 million of total unrecognized compensation cost related to unvested RSUs which is expected to be recognized over a weighted-average service period of 2.69 years.

The following table summarizes certain information in respect of RSU activity during the period:

	Nine Months Ended September 30, 2023		Year Ended December 31, 2022	
	Units	Weighted Average Grant Price ⁽¹⁾	Units	Weighted Average Grant Price ⁽¹⁾
Unvested balance, beginning	129,671	\$ 0.07	—	\$ —
Granted	246,121	0.02	474,557	0.08
Vested	(97,932)	0.08	(263,155)	0.09
Forfeited	(9,983)	0.07	(81,731)	0.10
Unvested balance, ending	<u>267,877</u>	<u>\$ 0.02</u>	<u>129,671</u>	<u>\$ 0.07</u>

⁽¹⁾Weighted average grant price is presented in U.S. dollars for the nine months ended September 30, 2023, as compared to previously issued financial statements, which present this figure in Canadian dollars.

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Note 7 - Income Taxes

The following table summarizes the Company's income tax expense and effective tax rates for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	<i>(Restated)</i>		<i>(Restated)</i>	
Loss before income taxes	\$ (15,871)	\$ (17,670)	\$ (45,374)	\$ (391,068)
Income tax expense	3,311	4,325	12,552	14,591
Effective tax rate	-20.9%	-24.5%	-27.7%	-3.7%

For the three and nine months ended September 30, 2023, the Company recorded interest and penalties on unpaid income taxes of \$3.1 million and \$7.4 million, respectively (September 30, 2022 - \$Nil and \$0.1 million, respectively).

The effective tax rate may vary significantly from period to period and can be influenced by many factors. These factors include, but are not limited to, changes to the statutory rates in the jurisdictions where the Company has operations and changes in the valuation of deferred tax assets and liabilities. The difference between the effective tax rate and the federal statutory rate of 21.0% primarily relates to certain non-deductible items, state and local income taxes and the valuation allowance for deferred tax assets of both cultivator and non-cultivator entities.

In general, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating loss carryforwards ("NOLs") to offset future taxable income. Similarly, where control of a corporation has been acquired by a person or group of persons, subsection 111(5) of the Income Tax Act (Canada), and equivalent provincial income tax legislation restrict the corporation's ability to carry forward non-capital losses from preceding taxation years. The Company concluded that the Recapitalization Transaction which closed on June 24, 2022 did not qualify as an acquisition of control for Canadian tax purposes; therefore, the Company's existing Canadian non-capital losses are unlimited and continue to have a full valuation allowance set against its deferred tax assets. The U.S. NOLs will be subject to a substantial annual limitation arising from the Company's ownership changes. As a result, a full valuation allowance has been recorded by the Company on these deferred tax assets as well as any Section 163(j) interest limitation deduction carryforwards. The Section 382 limitation is increased by recognized built-in gain ("RBIG") in the five year period following the change date to the extent that the value of the loss corporation's assets exceed the tax basis of these assets. Under the Section 338 approach, assets are treated as generating RBIG even if these assets are not disposed of during the five year recognition period. The Company is in the process of reviewing the tax basis of their fixed assets so it can compare it to the deemed selling price under Section 382 of the code. The Company is expecting that this calculation may result in a RBIG that would increase the Section 382 limitation available over the next five years.

The Internal Revenue Service filed Notices of Federal Tax Lien against GHHIA Management Inc. ("GHHIA"), Mayflower Medicinals Inc. ("Mayflower"), and ABACA, Inc. ("ABACA"), each a subsidiary of the Company, for \$8.5 million, \$1.0 million and \$1.1 million for the year ended December 31, 2020, respectively. The Internal Revenue Service filed Notice of Federal Tax Lien against ABACA on December 2, 2022, in the amount of \$1.1 million for the year ended December 31, 2021. The Company is actively working to resolve these matters with the Internal Revenue Service.

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Note 8 - Segment Information

The below table presents results by segment for the three and nine months ended September 30, 2023 and 2022:

Reportable Segments

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	<i>(Restated)</i>		<i>(Restated)</i>	
Revenues				
Eastern Region	\$ 30,036	\$ 23,771	\$ 76,871	\$ 74,315
Western Region	12,854	15,331	41,260	50,476
Other ⁽¹⁾	—	269	227	851
Total	\$ 42,890	\$ 39,371	\$ 118,358	\$ 125,642
Gross profit (loss)				
Eastern Region	\$ 8,837	\$ 11,213	\$ 32,767	\$ 41,550
Western Region	4,511	4,878	14,762	16,501
Other	—	90	(279)	290
Total	\$ 13,348	\$ 16,181	\$ 47,250	\$ 58,341
Depreciation and amortization				
Eastern Region	\$ 4,185	\$ 4,659	\$ 12,999	\$ 13,595
Western Region	1,827	3,033	5,507	9,044
Other	123	132	377	401
Total	\$ 6,135	\$ 7,824	\$ 18,883	\$ 23,040
(Recoveries), write-downs and other charges, net				
Eastern Region	(1)	(778)	\$ (21)	\$ (702)
Western Region	(68)	—	(76)	—
Other	—	(361)	564	(226)
Total	\$ (69)	\$ (1,139)	\$ 467	\$ (928)
Net (loss) income				
Eastern Region	\$ (8,227)	\$ (4,312)	\$ (21,073)	\$ 374
Western Region	(925)	(2,557)	(2,497)	(5,491)
Other	(10,030)	(15,126)	(34,356)	(400,542)
Total	\$ (19,182)	\$ (21,995)	\$ (57,926)	\$ (405,659)
Purchase of property, plant and equipment				
Eastern Region	\$ 543	\$ 741	\$ 2,451	\$ 4,779
Western Region	—	292	34	982
Other	—	—	3	3
Total	\$ 543	\$ 1,033	\$ 2,488	\$ 5,764
Purchase of other intangible assets				
Eastern Region	\$ 54	\$ —	\$ 2,389	\$ —
Western Region	—	—	—	—
Other	5	38	15	108
Total	\$ 59	\$ 38	\$ 2,404	\$ 108

(1) Revenues from segments below the quantitative thresholds are attributable to an operating segment of the Company that includes revenue from the sale of CBD products throughout the United States. This segment has never met any of the quantitative thresholds for determining reportable segments nor does it meet the qualitative criteria for aggregation with the Company's reportable segments. The Company has deconsolidated results from its Vermont and CBD operations as of March 8, 2023 and May 8, 2023, respectively.

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	As of September 30, 2023 <i>(Restated)</i>	As of December 31, 2022 <i>(Audited)</i>
Assets		
Eastern Region	\$ 220,439	\$ 226,458
Western Region	54,421	60,896
Other	11,254	16,113
Total	\$ 286,114	\$ 303,467

Major Customers

Major customers are defined as customers that each individually accounted for greater than 10.0% of the Company's annual revenues. For the three and nine months ended September 30, 2023 and 2022, no sales were made to any one customer that represented in excess of 10.0% of the Company's total revenues.

Geographic Information

As of September 30, 2023 and 2022, substantially all of the Company's assets were located in the United States and all of the Company's revenues were earned in the United States.

Disaggregated Revenues

The Company disaggregates revenues into categories that depict how the nature, amount, timing and uncertainty of the revenues and cashflows are affected by economic factors. For the three and nine months ended September 30, 2023 and 2022, the Company disaggregated its revenues as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue				
iAnthus branded products	\$ 22,791	\$ 20,809	\$ 65,565	\$ 66,145
Third party branded products	17,315	16,557	45,517	51,984
Wholesale/bulk/other products	2,784	2,005	7,276	7,513
Total	\$ 42,890	\$ 39,371	\$ 118,358	\$ 125,642

Note 9 — Financial Instruments

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. 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 due to and due from related parties have no terms and are payable on demand, thus are also considered current and short-term in nature, hence carrying value approximates fair value.

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The component of the Company's long-term debt attributed to the host liability is recorded at amortized cost. Investments in debt instruments that are held to maturity are also recorded at amortized cost.

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

	As of September 30, 2023				As of December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Long term investments - other ⁽¹⁾	\$ 145	\$ —	\$ —	\$ 145	\$ 130	\$ —	\$ —	\$ 130

⁽¹⁾Long-term investments – other are included in the investments balance on the unaudited interim condensed consolidated balance sheets.

There were no transfers between Level 1, Level 2, and Level 3 within the fair value hierarchy during the three and nine months ended September 30, 2023 and 2022.

The Company's other investment as of September 30, 2023 is considered to be a Level 1 instrument because it is comprised of shares of a public company, and there is an active market for the shares and observable market data and inputs available.

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

The following table summarizes the changes in Level 1 financial assets:

	Financial Assets
Balance as of December 31, 2022	\$ 130
Revaluations on Level 1 instruments	15
Balance as of September 30, 2023	\$ 145

The derivative liabilities related to the convertible debt instruments and freestanding warrants were recorded at fair value estimated using the Black-Scholes option pricing model, which is therefore considered to be a Level 3 measurement. On June 24, 2022 all warrants were forfeited upon the consummation of the Recapitalization Transaction.

The Company's financial and non-financial assets such as prepayments, other assets including equity accounted investments, property, plant and equipment, and intangibles, are measured at fair value when there is an indicator of impairment and are recorded at fair value only when an impairment charge is recognized.

The following table summarizes the Company's long-term debt instruments (Note 5) at their carrying value and fair value:

	As of September 30, 2023		As of December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
June Unsecured Debentures	\$ 18,162	\$ 16,876	\$ 16,175	\$ 14,787
June Secured Debentures	126,542	115,977	116,340	103,612
Secured Notes	15,084	15,330	13,852	13,694
Other	764	786	945	819
Total	\$ 160,552	\$ 148,969	\$ 147,312	\$ 132,912

Note 10 – Commitments

In the ordinary course of business, the Company enters into contractual agreements with third parties that include non-cancelable payment obligations, for which it is liable in future periods. These arrangements can include terms binding the Company to minimum payments and/or penalties if it terminates the agreement for any reason other than an event of default as described in the agreement.

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The following table summarizes the Company’s contractual obligations and commitments as of September 30, 2023:

	2024	2025	2026	2027	2028
Operating leases	\$ 7,747	\$ 7,869	\$ 7,825	\$ 7,246	\$ 7,143
Service and other contracts	3,255	359	—	—	—
Long-term debt	15,797	61	71	216,380	94
Total	\$ 26,799	\$ 8,289	\$ 7,896	\$ 223,626	\$ 7,237

The Company’s commitments include payments to employees, consultants and advisors, as well as leases and construction contracts for offices, dispensaries and cultivation facilities in the U.S. and Canada. The Company has certain operating leases with renewal options extending the initial lease term for an additional one to 15 years.

On February 6, 2023, the Company entered into a membership interest purchase agreement (the "MIPA"), pursuant to which the Company agreed to sell to OG Farms, LLC (the "Purchaser"), its membership interests in Grassroots Vermont Management Services, LLC ("GVMS"), the sole owner of all issued and outstanding authorized common stock of FWR, Inc. ("FWR"). FWR owns and operates a dispensary and cultivation/processing facility in Vermont and is included within the Company's Eastern Region reporting segment. The aggregate proceeds to be received from the sale are \$0.2 million in cash, subject to adjustments to be determined on date of closing. The closing of the MIPA is subject to, among other conditions, a Change of Control Approval from the Vermont Cannabis Control Board (the "CCB"). On February 6, 2023, the Company also entered into a management agreement (the "Management Agreement") whereby the Purchaser has been appointed as the sole and exclusive manager of, and will receive all profit earned by, GVMS and FWR, through the date of closing. The Management Agreement became effective on March 8, 2023, upon approval by the CCB (the "Effective Date"). As of the Effective Date, all operational control has been transferred to the Purchaser. Management performed an assessment and determined that the Company no longer has a controlling financial interest as of the Effective Date. The Company recognized a loss on deconsolidation of \$0.5 million, which is the difference between the aggregate consideration received and the book value of the assets as of the Effective Date, which is presented in write-downs and other charges on the unaudited interim condensed consolidated statements of operations for the three and nine months ended September 30, 2023. As of August 14, 2023, all closing conditions of the MIPA were satisfied, including the receipt of approval from the CCB, and the Company completed the sale of GVMS as of that date.

On May 8, 2023, ICH's wholly-owned subsidiary, iA CBD, LLC ("iA CBD"), entered into an Asset Purchase Agreement (the "Purchase Agreement") with C4L, LLC (the "Buyer"), pursuant to which, iA CBD agreed to sell substantially all of the assets of iA CBD. iA CBD owns and operates the Company's assets associated with its CBD products branded as CBD for Life (the "Business"). The aggregate proceeds to be received from the sale are approximately \$0.2 million. The closing of the Purchase Agreement is subject to, among other customary conditions, the assignment of the United States Small Business Loan held by iA CBD. On May 8, 2023, iA CBD also entered into an interim management agreement (the "Management Agreement"), pursuant to which the Buyer assumed full operational and managerial control of the Business as of May 8, 2023 (the "CBD Effective Date"). The Management Agreement will remain in effect until the earlier of the (i) closing of the Purchase Agreement; and (ii) the termination of the Purchase Agreement in accordance with its terms. As of the CBD Effective Date, all operational control of the Business was transferred to the Buyer and the Company determined that it no longer has a controlling financial interest as of the CBD Effective Date. The Company recognized a loss on deconsolidation of less than \$0.1 million as of the CBD Effective Date, which is presented in write-downs and other charges on the unaudited interim condensed consolidated statements of operations for the three months ended September 30, 2023. As of August 15, 2023, the Company completed the sale of iA CBD as all closing conditions of the Purchase Agreement were satisfied, including receipt of approval of the assignment of the United States Small Business Loan.

Note 11 - Contingencies and Guarantees

The Company is involved in lawsuits, claims, and proceedings, including those identified below, which arise in the ordinary course of business. In accordance with the Financial Accounting Standards Board ASC Topic 450 Contingencies, the Company will make a provision for a liability when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company believes it has adequate provisions for any such matters. The Company reviews these provisions in conjunction with any related provisions on assets related to the claims at least quarterly and adjusts these provisions to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other pertinent information related to the case. Should developments in any of these matters outlined below cause a change in the Company’s determination as to an unfavorable outcome and result in the need to recognize a material provision, or, should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on the Company’s results of operations, cash flows, and financial position in the period or periods in which such a change in determination, settlement or judgment occurs.

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The Company expenses legal costs relating to its lawsuits, claims and proceedings as incurred. 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 counsel, management and legal counsel is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

The events that allegedly gave rise to the following claims, which occurred prior to the Company's closing of the MPX Biocetical Corporation ("MPX") acquisition (the "MPX Acquisition") in February 2019, are as follows:

- There is a claim from two former noteholders against the Company and MPX Biocetical ULC ("MPX ULC"), with respect to alleged payments of \$1.3 million made by the noteholders to MPX, claiming the right to receive \$115.0 million; and
- There is a claim against the Company, 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 \$3.0 million 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:

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In October 2018, Craig Roberts and Beverly Roberts (the “Roberts”) and the Gary W. Roberts Irrevocable Trust Agreement I, Gary W. Roberts Irrevocable Trust Agreement II, and Gary W. Roberts Irrevocable Trust Agreement III (the “Roberts Trust” and together with the Roberts, the “Roberts Plaintiffs”) filed two separate but similar declaratory judgment actions in the Circuit Court of Palm Beach County, Florida against GrowHealthy Holdings, LLC (“GrowHealthy Holdings”) and the Company in connection with the acquisition of substantially all of GrowHealthy Holdings’ assets by the Company in early 2018. The Roberts Plaintiffs sought a declaration that the Company must deliver certain share certificates to the Roberts without requiring them to deliver a signed Shareholder Representative Agreement to GrowHealthy Holdings, which delivery was a condition precedent to receiving the Company share certificates and required by the acquisition agreements between GrowHealthy Holdings and the Company. In January 2019, the Circuit Court of Palm Beach County denied the Roberts Plaintiffs’ motion for injunctive relief, and the Roberts Plaintiffs signed and delivered the Shareholder Representative Agreement forms to GrowHealthy Holdings while reserving their rights to continue challenging the validity and enforceability of the Shareholder Representative Agreement. The Roberts Plaintiffs thereafter amended their complaints to seek monetary damages in the aggregate amount of \$22.0 million plus treble damages. On May 21, 2019, the court issued an interlocutory order directing the Company to deliver the share certificates to the Roberts Plaintiffs, which the Company delivered on June 17, 2019, in accordance with the court’s order. On December 19, 2019, the Company appealed the court’s order directing delivery of the share certificates to the Florida Fourth District Court of Appeal, which appeal was denied per curiam. On October 21, 2019, the Roberts Plaintiffs were granted leave by the Circuit Court of Palm Beach County to amend their complaints in order to add purported claims for civil theft and punitive damages, and on November 22, 2019, the Company moved to dismiss the Roberts Plaintiffs’ amended complaints. On May 1, 2020, the Circuit Court of Palm Beach County heard arguments on the motions to dismiss, and on June 11, 2020, the court issued a written order granting in part and denying in part the Company’s motion to dismiss. Specifically, the order denied the Company’s motion to dismiss for lack of jurisdiction and improper venue; however, the court granted the Company’s motion to dismiss the Roberts Plaintiffs’ claims for specific performance, conversion and civil theft without prejudice. With respect to the claim for conversion and civil theft, the Circuit Court of Palm Beach County provided the Roberts Plaintiffs with leave to amend their respective complaints. On July 10, 2020, the Roberts Plaintiffs filed further amended complaints in each action against the Company including claims for conversion, breach of contract and civil theft including damages in the aggregate amount of \$22.0 million plus treble damages, and on August 13, 2020, the Company filed a consolidated motion to dismiss such amended complaints. On October 26, 2020, Circuit Court of Palm Beach County heard argument on the consolidated motion to dismiss, denied the motion and entered an order to that effect on October 28, 2020. Answers on both actions were filed on November 20, 2020 and the parties commenced discovery. On September 9, 2021, the Roberts Plaintiffs filed a motion to consolidate the two separate actions, which motion was granted on October 14, 2021. On August 6, 2020, the Roberts filed a lawsuit against Randy Maslow, the Company’s now former Interim Chief Executive Officer, President, and director, in his individual capacity (the “Maslow Complaint”), alleging a single count of purported conversion. The Maslow Complaint was not served on Randy Maslow until November 25, 2021, and the allegations in the Maslow Complaint are substantially similar to those allegations for purported conversion in the complaints filed against the Company. On March 28, 2022, the court consolidated the action filed against Randy Maslow with the Roberts Plaintiffs’ action for discovery and trial purposes. As a result, the court vacated the matter’s initial trial date of May 9, 2022 and the case has not been reset for trial yet. On April 22, 2022, the parties attended a court required mediation, which was unsuccessful. On May 6, 2022, the Circuit Court of Palm Beach County granted Randy Maslow’s motion to dismiss the Maslow Complaint. On May 19, 2022, the Roberts filed a second amended complaint against Mr. Maslow (“Amended Maslow Complaint”). On June 3, 2022, Mr. Maslow filed a motion to dismiss the Amended Maslow Complaint, which was denied on September 9, 2022. On April 12, 2023, the Circuit Court of Palm Beach County set this matter for a jury trial to occur sometime between June 5, 2023 and August 11, 2023. The court rescheduled the jury trial and no new trial date has been set yet. On April 14, 2023, the Roberts Plaintiffs filed a partial Motion for Summary Judgment on liability for the Roberts Plaintiffs’ claims for breach of contract and the Company filed a competing Motion for Summary Judgment on all claims against the Company. On April 21, 2023, Mr. Maslow also filed a Motion for Summary Judgment. All of the motions remain pending.

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On May 19, 2020, Hi-Med LLC (“Hi-Med”), an equity holder and one of the Unsecured Lenders who held an Unsecured Debenture in the principal amount of \$5.0 million prior to the closing of the Recapitalization Transaction, filed a complaint (the “Hi-Med Complaint”) with the United States District Court for the Southern District of New York (the “SDNY”) against the Company and certain of the Company’s current and former directors and officers and other defendants (the “Hi-Med Lawsuit”). Hi-Med is seeking damages of an unspecified amount and the full principal amount of the Unsecured Debenture against the Company, for, among other things, alleged breaches of provisions of the Unsecured Debentures and the related Debenture Purchase Agreement as well as alleged violations of Federal securities laws, including Sections 10(b), 10b-5 and 20(a) of the Securities Exchange Act of 1934, as amended and common law fraud relating to 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 a default thereof. On July 9, 2020, the court issued an order consolidating the class action matter with the shareholder class action referenced below. On July 23, 2020, Hi-Med and the defendants filed a stipulation and proposed scheduling and coordination order to coordinate the pleadings for the consolidated actions. On September 4, 2020, Hi-Med filed an amended complaint (the “Hi-Med Amended Complaint”). On October 14, 2020, the SDNY issued a stipulation and scheduling and coordination order, which required that the defendants answer, move, or otherwise respond to the Hi-Med Amended Complaint no later than November 20, 2020. On November 20, 2020, the Company and certain of its current officers and directors filed a Motion to Dismiss the Hi-Med Amended Complaint. On January 8, 2021, Hi-Med filed an opposition to the Motion to Dismiss. The Company and certain of its current officers and directors’ replies were filed on February 22, 2021. In a memorandum of opinion dated August 30, 2021, the SDNY granted the Company’s and certain of its officers and directors’ Motion to Dismiss the Hi-Med Amended Complaint. The SDNY indicated that Hi-Med may move for leave to file a proposed second amended complaint by September 30, 2021. On September 30, 2021, Hi-Med filed a motion for leave to amend the Hi-Med Amended Complaint. On October 28, 2021, the parties filed a Stipulation and Proposed Scheduling Order Regarding Hi-Med’s Motion for Leave to File a second Amended Complaint (the “Stipulation”). On November 3, 2021, the SDNY so-ordered the Stipulation and Hi-Med’s second Amended Complaint was deemed filed as of this date. On December 20, 2021, the Company and its current named officers and directors filed a Motion to Dismiss Hi-Med’s second Amended Complaint. Hi-Med’s opposition to the Company’s and its current named officers and directors’ Motion to Dismiss was filed on February 3, 2022. The Company and its current named officers and directors’ reply to Hi-Med’s opposition was filed on March 21, 2022. On September 28, 2022, the SDNY issued an opinion granting in part and denying in part the Motion to Dismiss Hi-Med’s second Amended Complaint (the “Opinion”). On October 12, 2022, the parties filed a joint stipulation and proposed scheduling order (the “Joint Stipulation and Proposed Scheduling Order”), in which certain defendants indicated that they may be filing a motion seeking clarification of certain aspects of the court’s Opinion. The parties proposed that the Company’s answer would be due on November 21, 2022 and that the parties would submit a proposed discovery plan by December 12, 2022. The Joint Stipulation and Proposed Scheduling Order was ordered by the court on October 19, 2022. Defendants’ motions seeking clarification were filed on October 24, 2022 and are currently pending before the court. On January 17, 2023, the parties submitted the matter, together with the Class Action Lawsuit referenced below, to mediation. On January 31, 2023, the parties advised the SDNY that the defendants and Hi-Med remain in ongoing settlement discussions. Accordingly, the parties requested that the SDNY suspend all further deadlines and proceedings in the Hi-Med action until February 21, 2023, to allow for continued settlement discussions between the parties, which the SDNY granted on February 7, 2023. On February 16, 2023, the parties advised the SDNY that the parties remained in ongoing settlement discussions and requested that SDNY extend the parties’ deadlines further until March 21, 2023, which the SDNY granted on February 21, 2023. On March 16, 2023, the parties requested another extension of the parties’ deadlines until April 11, 2023 to continue settlement discussions, which the SDNY granted on March 17, 2023. On April 6, 2023, the parties again advised the SDNY that settlement discussions remained ongoing and requested another extension of the applicable deadlines until May 2, 2023, which the SDNY granted. On April 28, 2023, another extension of the deadlines until May 16, 2023 was requested due to ongoing settlement discussions, which the SDNY granted. The parties have reached a settlement in principle and are in the process of finalizing a settlement agreement, which would fully resolve all of Hi-Med’s claims. While the parties finalize the settlement agreement, all deadlines in the matter have been stayed through November 14, 2023. Refer to Note 5 for further discussion of the Unsecured Debentures.

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On April 20, 2020, Donald Finch, a shareholder of the Company, filed a putative class action lawsuit with the SDNY against the Company (the “Class Action Lawsuit”) and is seeking damages for an unspecified amount against the Company, its former Chief Executive Officer, its current Chief Financial Officer and others 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 May 5, 2020, Peter Cedeno, another shareholder of the Company, filed a putative class action against the same defendants alleging substantially similar causes of action. On June 16, 2020, four separate motions for consolidation, appointment as lead plaintiff, and approval of lead counsel were filed by Jose Antonio Silva, Robert and Sherri Newblatt, Robert Dankner, and Melvin Fussell. On July 9, 2020, the SDNY issued an order consolidating the Class Action Lawsuit and the Hi-Med Complaint referenced above and appointed Jose Antonio Silva as lead plaintiff (“Lead Plaintiff”). On July 23, 2020, the Lead Plaintiff and defendants filed a stipulation and proposed scheduling and coordination order to coordinate the pleadings for the consolidated actions. On September 4, 2020, the Lead Plaintiff filed a consolidated amended class action lawsuit against the Company (the “Amended Complaint”). On November 20, 2020, the Company and its Chief Financial Officer filed a Motion to Dismiss the Amended Complaint. On January 8, 2021, the Lead Plaintiff filed an opposition to the Motion to Dismiss the Amended Complaint. The Company and its Chief Financial Officer’s reply to the opposition was filed on February 22, 2021. In a memorandum of opinion dated August 30, 2021, the SDNY granted the Company’s and its Chief Financial Officer’s Motion to Dismiss the Amended Complaint. The SDNY indicated that the Lead Plaintiff may move for leave to file a proposed second amended complaint by September 30, 2021. On October 1, 2021, the Lead Plaintiff filed a motion for leave to amend the Amended Complaint. The Lead Plaintiff’s Motion for Leave to File a second Amended Complaint was included as part of the Stipulation identified above. On November 3, 2021, the SDNY so-ordered the Stipulation and the Lead Plaintiff’s second Amended Complaint was deemed filed as of this date. On December 20, 2021, the Company and its Chief Financial Officer filed a Motion to Dismiss the Lead Plaintiff’s second Amended Complaint. The Lead Plaintiff’s opposition to the Company’s and its Chief Financial Officer’s Motion to Dismiss was filed on February 3, 2022. The Company’s and its Chief Financial Officer’s reply to the Lead Plaintiff’s opposition was filed on March 21, 2022. On September 28, 2022, the SDNY issued an opinion granting in part and denying in part the Motion to Dismiss the Lead Plaintiff’s second Amended Complaint. On October 12, 2022, the parties filed the Joint Stipulation and Proposed Scheduling Order, which the SDNY so ordered on October 19, 2022, ordering that that the Defendants’ answers are due on November 21, 2022; that the parties shall submit a proposed discovery plan by December 12, 2022; and that discovery in the Class Action Lawsuit shall be coordinated with discovery in the Hi-Med action referenced above, to the extent the two actions involved overlapping issues. The parties agreed to submit the matter, together with the Hi-Med action referenced above, to mediation, which took place on January 17, 2023. On January 31, 2023, the parties advised the SDNY that the Defendants and Lead Plaintiff reached a settlement in principle and anticipated filing a motion for preliminary approval of the settlement by March 9, 2023. Accordingly, the parties requested that the SDNY suspend all further deadlines and proceedings in the Class Action Lawsuit pending submission of the motion for preliminary approval. On March 7, 2023, the parties advised the SDNY that the parties required a short extension of the motion for preliminary approval of the settlement and such motion would be filed by March 21, 2023. On March 21, 2023, the parties executed a settlement agreement and filed the motion for preliminary approval of the settlement with the SDNY, which remains pending.

On July 23, 2020, Blue Sky Realty Corporation filed a putative class action against the Company, the Company’s former Chief Executive Officer, and the Company’s Chief Financial Officer in the Ontario Superior Court of Justice (“OSCJ”) in Toronto, Ontario. On September 27, 2021, the OSCJ granted leave for the plaintiff to amend its claim (“Amended Claim”). In the Amended Claim, the plaintiff seeks to certify the proposed class action on behalf of two classes. “Class A” consists of all persons, other than any executive level employee of the Company and their immediate families (“Excluded Persons”), who acquired the Company’s common shares in the secondary market on or after April 12, 2019, and who held some or all of those securities until after the close of trading on April 5, 2020. “Class B” consists of all persons, other than Excluded Persons, who acquired the Company’s common shares prior to April 12, 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 plaintiff also alleges common law oppression for releasing certain statements allegedly containing misrepresentations inducing Class B members to hold the Company’s securities beyond April 5, 2020. No certification motion has been scheduled. The Amended Claim also changed the named plaintiff from Blue Sky Realty Corporation to Timothy Kwong. The hearing date for the motion for leave to proceed with a secondary market claim under the Securities Act (Ontario) has been vacated. The parties have reached a settlement in principle and are in the process of finalizing a settlement agreement, which would fully resolve the Amended Claim.

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On August 19, 2021, Arvin Saloum (“Saloum”), a former consultant of the Company, filed a Demand for Arbitration with the American Arbitration Association (the “Arbitration Action”) against The Healing Center Wellness Center, Inc. (“THCWC”) and iAnthus Arizona, LLC (“iA AZ”), claiming a breach of a Consulting and Joint Venture Agreement (the “JV Agreement”) for unpaid consulting fees allegedly owed to Saloum under the JV Agreement. Saloum is claiming damages between \$1.0 million and \$10.0 million. On September 7, 2021, THCWC and iA AZ filed Objections and Answering Statement to Saloum’s Demand for Arbitration. On November 18, 2021, THCWC and iA AZ filed a Complaint for Declaratory Judgment (“Declaratory Judgment Complaint”) with the Arizona Superior Court, Maricopa County (“Arizona Superior Court”), seeking declarations that: (i) the JV Agreement is void, against public policy and terminable at will; (ii) the JV Agreement is unenforceable and not binding; and (iii) the JV Agreement only applies to sales under the Arizona Medical Marijuana Act. On January 21, 2022, Saloum filed an Answer with Counterclaims in response to the Declaratory Judgment Complaint. The Declaratory Judgment Complaint remains pending before the Arizona Superior Court. The Arbitration Action is stayed, pending resolution of the Declaratory Judgment Complaint. The parties are currently engaging in discovery. On April 25, 2023, the parties attended a mediation, which was unsuccessful.

On May 23, 2022, CGX Life Sciences, Inc. (“CGX”), a wholly-owned subsidiary of the Company, filed a demand for arbitration (the “CGX Arbitration”) with the American Arbitration Association (“AAA”) against LMS Wellness, Benefit LLC (“LMS”) and its 100% owner, William Huber (“Huber” and together with LMS, the “Defendants”) for various breaches under the option agreements entered into between CGX and LMS, on the one hand, and CGX and Huber on the other (collectively, the “Option Agreements”). Specifically, CGX is seeking: (i) an order finding the Defendants in breach of the Option Agreements and directing specific performance by the Defendants of their obligations under the Option Agreements to complete the sale and transfer of LMS to CGX; (ii) an order either tolling or extending the closing date under the Option Agreements; (iii) an order requiring Huber to restore LMS’ bank account of all sums withdrawn for the payment of contracts entered into in breach of the Option Agreements; and (iv) an order prohibiting Huber from withdrawing any further funds from LMS’ bank account. On June 8, 2022, the Defendants filed an Answering Statement, denying the allegations raised by CGX and sent a notice to CGX, purporting to terminate the Option Agreements. In addition, on June 8, 2022, LMS filed a demand for arbitration (the “S8 Arbitration”) with the AAA against S8 Management, LLC (“S8”), alleging that S8 breached the Amended and Restated Management Services Agreement (the “MSA”) entered into between LMS and S8 on March 12, 2018. On June 24, 2022, the Defendants filed Motion to Consolidate the CGX Arbitration and S8 Arbitration. On July 5, 2022, CGX filed an opposition to the Defendants’ Motion to Consolidate and a cross-Motion to Stay the S8 Arbitration to allow the CGX Arbitration to proceed first. On July 26, 2022, the parties attended a preliminary conference with the arbitrator, at which conference the arbitrator preliminarily granted the Defendants’ Motion to Consolidate and denied CGX’s cross-Motion to Stay the S8 Arbitration. On October 7, 2022, CGX filed a dispositive motion for specific performance of Defendants’ obligations to complete the sale of LMS to CGX (claims (i) and (ii), above), which Defendants opposed. On October 31, 2022, the arbitrator granted CGX’s dispositive motion and ordered Defendants to complete the sale of LMS to CGX. The remaining claims asserted in the CGX Arbitration (claims (iii) and (iv), above) and the S8 Arbitration remain pending. On November 30, 2022, Defendants filed a Petition to Vacate Arbitration Award. CGX filed its response on January 30, 2023, and subsequently the Defendants filed a Request for Hearing on February 3, 2023. Both the Petition to Vacate Arbitration Award and request for a hearing remain pending before the Circuit Court for Baltimore County. CGX continues to prosecute its other two claims concerning Defendants’ use of LMS’ funds, and S8 continues to deny and defend against LMS’ contentions that S8 breached the MSA. On June 20, 2023, LMS filed a complaint in the United States District Court for the District of Maryland against ICH and three wholly-owned subsidiaries of ICH, alleging conversion, RICO violations and unjust enrichment and seeking damages in excess of \$4.5M, plus treble damages (the “Federal Complaint”). The allegations in the Federal Complaint appear substantially similar to, and appear to arise from substantially the same operative facts as, those alleged by LMS in the CGX Arbitration, the S8 Arbitration, and in support of the Defendants’ Petition to Vacate Arbitration Award. ICH denies LMS’s allegations alleging unlawful conduct and intends to vigorously defend the Federal Complaint in due course.

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On June 20, 2022, Michael Weisser (“Weisser”) commenced a petition (the “Petition”) in the Court against ICH and ICH's former board of directors. In the Petition, Weisser sought: (i) a declaration that the affairs of ICH and its then-board of directors were being conducted or have been conducted in a manner that is oppressive and/or prejudicial to Weisser; (ii) an order that Weisser is entitled to call and hold ICH's annual general meeting for 2020 (“2020 AGM”) on or before June 30, 2022 or a date set by the Court as soon as reasonably possible; (iii) alternatively, an order that ICH hold the 2020 AGM on or before June 30, 2022 or a date set by the Court as soon as reasonably possible; (iv) an order that ICH set the record date for the 2020 AGM; (v) an order that Weisser is entitled to appoint a chair for the 2020 AGM, or that the Court appoint an independent chair for the 2020 AGM; and (vi) an order that ICH be required to provide Weisser with an opportunity to review all votes and proxies submitted in respect of the 2020 AGM, no later than 24 hours in advance of the 2020 AGM. On June 22, 2022, Weisser was granted a short leave by the Court which permitted a return date for the Petition of June 28, 2022. On June 24, 2022, the Company closed the Recapitalization Transaction and ICH noticed the 2020 AGM, the annual general meeting for 2021 (“2021 AGM”) and the annual general meeting for 2022 (the “2022 AGM”) and together with the 2020 AGM and 2021 AGM, the “AGMs”). As a result, Weisser’s Petition was rendered moot. On November 14, 2022, Weisser filed an application (the “Application”) in the Petition proceeding, seeking to add the Secured Lenders and Consenting Unsecured Lenders as respondents to the Petition and to amend the Petition. Specifically, Weisser sought to amend the Petition to request: (i) a declaration that the affairs of the Secured Lenders, Consenting Unsecured Lenders, ICH and the powers of its then-directors have been and are continuing to be conducted in a manner that is oppressive and/or prejudicial to Weisser; (ii) an order setting aside and/or unwinding the closing of the Recapitalization Transaction; (iii) an order setting aside the results of ICH's annual general meeting held August 11, 2022; (iv) an order that the 2020 AGM be held by December 31, 2022; (v) an order that ICH set the record date for the 2020 AGM to hold the meeting by December 31, 2022; (vi) an order that for purposes of voting at the 2020 AGM, the shareholdings of ICH be those shareholdings that existed prior to the closing of the Recapitalization Transaction; (vii) an order that Weisser is entitled to appoint a chair for the 2020 AGM, or that the Court appoint an independent chair for the 2020 AGM; (viii) an order that ICH be required to provide Weisser with an opportunity to review all votes and proxies submitted in respect of the 2020 AGM, no later than 24 hours in advance of the 2020 AGM; and (ix) an order that pending the 2020 AGM, ICH's current board of directors be replaced by an interim slate of directors to be nominated by Weisser. On May 2, 2023, ICH and its former directors filed their response to the Petition, opposing all orders sought by Weisser, in part, as the Petition is barred by the releases in the Plan of Arrangement and constitutes a collateral attack on Justice Gomery's order approving the Plan. Weisser has not requested a hearing date on the Petition yet.

On October 29, 2021, the Florida Department of Health, Office of Medical Marijuana Use (the “OMMU”) approved the requested change of ownership and control of McCrory's Sunny Hill Nursery, LLC (“McCrory's”), a wholly owned subsidiary of the Company (the “Variance Request”), resulting from the closing of the Recapitalization Transaction. On November 19, 2021, Weisser filed a petition (as amended, the “Florida Petition”) with the OMMU, challenging the OMMU's approval of the Variance Request. On February 3, 2022, the Florida Division of Administrative Hearings (“DOAH”) issued a Recommended Order of Dismissal, recommending that the OMMU enter a final order dismissing the Florida Petition for lack of standing. On May 4, 2022, the OMMU issued a final agency order (the “Final Order”), which accepted the recommendation of the DOAH and dismissed the Florida Petition for lack of standing. Weisser appealed the Final Order with the District Court of Appeal in the First District of Florida (“Court of Appeal”) and filed his initial brief on November 9, 2022, which seeks a reversal of the Final Order. On February 3, 2023, McCrory's filed a Motion to Dismiss the appeal, which the Court of Appeal denied on June 16, 2023. On July 6, 2023, McCrory's filed its answer brief in response to Weisser's appeal brief.

On April 5, 2023, Canaccord Genuity Corp. (“Canaccord”) filed a Statement of Claim against ICH in the Ontario Superior Court of Justice pursuant to an engagement letter (as amended, the “Engagement Letter”) entered into by and between Canaccord and ICH. Specifically, Canaccord alleges that it is owed a cash fee equal to \$2,236,000 (the “Alleged Fee”) pursuant to the Engagement Letter as a result of the closing of the Recapitalization Transaction. ICH filed its Statement of Defense on May 17, 2023, in which ICH disputes the Alleged Fee on the basis that the Recapitalization Transaction closed outside of the tail period of the Engagement Letter, which expired on November 4, 2021. ICH also filed a counterclaim against Canaccord, seeking the repayment of a \$250,000 payment mistakenly made by ICH towards the Alleged Fee in October 2022. On November 3, 2023, Canaccord filed a Motion for Summary Judgment, requesting that the court grant Canaccord's claim for the Alleged Fee. ICH is reviewing Canaccord's Motion for Summary Judgment and will file an opposition in due course.

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Note 12 - Related Party Transactions

Financial Statement Line Item	September 30, 2023	December 31, 2022
Current portion of long-term debt, net of issuance costs ⁽¹⁾	15,085	—
Long-term debt, net of issuance costs ⁽¹⁾	140,212	142,295
Accrued and other current liabilities	7,685	7,620
Total	\$ 162,982	\$ 149,915

⁽¹⁾Upon the closing of the Recapitalization Transaction, certain of the Company’s lenders held greater than 5.0% of the voting interests in the Company and therefore are classified as related parties. Refer to Note 5 for further discussion.

Effective as of May 6, 2022 (the “May Resignation Date”), Randy Maslow, the Company’s then Interim Chief Executive Officer and President and a member of the Board of Directors, resigned from his executive positions, including all positions with the Company’s subsidiaries and its affiliates, and from the Company’s Board of Directors and its committees. In connection with the resignation, Mr. Maslow and the Company executed a separation agreement (the “May Separation Agreement”), pursuant to which, Mr. Maslow will receive certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(g) of his employment agreement. Specifically, Mr. Maslow received total cash compensation in the amount of approximately \$12.2 million (the “May Separation Payment”), of which \$5.1 million was paid out on May 6, 2022 (made up, in part, of a portion of severance payment of approximately \$4.8 million, and unpaid 2021 bonus of \$0.3 million). The remainder of the May Separation Payment was to be paid out in equal installments of approximately \$0.9 million per month over the next eight months following the May Resignation Date, which was accelerated upon the closing of the Recapitalization Transaction. The total outstanding balance of the May Separation Payment owed to Mr. Maslow was paid in full as of July 15, 2022. Under the terms of the May Separation Agreement, the Company will continue to pay the monthly premium for Mr. Maslow’s continued participation in the Company’s health and dental insurance benefits pursuant to COBRA for one year from the May Resignation Date. Mr. Maslow’s compensation and benefits under the May Separation Agreement included the extension of exercise period of options to acquire the Company’s common shares, until the earlier of (i) five years from the May Resignation Date; (ii) the original expiration dates of the applicable option; or (iii) the closing of the Recapitalization Transaction. In accordance with the terms of the May Separation Agreement, Mr. Maslow’s options to acquire the Company’s common shares expired as of the Closing Date of the Recapitalization Transaction. Mr. Maslow served in a consulting role for six months following the May Resignation Date at a base compensation of \$25 per month. As of November 6, 2022, the term of Mr. Maslow’s consultancy terminated and the Company did not elect to extend the term. During the three and nine months ended September 30, 2023, the Company paid \$Nil and \$Nil, respectively to Mr. Maslow in relation to consulting services provided (September 30, 2022 - less than \$0.1 million and \$0.1 million, respectively).

Effective as of November 14, 2022, Julius Kalceвич, the Company’s then Chief Financial Officer, resigned from his executive positions, including all positions with the Company’s subsidiaries and its affiliates. In connection with the resignation, on December 7, 2022 (the “Execution Date”), Mr. Kalceвич and the Company executed a separation agreement (the “December Separation Agreement”), pursuant to which, Mr. Kalceвич will receive certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(g) of his employment agreement. Specifically, Mr. Kalceвич will receive total cash compensation in the amount of approximately \$1.1 million, which is payable in equal installments of approximately \$0.1 million per month over a period of 10 months following the Execution Date. As of September 30, 2023, the total balance owed to Mr. Kalceвич was \$Nil (December 31, 2022 - \$0.9 million).

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Pursuant to the terms of the Secured DPA, the Company has a related party payable of \$6.3 million due to certain of the New Secured Lenders, including Gotham Green Fund 1, L.P., Gotham Green Fund 1 (Q), L.P., Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Oasis Investment Master II Fund LTD., Senvest Global (KY), LP, Senvest Master Fund, LP and Hadron Healthcare and Consumer Special Opportunities Master Fund, for certain out-of-pocket costs, charges, fees, taxes and other expenses incurred by the New Secured Lenders in connection with the closing of the Recapitalization Transaction (the “Deferred Professional Fees”). These New Secured Lenders held greater than 5.0% of the outstanding common shares of the Company upon the closing of the Recapitalization Transaction and are therefore considered to be related parties. The Company had until December 31, 2022, to pay the Deferred Professional Fees ratably based on the amount of each New Secured Lender’s Deferred Professional Fees. The Deferred Professional Fees accrued simple interest at the rate of 12.0% from the Closing Date until December 31, 2022. Beginning with the first business day of the month following December 31, 2022, interest shall accrue on the Deferred Professional Fees at the rate of 20.0% calculated on a daily basis and is payable on the first business day of every month until the Deferred Professional Fees and accrued interest thereon is paid in full. As of September 30, 2023, the outstanding related party portion of the Deferred Professional Fees including accrued interest was \$7.7 million (December 31, 2022 – \$6.7 million). The related party balance is presented in accrued and other current liabilities on the unaudited interim condensed consolidated balance sheets.

Note 13 – Unaudited Interim Condensed Consolidated Statements of Cash Flows Supplemental Information

(a) *Cash payments made on account of:*

	For the Nine Months Ended September 30,			
	2023		2022	
Income taxes (including interest and penalties)	\$	3,148	\$	2,408
Interest		86		71

(b) *Changes in operating assets and liabilities are comprised of the following:*

	For the Nine Months Ended September 30,			
	2023		2022	
	<i>(Restated)</i>			
Decrease (increase) in:				
Accounts receivables, net	\$	(770)	\$	154
Prepaid expenses		(302)		(312)
Inventories, net		589		(672)
Other current assets		173		586
Other long-term assets		(59)		(10)
Operating leases		(1,098)		(969)
(Decrease) increase in:				
Accounts payable		5,236		(2,325)
Accrued and other current liabilities		17,806		18,794
	\$	21,575	\$	15,246

(c) *Depreciation and amortization are comprised of the following:*

	For the Nine Months Ended September 30,			
	2023		2022	
Property, plant and equipment	\$	8,408	\$	10,800
Operating lease ROU assets		1,514		1,748
Intangible assets		10,475		12,240
	\$	20,397	\$	24,788

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(d) (Recoveries), write-downs and other charges, net are comprised of the following:

	For the Nine Months Ended September 30,	
	2023	2022
Account receivable recoveries	\$ 4	\$ (16)
Operating lease liabilities	—	(354)
Operating lease ROU assets	1	(29)
Property, plant and equipment	462	(529)
	<u>\$ 467</u>	<u>\$ (928)</u>

(e) Significant non-cash investing and financing activities are as follows:

	For the Nine Months Ended September 30,	
	2023	2022
Supplemental Cash Flow Information:		
Non-cash consideration for paid-in-kind interest	\$ 10,576	\$ 4,949
Non-cash consideration for asset acquisition	—	19,193
Shares issued to settle MPX purchase options assumed from the MPX Acquisition		1,500
Non-cash issuance of shares from consummation of the Recapitalization Transaction	—	455,443
Non-cash debt extinguishment from the consummation of the Recapitalization Transaction	—	(238,269)
Non-cash issuance of June Secured Debentures and June Unsecured Debentures from the consummation of the Recapitalization Transaction	—	99,402

Cash and Restricted Cash

For purposes of the unaudited interim condensed consolidated balance sheets and the statements of cash flows, cash and restricted cash are held primarily in U.S. dollars.

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. As of September 30, 2023, the Company held less than \$0.1 million as restricted cash (December 31, 2022—less than \$0.1 million).

The following table provides a reconciliation of cash and restricted cash reported on the unaudited interim condensed consolidated balance sheets to such amounts presented in the statements of cash flows:

	September 30, 2023	December 31, 2022
Cash	\$ 15,104	\$ 14,336
Restricted cash	70	70
Total cash and restricted cash presented in the statements of cash flows	<u>\$ 15,174</u>	<u>\$ 14,406</u>

Note 14 - Subsequent Events

Legal Proceedings

Please refer to Note 11 for further discussion.

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Note 15 - Restatement of Previously Issued Unaudited Interim Condensed Consolidated Financial Statements

Subsequent to filing the Original Form 10-Q, the Company identified an error related to its financial reporting process in connection with an intercompany consolidation of two wholly-owned subsidiaries and in the valuation of inventory, both resulting in an overstatement of inventory in its previously issued unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2023. As a result, the Company has restated its unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2023 to reflect the impact of this material error.

The effect of the restatement on the line items within the Company's unaudited interim condensed consolidated balance sheet as of September 30, 2023, are as follows:

	September 30, 2023		
	As reported	Adjustment	Restated
Inventories	\$ 31,650	\$ (4,079)	\$ 27,571
Current assets	54,726	(4,079)	50,647
Total assets	290,193	(4,079)	286,114
Accrued and other current liabilities	94,467	(469)	93,998
Current liabilities	133,769	(469)	133,300
Total liabilities	330,222	(469)	329,753
Accumulated deficit	(1,305,339)	(3,610)	(1,308,949)
Total shareholders' deficit	(40,029)	(3,610)	(43,639)
Total liabilities and shareholders' deficit	290,193	(4,079)	286,114

The effect of the restatement on the line items within the Company's unaudited interim condensed consolidated income statement for the three and nine months ended September 30, 2023 are as follows:

	Three Months Ended September 30, 2023		
	As reported	Adjustment	Restated
Costs and expenses applicable to revenues	\$ (25,463)	\$ (4,079)	\$ (29,542)
Gross profit	17,427	(4,079)	13,348
Loss from operations	(7,555)	(4,079)	(11,634)
Loss before income tax	(11,792)	(4,079)	(15,871)
Income tax expense	3,780	(469)	3,311
Net loss	(15,572)	(3,610)	(19,182)
Earnings per share	(0.00)	(0.00)	(0.00)

	Nine Months Ended September 30, 2023		
	As reported	Adjustment	Restated
Costs and expenses applicable to revenues	\$ (67,029)	\$ (4,079)	\$ (71,108)
Gross profit	51,329	(4,079)	47,250
Loss from operations	(27,017)	(4,079)	(31,096)
Loss before income tax	(41,295)	(4,079)	(45,374)
Income tax expense	13,021	(469)	12,552
Net loss	(54,316)	(3,610)	(57,926)
Earnings per share	(0.01)	(0.00)	(0.01)

The effect of the restatement on the line items within the Company's unaudited interim condensed consolidated statement of changes in shareholders' deficit as of September 30, 2023 are as follows:

	September 30, 2023		
	As reported	Adjustment	As revised
Accumulated deficit – Balance September 30, 2023	\$ (1,305,339)	\$ (3,610)	\$ (1,308,949)
Total shareholders' deficit – Balance September 30, 2023	(40,029)	(3,610)	(43,639)

The effect of the restatement on the line items within the Company's unaudited interim condensed consolidated statement of cash flows for the nine months ended September 30, 2023 are as follows:

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	Nine Months Ended, September 30, 2023		
	As reported	Adjustment	Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Net loss	\$ (54,316)	\$ (3,610)	\$ (57,926)
Adjustments to reconcile net loss to net cash provided by (used in) operations:			
Change in operating assets and liabilities	17,965	3,610	21,575
Inventory	(3,490)	4,079	589
Accrued and other liabilities	18,275	(469)	17,806

The effect of the restatements also impacts the following notes to the unaudited interim condensed consolidated financial statements:

- Note 3 Inventories
- Note 7 Income Taxes
- Note 8 Segment Information
- Note 13 Unaudited Interim Condensed Consolidated Statements of Cash Flows Supplemental Information

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited interim condensed consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q/A. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as may be amended, supplemented or superseded from time to time by other reports we file with the SEC. All amounts in this report are in U.S. dollars, unless otherwise note.

The following information has been adjusted to reflect the restatement of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 as described in the "Explanatory Note" at the beginning of this Amended Form 10-Q and in Item 1 of Part I, "Financial Statements Note 15 - Restatement of Previously Issued Unaudited Interim Condensed Consolidated Financial Statements."

Overview

We are a vertically-integrated, multi-state owner and operator of licensed cannabis cultivation, processing and dispensary facilities in the United States. Although we are committed to creating a national retail brand and portfolio of branded cannabis products recognized in the United States, cannabis currently remains illegal under U.S. federal law.

Through our subsidiaries, we currently own and/or operate 36 dispensaries and 10 cultivation and/or processing facilities in eight U.S. states. Pursuant to our existing licenses, interests and contractual arrangements, and subject to regulatory approval, we have the capacity to own and/or operate up to an additional 12 dispensary licenses and/or dispensary facilities in four states, plus an uncapped number of dispensary licenses in Florida, and up to 20 cultivation, manufacturing and/or processing facilities, and we have the right to manufacture and distribute cannabis products in nine U.S. states, all subject to the necessary regulatory approvals.

Our multi-state operations encompass the full spectrum of medical and adult-use cannabis enterprises, including cultivation, processing, product development, wholesale-distribution and retail. Cannabis products offered by us include flower and trim, products containing cannabis flower and trim (such as packaged flower and pre-rolls), cannabis infused products (such as topical creams and edibles) and products containing cannabis extracts (such as vape cartridges, concentrates, live resins, wax products, oils and tinctures). Under U.S. federal law, cannabis is classified as a Schedule I controlled substance under the U.S. Controlled Substances Act. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety use under medical supervision and a high potential for abuse. Other than Epidiolex (cannabidiol), a cannabis-derived product, and three synthetic cannabis-related drug products (Marinol (dronabinol), Syndros (dronabinol) and Cesamet (nabilone), to our knowledge, the U.S. Food and Drug Administration has not approved a marketing application for cannabis for the treatment of any disease or condition and has not approved any cannabis or cannabis-derived products.

Financial Restructuring

The significant disruption of global financial markets, and specifically, the decline in the overall public equity cannabis markets due to the COVID-19 pandemic negatively impacted our ability to secure additional capital, which caused liquidity constraints. In early 2020, due to the liquidity constraints, we attempted to negotiate temporary relief of our interest obligations with the lenders (the "Secured Lenders") of our 13.0% senior secured debentures (the "Secured Notes") issued by our wholly-owned subsidiary, iAnthus Capital Management, LLC ("ICM"). However, we were unable to reach an agreement and did not make interest payments when due and payable to the Secured Lenders or payments that were due to the lenders (the "Unsecured Lenders" and together with the Secured Lenders, the "Lenders") of our 8.0% convertible unsecured debentures (the "Unsecured Debentures"). As a result, we defaulted on our obligations pursuant to the Secured Notes and Unsecured Debentures.

On June 22, 2020, we received a notice demanding repayment under the Amended and Restated Debenture Purchase Agreement dated October 19, 2019 of the entire principal amount of the Secured Notes, together with interest, fees, costs and other charges that have accrued or may accrue from Gotham Green Admin 1, LLC (the "Collateral Agent") holding security for the benefit of the Secured Notes. The Collateral Agent concurrently provided us with the Notice of Intention to Enforce Security under section 244 of the Bankruptcy and Insolvency Act (Canada).

On July 10, 2020, we entered into a restructuring support agreement (as amended on June 15, 2021, the “Restructuring Support Agreement”) with the Secured Lenders and certain of our Unsecured Lenders (the “Consenting Unsecured Lenders”) to effectuate a recapitalization transaction (the “Recapitalization Transaction”). Closing of the Recapitalization Transaction through an amended and restated plan of arrangement (the “Plan of Arrangement”) was subject to certain conditions, including: approval of the Secured Lenders, Unsecured Lenders and existing holders of our common shares, warrants, and options; approval of the Plan of Arrangement by the Supreme Court of British Columbia (the “Court”); and the receipt of all necessary state regulatory approvals in which we operate that require approval and approval by the Canadian Securities Exchange (the “CSE”) (collectively, the “Requisite Approvals”). All Requisite Approvals required to consummate the Recapitalization Transaction were satisfied, conditioned, or waived by us, the Secured Lenders and the Consenting Unsecured Lenders, and on June 24, 2022 (the “Closing Date”), we closed the Recapitalization Transaction pursuant to the Plan of Arrangement under the Business Corporations Act (British Columbia) approved by the Court. Pursuant to the terms of the Restructuring Support Agreement, the Collateral Agent, the Secured Lenders and the Consenting Unsecured Lenders agreed to forbear from further exercising any rights or remedies in connection with any events of default that existed or may have existed in the future arising under any of the purchase agreements with respect to the Secured Notes and all other agreements delivered in connection therewith, the purchase agreements with respect to the Unsecured Debentures and all other agreements delivered in connection therewith and any other agreement to which the Collateral Agent, Secured Lenders, or Consenting Unsecured Lenders are a party to (collectively, the “Defaults”). As of the Closing Date, the Collateral Agent, Secured Lenders and Consenting Unsecured Lenders irrevocably waived all Defaults. In August 2021, Gotham Green Partners, LLC and the Collateral Agent filed a Notice of Application with the Ontario Superior Court of Justice, which sought, among other things, a declaration that the outside date for closing the Recapitalization Transaction be extended, which extension was granted by such court and we subsequently appealed. Following the closing of the Recapitalization Transaction, we discontinued the appeal with prejudice.

In connection with the closing of the Recapitalization Transaction, we issued an aggregate of 6,072,579,705 common shares to the Secured Lenders and the Unsecured Lenders. Specifically, we issued 3,036,289,852 common shares (the “Secured Lender Shares”), or 48.625% of our outstanding common shares, to the Secured Lenders and 3,036,289,853 common shares (the “Unsecured Lender Shares” and together with Secured Lender Shares, the “Shares”), or 48.625% of our outstanding common shares, to the Unsecured Lenders. As of the Closing Date, we had 6,244,297,897 common shares issued and outstanding. As of the Closing Date, the holders of our common shares collectively held 171,718,192 common shares, or 2.75% of our outstanding common shares.

As of the Closing Date, the outstanding principal amount of the Secured Notes (including the interim financing secured notes in the aggregate principal amount of approximately \$14.7 million originally due on July 13, 2025 (the “Interim Financing”) together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Secured Lender Shares, (B) the June Secured Debentures (as defined below) in the aggregate principal amount of \$99.7 million and (C) the June Unsecured Debentures (as defined below) in the aggregate principal amount of \$5.0 million. In addition, as of the Closing Date, the outstanding principal amount of the Unsecured Debentures together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Unsecured Lender Shares and (B) the June Unsecured Debentures in the aggregate principal amount of \$15.0 million. Furthermore, all existing options and warrants to purchase our common shares, including certain debenture warrants and exchange warrants previously issued to the Secured Lenders, the warrants previously issued in connection with the Unsecured Debentures and all other Affected Equity (as defined in the Plan of Arrangement), were cancelled and extinguished for no consideration.

Secured Debenture Purchase Agreement

In connection with the closing of the Recapitalization Transaction, we entered into a Third Amended and Restated Secured Debenture Purchase Agreement (the “Secured DPA”), dated as of June 24, 2022, with ICM, the other Credit Parties (as defined in the Secured DPA), the Collateral Agent, and the lenders party thereto (the “New Secured Lenders”) pursuant to which ICM issued the New Secured Lenders 8.0% secured debentures (the “June Secured Debentures”) in the aggregate principal amount of \$99.7 million pursuant to the Plan of Arrangement.

The June Secured Debentures accrue interest at a rate of 8.0% per annum (increasing to 11.0% upon the occurrence of an Event of Default (as defined in the Secured DPA)), are due on June 24, 2027, and may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date upon prior written notice to the New Secured Lenders without premium or penalty. Upon receipt of a Change of Control Notice (as defined in the Secured DPA), each New Secured Lender may provide notice to ICM to either (i) purchase the June Secured Debenture at a price equal to 103.0% of the then outstanding principal amount together with interest accrued thereon (the “Offer Price”) or (ii) if the Change of Control Transaction (as defined in Secured DPA) results in a new issuer, or if the New Secured Lender desires that the June Secured Debenture remain unpaid and continue in effect after the closing of the Change of Control Transaction, convert or exchange the June Secured Debenture into a replacement debenture of the new issuer or ICM, as applicable, in the aggregate principal amount of the Offer Price on substantially equivalent terms to those terms contained in the June Secured Debenture. Notwithstanding the foregoing, if 90.0% or more of the principal amount of all June Secured Debentures outstanding have been tendered for redemption on the date of the Change of Control Notice, ICM may, at its sole discretion, redeem all of the outstanding June Secured Debentures at the Offer Price. As security for the Obligations (as defined in the Secured DPA), ICM and the Company

granted to the Collateral Agent, for the benefit of the New Secured Lenders, a security interest over all of their present and after acquired personal property.

Pursuant to the Secured DPA, so long as Gotham Green Partners, LLC or any of its Affiliates (as defined in the Secured DPA) hold at least 50.0% of the outstanding principal amount of June Secured Debentures, the Collateral Agent will have the right to appoint two non-voting observers to our Board of Directors (the “Board of Directors” or “Board”), each of which shall receive up to a maximum amount of \$25,000 in any 12-month period for reasonable out-of-pocket expenses. In addition, pursuant to the Secured DPA, the New Secured Lenders purchased an additional \$25.0 million of Secured Debentures (the “Additional Secured Debentures”).

Unsecured Debenture Purchase Agreement

In connection with the closing of the Recapitalization Transaction, we, as guarantor of the Guaranteed Obligations (as defined in the Unsecured DPA (as defined herein)), entered into an Unsecured Debenture Purchase Agreement (the “Unsecured DPA”) dated as of June 24, 2022 with ICM, the Secured Lenders and the Consenting Unsecured Lenders pursuant to which ICM issued 8.0% unsecured debentures (the “June Unsecured Debentures”) in the aggregate principal amount of \$20.0 million pursuant to the Plan of Arrangement, including \$5.0 million to the Secured Lenders and \$15.0 million to the Unsecured Lenders.

The June Unsecured Debentures accrue interest at a rate of 8.0% per annum (increasing to 11.0% upon the occurrence of an Event of Default (as defined in the Unsecured DPA)), are due on June 24, 2027, and may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date upon prior written notice to the Unsecured Lender without premium or penalty. Upon receipt of a Change of Control Notice (as defined in the Unsecured DPA), each Unsecured Lender may provide notice to ICM to either (i) purchase the June Unsecured Debenture at a price equal to 103.0% of the then outstanding principal amount together with interest accrued thereon (the “Unsecured Offer Price”) or (ii) if the Change of Control Transaction (as defined in Unsecured DPA) results in a new issuer, or if the Unsecured Lender desires that the June Unsecured Debenture remain unpaid and continue in effect after the closing of the Change of Control Transaction, convert or exchange the June Unsecured Debenture into a replacement debenture of the new issuer or ICM, as applicable, in the aggregate principal amount of the Unsecured Offer Price on substantially equivalent terms to those terms contained in the June Unsecured Debenture. Notwithstanding the foregoing, if 90.0% or more of the principal amount of all June Unsecured Debentures outstanding have been tendered for redemption on the date of the Change of Control Notice, ICM may, at its sole discretion, redeem all of the outstanding June Unsecured Debentures at the Unsecured Offer Price. Pursuant to the Unsecured DPA, the Obligations (as defined in the Unsecured DPA) are subordinated in right of payment to the Senior Indebtedness (as defined in the Unsecured DPA).

Pursuant to the Recapitalization Transaction, the Secured Lenders, the Unsecured Lenders and the existing holders of our common shares at the closing of the Recapitalization Transaction (the “Existing Shareholders”) were allocated and issued the June Secured Debentures, the June Unsecured Debentures and percentage of our pro forma common shares, as presented in the following table:

(in '000s of U.S. dollars)	June Secured Debentures ¹	Interim Financing ²	June Unsecured Debentures ³	Pro Forma Common Equity ⁴
Secured Lenders	\$ 85,000	\$ 14,737	\$ 5,000	48.625%
Unsecured Lenders	—	—	15,000	48.625%
Existing Shareholders	—	—	—	2.75%
Total	\$ 85,000	\$ 14,737	\$ 20,000	100%

(1)The Secured Notes and Interim Financing were extinguished as of the Closing Date and, in exchange, ICM issued the June Secured Debentures, which may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date upon prior written notice to the New Secured Lenders without premium or penalty.

(2)Certain of the Secured Lenders provided the Interim Financing to ICM pursuant to the Restructuring Support Agreement.

(3)The Unsecured Debentures were extinguished as of the Closing Date, and in exchange, ICM issued the June Unsecured Debentures in the aggregate principal amount of \$15 million and the Unsecured Lender Shares. The June Unsecured Debentures are subordinate to the June Secured Debentures, but are senior to the Company’s common shares.

(4)On December 31, 2021, our Board of Directors approved the terms of a Long-Term Incentive Program (“LTIP”) recommended by our compensation committee and, pursuant to which, on July 26, 2022 we issued to certain of our employees (including executive officers) an aggregate of 320,165,409 restricted stock units (“RSUs”), under our Amended and Restated Omnibus Incentive Plan dated October 15, 2018 in order to attract and retain such employees. RSUs represent a right to receive a single common share that is both non-transferable and forfeitable until certain conditions are satisfied. The allocation of RSUs was contingent upon the closing of the Recapitalization Transaction and was subject to approval of the CSE and the Board. All of our existing warrants and options were cancelled, and our common shares may be consolidated pursuant to a consolidation ratio which has yet to be determined.

Registration Rights Agreement

In connection with the consummation of the Recapitalization Transaction, we entered into a registration rights agreement (the “RRA”), dated June 24, 2022, with ICM and certain holders of Registrable Securities (as defined in the RRA) (the “Holders”) pursuant to which we shall, upon receipt of written notice (the “Shelf Request”) from Holders of at least 15.0% of our outstanding common shares (the “Substantial Holders”), prepare and file (i) with the applicable Canadian Securities Regulators (as defined in the RRA), a Shelf Prospectus (as defined in the RRA) to facilitate a secondary offering of all of the Registrable Securities or (ii) with the Securities and Exchange Commission (the “SEC”), a registration statement on Form S-3 (the “S-3 Registration Statement”) covering the resale of all Registrable Securities. In addition, pursuant to the RRA and subject to certain exceptions, the Substantial Holders may request (the “Demand Registration Request”) that we file a Prospectus (as defined in the RRA) (other than a Shelf Prospectus) or a registration statement on any form that we are then eligible to use (the “Registration Statement”) to facilitate a Distribution (as defined in the RRA) in Canada or the United States of all or any portion of the Registrable Securities (the “Demand Registration”) held by the Holders requesting the Demand Registration. Moreover, pursuant to the RRA and subject to certain exceptions, if, at any time, we propose to make a Distribution for our own account, we shall notify the Holders of such Distribution (the “Piggyback Registration”) and shall use reasonable commercial efforts to include in the Piggyback Registration such Registrable Securities requested by the Holders be included in such Piggyback Registration.

Investor Rights Agreement

Furthermore, in connection with the closing of the Recapitalization Transaction, we entered into an Investor Rights Agreement (“IRA”), dated June 24, 2022, with ICH, ICM and certain investors (the “Investors”). Pursuant to the IRA, among other things, the Investors are entitled to designate nominees for election or appointment to our Board as follows:

- one investor (the “First Investor”) shall be entitled to designate director nominees as follows:
 - i. For so long as the First Investor’s Debt Exchange Common Share Percentage (as defined in the IRA) is at least 30.0%, the First Investor shall be entitled to designate up to three individuals as director nominees;
 - ii. For so long as the First Investor’s Debt Exchange Common Share Percentage is less than 30.0% but is at least 15.0%, the First Investor shall be entitled to designate up to two individuals as director nominees; and
 - iii. For so long as the First Investor’s Debt Exchange Common Share Percentage is less than 15.0% but is at least 5.0%, the First Investor shall be entitled to designate up to one individual as a director nominee.
- a second Investor (the “Second Investor”) shall be entitled to designate up to one individual as a director nominee for so long as such Investor’s Debt Exchange Common Share Percentage is at least 5.0%.
- a third Investor (the “Third Investor”) shall be entitled to designate up to one individual as a director nominee for so long as such Investor’s Debt Exchange Common Share Percentage is at least 5.0%.
- a fourth Investor (the “Fourth Investor”) shall be entitled to designate up to one individual as a director nominee for so long as such Investor’s Debt Exchange Common Share Percentage is at least 5.0%.

Pursuant to the IRA, the Secured Lenders appointed Scott Cohen, Michelle Mathews-Spradlin and Kenneth Gilbert to serve on our Board. Mr. Cohen and Ms. Mathews-Spradlin’s appointments were effective as of the Closing Date and Mr. Gilbert’s appointment was effective as of August 11, 2022. The Consenting Unsecured Lenders initially appointed Zachary Arrick, Alexander Shoghi and Marco D’Attanasio to serve on our Board effective as of the Closing Date. On September 15, 2022, Mr. D’Attanasio resigned as a member of our Board and audit committee. On February 21, 2023, Mr. Arrick resigned as a member of our Board, compensation, nominating and corporate governance committees. On April 20, 2023, John Paterson was appointed to our Board. Mr. Paterson was nominated as a replacement director for Mr. D’Attanasio by the Investor that initially nominated Mr. D’Attanasio. As of the date hereof, the Consenting Unsecured Lenders have not filled the vacancies on our Board created by Mr. Arrick’s resignation. The directors appointed by the Secured Lenders and Consenting Unsecured Lenders will serve as our directors until our next annual general meeting of shareholders or until their successors are duly elected or appointed.

Pursuant to the IRA, we are required to hire a chief executive officer (and any successor thereto) who has been unanimously approved by the Investors. Upon the chief executive officer taking office (other than an interim chief executive officer), we are obligated to arrange for the chief executive officer to be appointed to our Board. Accordingly, we appointed Richard Proud as a member of our Board upon his appointment as Chief Executive Officer, which had been unanimously approved by the Investors.

Acquisitions and Sale Transactions

GreenMart of Maryland, LLC, Rosebud Organics, Inc. and Budding Rose, Inc.

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In January 2018, we, through our wholly-owned subsidiary, CGX Life Sciences, Inc. ("CGX"), entered into separate option agreements, as amended, with (i) all of the shareholders (the "Budding Rose Sellers") of Budding Rose, Inc. ("Budding Rose"); (ii) all of the shareholders (the "Rosebud Sellers") of Rosebud Organics, Inc. ("Rosebud") (iii) Elizabeth Stavola (the "GMMD Seller"), our former officer and director and the sole member of GreenMart of Maryland, LLC ("GMMD"); and (iv) William Huber (the "LMS Seller"), the sole member of LMS Wellness, Benefit LLC ("LMS"), pursuant to which, CGX was granted and exercised its options to acquire 100% ownership of Budding Rose, Rosebud, GMMD and LMS on September 16, 2021, April 1, 2021, November 5, 2021 and November 22, 2021, respectively, all subject to regulatory approval by the Maryland Medical Cannabis Commission (the "MMCC"). On July 28, 2022, the MMCC approved CGX's request to acquire 100% ownership of Budding Rose, Rosebud and GMMD. On August 9, 2022, CGX closed on its acquisition of GMMD, and on August 18, 2022, CGX closed on its acquisitions of Rosebud and Budding Rose.

On May 23, 2022, we, through CGX, filed a demand for arbitration with the American Arbitration Association against LMS and the LMS Seller for various breaches under the option agreements entered into between CGX and LMS, on the one hand, and CGX and the LMS Seller on the other (collectively, the "LMS Option Agreements"). The closing of our acquisition of LMS is subject to the resolution of this pending legal matter.

Disposition of Vermont Operations

On February 6, 2023, we entered into a membership interest purchase agreement (the "MIPA"), pursuant to we agreed to sell to OG Farms, LLC (the "Purchaser"), our membership interests in Grassroots Vermont Management Services, LLC ("GVMS"), the sole owner of all issued and outstanding authorized common stock of FWR, Inc. ("FWR"). FWR owns and operates a dispensary and cultivation/processing facility in Vermont and is included in our Eastern Region reporting segment. The aggregate proceeds to be received from the sale are \$0.2 million in cash, subject to adjustments to be determined on date of closing. The closing of the MIPA is subject to, among other conditions, a Change of Control Approval from the Vermont Cannabis Control Board (the "CCB"). On February 6, 2023, we also entered into a management agreement (the "Management Agreement") whereby the Purchaser has been appointed as the sole and exclusive manager of, and will receive all profit earned by, GVMS and FWR, through the date of closing. The Management Agreement became effective on March 8, 2023, upon approval by the CCB (the "Effective Date"). As of the Effective Date, all operational control of GVMS and FWR was transferred to the Purchaser and we determined that we no longer have a controlling financial interest as of the Effective Date. We recognized a loss on deconsolidation of \$0.5 million, which is the difference between the aggregate consideration to be received and the book value of the assets as of the Effective Date, which is presented in write-downs and other charges on the unaudited interim condensed consolidated statements of operations for the three and nine months ended September 30, 2023. As of August 14, 2023, all closing conditions of the MIPA were satisfied, including receipt of approval from the CCB and we completed the sale of GVMS as of that date.

Sale of CBD Business

On May 8, 2023, our wholly-owned subsidiary, iA CBD, LLC ("iA CBD"), entered into an Asset Purchase Agreement (the "Purchase Agreement") with C4L, LLC (the "Buyer"), pursuant to which, we agreed to sell substantially all of the assets of iA CBD. iA CBD owns and operates the assets associated with our CBD products branded as CBD for Life (the "Business"). The aggregate proceeds to be received from the sale are \$0.2 million in cash. The closing of the Purchase Agreement is subject to, among other customary conditions, the assignment of the United States Small Business Loan held by iA CBD. On May 8, 2023, we also entered into an interim management agreement (the "Management Agreement"), pursuant to which the Buyer assumed full operational and managerial control of the Business as of May 8, 2023 (the "CBD Effective Date"). The Management Agreement will remain in effect until the earlier of the (i) closing of the Purchase Agreement; and (ii) the termination of the Purchase Agreement in accordance with its terms. As of the CBD Effective Date, all operational control of the Business was transferred to the Buyer and we determined that we no longer have a controlling financial interest as of the CBD Effective Date. We recognized a loss on deconsolidation of less than \$0.1 million as of the CBD Effective Date, which is presented in write-downs and other charges on the unaudited interim condensed consolidated statements of operations for the three and nine months ended September 30, 2023. As of August 15, 2023, we closed the sale of iA CBD as we satisfied all closing conditions of the Purchase Agreement, including receipt of approval for the assignment of the United States Small Business Loan.

Recent Developments

Maryland - Commencement of Adult-Use Operations

On July 1, 2023, our wholly-owned and/or controlled subsidiaries, GMMD, LMS, Budding Rose and Rosebud commenced adult-use operations in Maryland. GMMD, LMS and Budding Rose each holds licenses to operate a co-located medical and adult-use dispensary and Rosebud holds a license to operate a co-located medical and adult-use processing facility.

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New Jersey - Opening of Third Dispensary Location

On September 25, 2023, our wholly-owned subsidiary, MPX New Jersey LLC ("MPX NJ"), opened a new dispensary in Pennsauken, New Jersey marking our third dispensary in New Jersey. The new Pennsauken dispensary is currently open for medical sales and is pending regulatory approval from the New Jersey Cannabis Regulatory Commission to commence adult-use operations.

Nevada - Sale of Assets

On August 8, 2023, our wholly-owned subsidiary, GreenMart of Nevada NLV, LLC ("GMNV") entered into an Asset Purchase Agreement (the "NV Purchase Agreement") with Phoenix Group Reno, LLC, Phoenix Group Henderson, LLC, Phoenix Group LV, LLC and Hash House Brands, LLC (collectively, the "Buyer"), pursuant to which, GMNV agreed to sell substantially all of the assets of GMNV to the Buyer. GMNV currently operates a co-located medical and adult-use cultivation and production facility in North Las Vegas, Nevada and an adult-use dispensary in Las Vegas, Nevada and holds two conditional adult-use dispensary licenses to be located in Henderson and Reno, Nevada (the "Business"). The aggregate proceeds to be received from the sale were to be \$4 million (the "Purchase Price"), subject to adjustments to be determined on the date of approval of the NV Management Agreement (as defined below). The closing of the NV Purchase Agreement was conditioned on, among other customary conditions, receipt of approval of the Nevada Cannabis Compliance Board (the "NV CCB"). On August 8, 2023, GMNV also entered into a Management Agreement (the "NV Management Agreement"), pursuant to which, the Buyer's affiliated entity, KaiZen Group, LLC (the "Manager"), would assume full operational and managerial control of the Business, subject to the approval of the NV CCB. Of the total Purchase Price, \$3.5 million was to be paid in cash and the remaining balance of the Purchase Price was to be paid on a monthly basis, beginning ninety (90) days after receipt of approval by the NV CCB of the NV Management Agreement, pursuant to a Promissory Note dated August 8, 2023. On September 21, 2023, GMNV terminated the NV Purchase Agreement, and the sale transaction contemplated thereof,

Results of Operations for the Three and Nine Months ended September 30, 2023 and 2022 (As restated)

Revenues and Gross Profit

(in '000s of U.S. dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023 (Restated)	2022	2023 (Restated)	2022
Revenues				
Eastern Region	\$ 30,036	\$ 23,771	\$ 76,871	\$ 74,315
Western Region	12,854	15,331	41,260	50,476
Other	-	269	227	851
Total revenues	\$ 42,890	\$ 39,371	\$ 118,358	\$ 125,642
Costs and expenses applicable to revenues (exclusive of depreciation and amortization expense)				
Eastern Region	\$ (21,199)	\$ (12,558)	\$ (44,104)	\$ (32,765)
Western Region	(8,343)	(10,453)	(26,498)	(33,975)
Other	-	(179)	(506)	(561)
Total Costs and expenses applicable to revenues (exclusive of depreciation and amortization expense)	\$ (29,542)	\$ (23,190)	\$ (71,108)	\$ (67,301)
Gross profit				
Eastern Region	\$ 8,837	\$ 11,213	\$ 32,767	\$ 41,550
Western Region	4,511	4,878	14,762	16,501
Other	-	90	(279)	290
Total gross profit	\$ 13,348	\$ 16,181	\$ 47,250	\$ 58,341

The eastern region includes our operations in Florida, Maryland, Massachusetts, New York, and New Jersey. Results from our Vermont and CBD businesses were included until March 8, 2023 and May 8, 2023, respectively, when they were deconsolidated. The western region includes our operations in Arizona and Nevada as well as our assets and investments in Colorado.

Expenses *(As restated)*

(in '000s of U.S. dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023 <i>(Restated)</i>	2022	2023 <i>(Restated)</i>	2022
Total operating expenses	\$ 24,982	\$ 29,905	\$ 78,346	\$ 126,868
Total other expenses	(4,237)	(3,946)	(14,278)	(322,541)
Income tax expense	3,311	4,325	12,552	14,591

Selling, General and Administrative Expenses Details

(in '000s of U.S. dollars)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Salaries and employee benefits	\$ 7,332	\$ 9,094	\$ 23,234	\$ 28,334
Severance	128	352	603	12,242
Share-based compensation	473	4,657	3,555	27,493
Legal and other professional fees	1,592	2,096	6,615	7,464
Deferred professional fees related to the Recapitalization Transaction	—	—	—	7,091
Facility, insurance and technology costs	3,111	3,943	9,570	11,908
Marketing expenses	1,039	1,129	3,429	3,637
Travel and pursuit costs	189	197	650	666
Interest and penalties on unpaid income taxes	3,101	—	7,394	(123)
Amortization on right-of-use assets	463	540	1,514	1,748
Other general corporate expenditures	1,489	1,212	2,433	4,296
Total	\$ 18,917	\$ 23,220	\$ 58,997	\$ 104,756

Total operating expenses

Total operating expenses other than those included in costs and expenses applicable to revenues consist of selling, general, and administrative expenses which are necessary to conduct our ordinary business operations. In addition, total operating expenses consist of marketing, technology, and other growth initiatives related expenses such as opening new dispensaries and building-out our facilities, as well as depreciation and amortization charges taken on our fixed and intangible assets, and any write-downs or impairment on our assets. We have taken the necessary measures to control our discretionary spending and employ capital as efficiently as possible. After normalizing for one-time items, we expect total operating expenses to remain consistent over the remainder of 2023 as we continue to employ a disciplined capital allocation approach and continue to closely monitor operating expenditures and discretionary spending.

Total other income and expenses

Total other income and expenses include income and expenses that are not included in the ordinary day-to-day activities of our business. This includes the impact of any debt extinguishments, interest and accretion expenses on our financing arrangements, fair value gains or losses on our financial instruments, and income earned from arrangements that are not from our ordinary revenue streams of retail, wholesale, or the delivery of cannabis products.

Income tax expense

As a company operating in the federally illegal cannabis industry, we are subject to the limitations of Internal Revenue Code Section 280E (“Section 280E”) under which taxpayers are only allowed to deduct expenses directly related to sales of product and no other ordinary business expenses. Our effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of numerous permanent differences, the provision for income taxes at different rates in foreign and domestic jurisdictions, including changes in enacted statutory tax rate increases or reductions in the period, changes in our valuation allowance based on our recoverability assessments of deferred tax assets and favorable or unfavorable resolution of various tax examinations.

Results of Operations for the Three Months Ended September 30, 2023 and 2022 *(As restated)*

Eastern region

For the three months ended September 30, 2023, our sales revenues in the eastern region were \$30.0 million as compared to \$23.8 million for the three months ended September 30, 2022, which represents an increase of 26.4%. The main drivers for the increase in

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revenues are from the launch of our adult-use programs in both Maryland and New Jersey. Further, retail revenues increased in Massachusetts and New York from increased marketing and promotions offered in these markets during the three months ended September 30, 2023, as compared to the three months ended September 30, 2022. This was partially offset by lower retail revenues in Florida from increased competition and price compression.

For the three months ended September 30, 2023, gross profit was \$8.8 million, or 29.4% of sales revenues, as compared to a gross profit of \$11.2 million, or 47.2% of sales revenues, for the three months ended September 30, 2022. Gross profit margins decreased due to lower selling prices in retail dispensaries in Florida from price compression as a result of increased competition across the Eastern region. We had less harvests and production output in Massachusetts, as we are in the process of merging our cultivation and production activities from both of our facilities to a single facility within the state. We still incurred operational costs at both facilities, resulting in a higher cost and expenses applicable to revenues as compared to the three months ended September 30, 2022. Further, during the three months ended September 30, 2023, we recorded a \$0.6 million inventory reserve on expired inventory in Massachusetts as we continue to optimize the use of our two facilities within the state.

During the three months ended September 30, 2023, approximately 8,565 pounds of plant material was harvested in the eastern region as compared to approximately 10,440 pounds harvested during the three months ended September 30, 2022. The decrease in harvested plant material is due to less harvests in Massachusetts as we continue to optimize production runs across our two facilities. Harvested plant material was comparable in both Florida and New Jersey during the three months ended September 30, 2023, as compared to the three months ended September 30, 2022.

Western region

For the three months ended September 30, 2023, our sales revenues in the western region were \$12.9 million as compared to \$15.3 million for the three months ended September 30, 2022, which represents a decrease of 16.2%. The decrease in revenues in the western region is attributable to lower wholesale revenues in both Arizona and Nevada, as well as a decrease in retail revenues in Arizona during the three months ended September 30, 2023, as compared to the three months ended September 30, 2022. This was partially offset by an increase in Nevada retail revenues from our new Las Vegas, Nevada dispensary which opened in September 2022.

For the three months ended September 30, 2023, gross profit was \$4.5 million, or 35.1% of sales revenues, as compared to a gross profit of \$4.9 million, or 31.8% of sales revenues, for the three months ended September 30, 2022. Gross profit margins have increased as we sold more in-house products, which have higher margins in Arizona during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

During the three months ended September 30, 2023, approximately 1,480 pounds of plant material was harvested in the western region as compared to approximately 1,590 pounds harvested during the three months ended September 30, 2022. Harvested plant material is comparable between the three months ended September 30, 2023 and 2022.

Other revenues and other gross profits

For the three months ended September 30, 2023, other revenues was \$Nil as compared to \$0.3 million for the three months ended September 30, 2022. For the three months ended September 30, 2023, other gross profits was \$Nil as compared to less than \$0.1 million for the three months ended September 30, 2022. This decrease in other revenues and other gross profits is due to the deconsolidation of our CBD business as of May 8, 2023.

Total operating expenses

For the three months ended September 30, 2023, our total operating expenses were \$25.0 million as compared to \$29.9 million for the three months ended September 30, 2022, which represents a decrease of 16.5%.

The decrease in total operating expenses resulted from a decrease of \$4.3 million in our selling, general, and administrative expenses which is attributable to: \$4.2 million decrease in share-based compensation from the grant of restricted stock units to employees as the majority of outstanding employee RSUs have fully vested in July 2023; \$1.8 million decrease in our salaries and employee expenses from reduced headcount during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022; \$1.2 million decrease of general corporate expenditures, legal fees, and facility expenses during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022; and a \$0.2 million decrease in severance expenses during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022. This was partially offset by a \$3.1 million increase in interest and penalties on unpaid income taxes during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

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The decrease in total operating expenses is also attributable to a \$1.7 million decrease in our depreciation and amortization expenses during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022. We had a lower depreciable fixed and intangible asset base due to the impairment of our Vermont and Nevada operations and from the sale of certain properties during the year ended December 31, 2022.

The decrease in total operating expenses was partially offset by recoveries of less than \$0.1 million from the sale of certain properties held for sale during three months ended September 30, 2023 as compared to recoveries of \$1.1 million from asset disposals during the three months ended September 30, 2022.

Total other income and expenses

For the three months ended September 30, 2023, our total other expenses were \$4.2 million as compared to total other expenses of \$3.9 million for the three months ended September 30, 2022, which represents an increase of 7.4%.

The increase in total other expenses between the three months ended September 30, 2023 and 2022 is primarily attributable to a \$0.6 million increase in interest expense. This increase is a result of the higher interest recognized on the deferred professional fees related to the Recapitalization Transaction and the higher interest rate resulting from the amendment to the \$11.0 million senior secured bridge notes in February 2023. The total increase in total other expenses was partially offset from a \$0.2 million increase in fair value gains from trading securities held by us during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

Income tax expense (As restated)

For the three months ended September 30, 2023, our income tax expense was \$3.3 million as compared to \$4.3 million for the three months ended September 30, 2022, which represents a decrease of 23.4%. The decrease in income tax expense is a result of lower taxable income during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

Results of Operations for the Nine Months Ended September 30, 2023 and 2022 (As restated)

Eastern region

For the nine months ended September 30, 2023, our sales revenues in the eastern region were \$76.9 million as compared to \$74.3 million for the nine months ended September 30, 2022, which represents an increase of 3.4%. The increase in revenues is from the launch of our adult-use programs in both Maryland and New Jersey. Further, retail revenues increased in Massachusetts and New York from increased marketing and promotions offered in these markets during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022. This was partially offset by lower retail revenues in Florida from increased competition and price compression.

For the nine months ended September 30, 2023, gross profit was \$32.8 million, or 42.6% of sales revenues, as compared to a gross profit of \$41.6 million, or 55.9% of sales revenues, for the nine months ended September 30, 2022. Gross profit margins decreased due to lower selling prices in retail dispensaries in Florida and Maryland. We had less harvests and production output in Massachusetts, as we are in the process of merging our cultivation and production activities from both of our facilities to a single facility within the state. We still incurred operational costs at both facilities, resulting in a higher cost and expenses applicable to revenues as compared to the nine months ended September 30, 2022. Further, during the nine months ended September 30, 2022, we recorded a \$0.6 million inventory reserve on expired inventory in Massachusetts as we continue to optimize the use of our two facilities within the state.

During the nine months ended September 30, 2023, approximately 26,760 pounds of plant material was harvested in the eastern region as compared to approximately 30,360 pounds harvested during the nine months ended September 30, 2022. There was a decrease in harvested plant material in Massachusetts as we continue to optimize production runs across our two facilities, which was offset by an increase in harvested plant material in New Jersey as we now have an operational facility, compared to less harvests during the nine months ended September 30, 2022, as the Pleasantville, New Jersey facility became operational in June 2022.

Western region

For the nine months ended September 30, 2023, our sales revenues in the western region were \$41.3 million as compared to \$50.5 million for the nine months ended September 30, 2022, which represents a decrease of 18.3%. The decrease in revenues in the western region is attributable to lower retail and wholesale revenues in Arizona and lower wholesale revenue in Nevada during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022. This was partially offset by an increase in Nevada retail revenues from our new Las Vegas, Nevada dispensary which opened in September 2022.

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For the nine months ended September 30, 2023, gross profit was \$14.8 million, or 35.8% of sales revenues, as compared to a gross profit of \$16.5 million, or 32.7% of sales revenues, for the nine months ended September 30, 2022. Gross profit margins increased in the western region from the sale of more in-house products, which have higher margins during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, which was partially offset by lower selling prices due to increased competition.

During the nine months ended September 30, 2023, approximately 5,720 pounds of plant material was harvested in the western region as compared to approximately 5,260 pounds harvested during the nine months ended September 30, 2022. The increase in harvested plant material is attributable to higher cultivation yields in Arizona and Nevada during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

Other revenues and other gross profits

For the nine months ended September 30, 2023, other revenues were \$0.2 million as compared to \$0.9 million for the nine months ended September 30, 2022. This decrease is due to lower sales from our CBD business. For the nine months ended September 30, 2023, other gross profits was negative \$0.3 million as compared to \$0.3 million for the nine months ended September 30, 2022. This decrease in other gross profits primarily due to a \$0.2 million inventory reserve accrued on CBD inventory recognized in costs and expenses applicable to revenues on our unaudited interim condensed consolidated statement of operations during the nine months ended September 30, 2023 as compared to \$Nil during the nine months ended September 30, 2022. Further, the CBD business was deconsolidated as of May 8, 2023.

Total operating expenses

For the nine months ended September 30, 2023, our total operating expenses were \$78.3 million as compared to \$126.9 million for the nine months ended September 30, 2022, which represents a decrease of 38.2%.

The decrease in total operating expenses resulted from a decrease of \$45.8 million in our selling, general, and administrative expenses which is attributable to: \$23.9 million decrease in share-based compensation from the grant of restricted stock units to employees and the concurrent cancellation of existing stock options with the closing of the Recapitalization Transaction during the nine months ended September 30, 2022; \$11.6 million decrease in severance expenses, as the nine months ended September 30, 2022 included a one-time severance payment of \$12.0 million to our former Interim Chief Executive Officer, Randy Maslow, partially offset by additional severance payments of \$0.4 million during the nine months ended September 30, 2023; \$7.1 million decrease in deferred professional fees which related to the closing of the Recapitalization Transaction during the nine months ended September 30, 2022; \$5.1 million decrease in our salaries and employee expenses from reduced headcount during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022; \$4.4 million decrease of general corporate expenditures and facility expenses during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022; and a \$1.1 million decrease in marketing, legal and other professional fees during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022. This was partially offset by a \$7.5 million increase in interest and penalties on unpaid income taxes during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

The decrease in total operating expenses is also attributable to a \$4.2 million decrease in our depreciation and amortization expenses during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022. We had a lower depreciable fixed and intangible asset base due to the impairment of our Vermont and Nevada operations and from the sale of certain properties during the year ended December 31, 2022.

The decrease in total operating expenses was partially offset by \$0.5 million in write-downs recognized as a result of deconsolidating our Vermont and CBD businesses during the nine months ended September 30, 2023, which is the difference between the aggregate consideration to be received and the book value of the assets as of the effective date of the sale. This compares to \$1.1 million of gains from asset disposals recognized during the nine months ended September 30, 2022.

Total other income and expenses

For the nine months ended September 30, 2023, our total other expenses were \$14.3 million as compared to total other expenses of \$322.5 million for the nine months ended September 30, 2022, which represents a decrease of 95.6%.

The decrease in total other expenses between the nine months ended September 30, 2023 and 2022 is attributable to: \$316.6 million loss on debt extinguishment related to the closing of the Recapitalization Transaction on June 24, 2022; lower interest expense of \$3.5 million during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 from the closing of the Recapitalization Transaction that extinguished a portion of our total outstanding debt and reduced the interest rates on the June Secured

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Debentures and the Senior Secured Bridge Notes; no interest on the Exit Fee during the nine months ended September 30, 2023 as the Exit Fee was cancelled as part of the Recapitalization Transaction, as compared to \$0.8 million during the nine months ended September 30, 2022.

The decrease in total other expenses was partially offset by: \$11.3 million decrease in other income primarily attributable to the \$10.4 million fair value gain net of tax from the noncash consideration provided as part of our acquisition of MPX New Jersey LLC (“MPX NJ Acquisition”) and a \$0.5 million one-time payment received from an Arizona licensing agreement during the nine months ended September 30, 2022; \$1.3 million loss on debt extinguishment related to the amendment of the Senior Secured Bridge Notes during the nine months ended September 30, 2023, and from an increase in accretion expense of \$0.4 million as we are now accruing accretion on the June Secured Debentures and June Unsecured Debentures as compared to no accretion expense on these debt instruments during the nine months ended September 30, 2022.

Income tax expense (As restated)

For the nine months ended September 30, 2023, our income tax expense was \$12.6 million as compared to \$14.5 million for the nine months ended September 30, 2022, which represents a decrease of 13.1%. The decrease in income tax expense is a result of lower taxable income during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Liquidity and Capital Resources (As restated)

As of September 30, 2023, we held unrestricted cash of \$15.1 million (December 31, 2022—\$14.3 million) and had an accumulated deficit of \$1,308.9 million (December 31, 2022—\$1,251.0 million) and a working capital deficit of \$82.7 million (December 31, 2022—\$41.9 million). In assessing our liquidity, we monitor our cash on-hand and our expenditures required to execute our day-to-day operations and our long-term strategic plans. To date, we have financed our operations through equity and debt financings and from our cash flows from operations and we anticipate that we will need to raise additional capital to fund our operations and capital plans in the future. We expect to finance these activities through a combination of additional financings, divestitures of certain assets and cash flows from our operations. However, we may be unable to raise additional funds when needed and on favorable terms, or at all, which may have a negative impact on our financial condition and could force us to curtail or cease our operations. Furthermore, our outstanding debt instruments impose certain restrictions on our operating and financing activities, including certain restrictions on our ability to incur certain additional indebtedness, grant liens, make certain dividends and other payment restrictions affecting our subsidiaries, issue shares or convertible securities and sell certain assets. Even if we believe we have sufficient funds for our current or future plans, we may seek additional capital due to favorable market conditions and/or for strategic opportunities and initiatives.

Going Concern

The accompanying unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that we will continue to operate as a going concern, and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Our ability to continue as a going concern is dependent upon our ability to raise additional capital, our ability to achieve sustainable revenues and profitable operations, and our ability to obtain the necessary capital to meet our obligations and repay our liabilities when they become due.

We believe that the consummation of the Recapitalization Transaction will provide the necessary funding for us to continue funding our operations in the future. Further, the consummation of the Recapitalization Transaction resulted in lower interest rates on the June Secured Debentures and the Senior Secured Bridge Notes, and allows interest to be paid-in-kind. We believe we may be able to continue as a going concern for a period of no less than 12 months from the date of these unaudited interim condensed consolidated financial statements. The unaudited interim condensed consolidated financial statements included in this Quarterly Report on Form 10-Q/A do not include any adjustments that might be necessary if we are unable to continue as a going concern.

While we believe that we have funding necessary for us to continue as a going concern, we may need to raise additional capital and there can be no assurance that such capital will be available to us on favorable terms, if at all. As such, these material circumstances cast substantial doubt on our ability to continue as a going concern for a period of no less than 12 months from the date of this report, and our unaudited interim condensed consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently plan due to incorrect assumptions or due to a decision to expand our activities beyond those currently planned.

Cash Flow for the Nine Months Ended September 30, 2023 as Compared to the Nine Months Ended September 30, 2022 (As restated)

Operating Activities

Our net cash flows from operating activities are affected by several factors, including revenues generated by operations, increases or decreases in our operating expenses, including expenses related to new capital projects and development and expansion of newly acquired businesses and the level of cash collections from our customers.

Net cash provided from operating activities during the nine months ended September 30, 2023 was \$4.7 million as compared to net cash used in operating activities of \$14.1 million for the nine months ended September 30, 2022. The increase in our net cash provided from operating activities during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, was due primarily to the following: our net loss of \$54.3 million, partially offset by \$20.4 million of depreciation and amortization expense, \$11.6 million in interest expense, \$3.6 million in share-based compensation expense, \$2.9 million of accretion expense, \$1.3 million in loss on debt extinguishment from the amendment of our Senior Secured Bridge Notes, \$0.8 million from inventory reserves, \$0.5 million from write-downs related to the deconsolidation of our CBD and Vermont operations, and \$18.0 million from changes in operating assets and liabilities items during the nine months ended September 30, 2023.

Changes in other operating assets for the nine months ended September 30, 2023 include a decrease in inventory of \$0.6 million due to lower production activity in the Eastern Region during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022 and from an increase in accounts receivable of \$0.9 million from higher wholesale revenues during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

Changes in other operating liabilities for the nine months ended September 30, 2023 include an decrease in accrued and other current liabilities of \$1.0 million due the accrual of deferred professional fees during nine months ended September 30, 2022, partially offset by accrued income taxes and related interest and penalties for the period, interest and recapitalization fees due upon closing of the Recapitalization Transaction on June 24, 2022, and an increase in accounts payable of \$7.6 million as compared to the nine months ended September 30, 2022.

As we continue to expand our operations and as these operations become more established, we continue to expect cash flow to be provided from operations, and we intend to place less reliance on financing from other sources to fund our operations. Although we expect to continue to have positive cash flows from operations in 2023, no assurance can be given that we will have positive cash flows in the future.

Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2023, was \$3.7 million as compared to \$3.6 million during the nine months ended September 30, 2022. The increase in cash used in investing activities was primarily attributable to higher other intangible assets expenditures related to adult-use license application fees in Maryland and New Jersey of \$2.3 million during the nine months ended September 30, 2023 as compared to immaterial capitalized intangible asset expenditures during the nine months ended September 30, 2022. Cash flow provided from investing activities during the nine months ended September 30, 2023 included \$1.3 million of proceeds from the sale of certain property, plant and equipment compared to \$2.4 million during the nine months ended September 30, 2022.

Net cash used in investing activities was partially offset by lower cultivation and dispensary construction expenditures of \$2.5 million during the nine months ended September 30, 2023 as compared to \$5.8 million during the nine months ended September 30, 2022. In addition, during the nine months ended September 30, 2023, we did not loan any amounts to MPX NJ as compared to \$0.1 million during the nine months ended September 30, 2022 prior to the MPX NJ Acquisition.

Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2023 was \$0.3 million as compared to net cash provided by financing activities of \$23.9 million for the nine months ended September 30, 2022. During the nine months ended September 30, 2023, we paid \$0.3 million on our employees' behalf as part of RSUs issuances as compared to \$Nil during the nine months ended September 30, 2022. During the nine months ended September 30, 2022, we received proceeds from the issuance of the Additional Secured Notes of \$24.3 million which was partially offset by less than \$0.3 million from repayment of debt.

Related Party Transactions

Upon the closing of the Recapitalization Transaction, certain of our lenders held greater than 5% of the voting interests in our Company and therefore are classified as related parties. For further discussion, refer to Note 5 of the unaudited interim condensed consolidated financial statements included in Item I of this Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2023.

Effective as of May 6, 2022 (the “May Resignation Date”), Randy Maslow, our then Interim Chief Executive Officer and President and a member of the Board of Directors, resigned from his executive positions, including all positions with our subsidiaries and its affiliates, and from our Board of Directors and its committees. In connection with the resignation, we executed a separation agreement (the “May Separation Agreement”), pursuant to which, Mr. Maslow will receive certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(g) of his employment agreement. Specifically, Mr. Maslow received total cash compensation in the amount of approximately \$12.2 million (the “May Separation Payment”), of which \$5.1 million was paid out on May 6, 2022 (made up, in part, of a portion of severance payment of approximately \$4.8 million, and unpaid 2021 bonus of \$0.3 million). The remainder of the May Separation Payment was to be paid out in equal installments of approximately \$0.9 million per month over the next eight months following the May Resignation Date, which was accelerated upon the closing of the Recapitalization Transaction. The total outstanding balance of the May Separation Payment owed to Mr. Maslow was paid in full as of July 15, 2022. Under the terms of the May Separation Agreement, we will continue to pay the monthly premium for Mr. Maslow’s continued participation in our health and dental insurance benefits pursuant to COBRA for one year from the May Resignation Date. Mr. Maslow’s compensation and benefits under the May Separation Agreement included the extension of exercise period of options to acquire our common shares, until the earlier of (i) five years from the May Resignation Date; (ii) the original expiration dates of the applicable option; or (iii) the closing of the Recapitalization Transaction. In accordance with the terms of the May Separation Agreement, Mr. Maslow’s options to acquire our common shares expired as of the Closing Date of the Recapitalization Transaction. Mr. Maslow served in a consulting role for six months following the May Resignation Date at a base compensation of \$25,000 per month. As of November 6, 2022, the term of Mr. Maslow’s consultancy terminated and we did not elect to extend the term. During the nine months ended September 30, 2023 and 2022, we paid \$Nil and \$0.1 million, respectively to Mr. Maslow in relation to consulting services provided.

Effective as of November 14, 2022, Julius Kalcevich, our then Chief Financial Officer, resigned from his executive positions, including all positions with our subsidiaries and its affiliates. In connection with the resignation, on December 7, 2022 (the “Execution Date”), we executed a separation agreement (the “December Separation Agreement”), pursuant to which, Mr. Kalcevich will receive certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(g) of his employment agreement. Specifically, Mr. Kalcevich will receive total cash compensation in the amount of approximately \$1.1 million, which is payable in equal installments of approximately \$0.1 million per month over a period of 10 months following the Execution Date. As of September 30, 2023, the total balance owed to Mr. Kalcevich was \$Nil (December 31, 2022 - \$0.9 million).

Pursuant to the terms of the Secured DPA, we have a related party payable of \$6.3 million due to certain of the New Secured Lenders, including Gotham Green Fund I, L.P., Gotham Green Fund I (Q), L.P., Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Oasis Investment Master II Fund LTD., Senvest Global (KY), LP, Senvest Master Fund, LP and Hadron Healthcare and Consumer Special Opportunities Master Fund, for certain out-of-pocket costs, charges, fees, taxes and other expenses incurred by the New Secured Lenders in connection with the closing of the Recapitalization Transaction (the “Deferred Professional Fees”). Certain of these New Secured Lenders held greater than 5.0% of our outstanding common shares upon the closing of the Recapitalization Transaction and are therefore considered to be related parties. We had until December 31, 2022, to pay the Deferred Professional Fees ratably based on the amount of each New Secured Lender’s Deferred Professional Fees. The Deferred Professional Fees accrued simple interest at the rate of 12.0% from the Closing Date until December 31, 2022. Beginning with the first business day of the month following December 31, 2022, interest shall accrue on the Deferred Professional Fees at the rate of 20.0% calculated on a daily basis and is payable on the first business day of every month until the Deferred Professional Fees and accrued interest thereon is paid in full. As of September 30, 2023, the outstanding related party portion of the Deferred Professional Fees including accrued interest was \$7.7 million (December 31, 2022 – \$6.7 million). The related party balance is presented in accrued and other current liabilities on the unaudited interim condensed consolidated balance sheets.

Critical Accounting Policies and Accounting Estimates

The preparation of our unaudited interim condensed consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America and our discussion and analysis of our financial condition and operating results require our management to make judgments, assumptions and estimates that affect the amounts reported. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Our significant accounting policies and estimates are described in Note 2, “Summary of Significant Accounting Policies,” of the Notes to Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on March 30, 2023 which describes the significant accounting policies and methods used in the preparation of our consolidated financial statements.

There have been no material changes to our critical accounting policies and estimates from the date upon which we filed our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 with the SEC.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”) was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We have chosen to take advantage of the extended transition periods available to emerging growth companies under the JOBS Act for complying with new or revised accounting standards until those standards would otherwise apply to private companies provided under the JOBS Act. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates for complying with new or revised accounting standards.

Subject to certain conditions set forth in the JOBS Act, as an “emerging growth company,” we intend to rely on certain of these exemptions, including, without limitation, with respect to (i) providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, as amended, and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an “emerging growth company” until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.235 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common equity securities under an effective registration statement under the Securities Act; (iii) the date on which we have issued more than \$1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined in Rule 12b-2 of the Exchange Act.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to its management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q/A. Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that as of September 30, 2023, our disclosure controls and procedures were not effective due to material weaknesses, which could adversely affect our ability to record, process, summarize, and report financial data. Such weaknesses include: (1) our internal controls relating to financial reporting for inventory, including inventory valuation and consolidation of inventory, estimated useful lives and depreciation of long-lived assets, expense cutoff for certain subsidiaries, business combinations, impairment of long-lived assets, and debt modification and extinguishment were not effective; (2) information technology general controls related to access security were not designed and implemented for all financially relevant applications, and we did not perform reviews of relevant Service Organization Control Reports for key third party service providers; (3) we did not perform an effective risk assessment or effectively monitor internal controls over financial reporting, we did not have written documentation of internal control policies and procedures, and we lacked sufficient resources to adequately perform and monitor account reconciliation and review controls; and (4) we misclassified certain employees as contractors based on the rules and regulations of the IRS.

Material Weakness in Internal Controls Over Financial Reporting

In light of the restatement of this Amended Form 10-Q, management has reevaluated the effectiveness of certain of the Company’s internal controls over financial reporting as of September 30, 2023. Based on this reevaluation, our Chief Executive Officer and Chief Financial Officer have concluded that during the period covered by this report, certain of our disclosure controls and procedures were not effective due to a material weakness in internal controls over financial reporting, specifically as it relates to the valuation of inventory.

Our management with oversight from the Audit Committee of the Board of Directors have developed a plan to remediate these material weaknesses, which includes: (i) implementing improved processes and internal controls to ensure the proper application of accounting practices and guidance, (ii) seeking to dedicate additional accounting resources to assessing our existing internal controls, and (iii) providing additional review of high-risk areas from senior personnel in our inventory valuation models.

The elements of our remediation plan can only be accomplished over time, and we can offer no assurance that these initiatives will ultimately have the intended effects. The material weaknesses will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

(b) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. After the date of the Original Form 10-Q, our management concluded that the material weakness related to inventory and described above existed as of September 30, 2023. The measures described above to remediate the material weakness related to inventory was initiated in the first quarter of 2024, and we expect our remediation efforts will continue throughout 2024.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings. Litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. Except as set forth in this Item 1 of Part II or in Item 1 of Part I, "Financial Statements Note 11 - Contingencies and Guarantees", or in Item 3 of Part I, "Legal Proceedings", of our 2022 Annual Report on Form 10-K, as Item 1 of Part II, "Legal Proceedings", of our Quarterly Reports on Form 10-Q/A for the periods ended March 31, 2023 and June 30, 2023, we are currently not aware of any such legal proceedings or claims that will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

U.S. Hi-Med Matter

On May 19, 2020, Hi-Med LLC ("Hi-Med"), an equity holder and one of the Unsecured Lenders who held an Unsecured Debenture in the principal amount of \$5.0 million prior to the closing of the Recapitalization Transaction, filed a complaint (the "Hi-Med Complaint") with the United States District Court for the Southern District of New York (the "SDNY") against the Company and certain of the Company's current and former directors and officers and other defendants (the "Hi-Med Lawsuit"). Hi-Med is seeking damages of an unspecified amount and the full principal amount of the Unsecured Debenture against the Company, for among other things, alleged breaches of provisions of the Unsecured Debentures and the related Debenture Purchase Agreement as well as alleged violations of Federal securities laws, including Sections 10(b), 10b-5 and 20(a) of the Securities Exchange Act of 1934, as amended and common law fraud relating to 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 a default thereof. On July 9, 2020, the court issued an order consolidating the class action matter with the shareholder class action referenced below. On July 23, 2020, Hi-Med and the defendants filed a stipulation and proposed scheduling and coordination order to coordinate the pleadings for the consolidated actions. On September 4, 2020, Hi-Med filed an amended complaint (the "Hi-Med Amended Complaint"). On October 14, 2020, the SDNY issued a stipulation and scheduling and coordination order, which required that the defendants answer, move, or otherwise respond to the Hi-Med Amended Complaint no later than November 20, 2020. On November 20, 2020, the Company and certain of its current officers and directors filed a Motion to Dismiss the Hi-Med Amended Complaint. On January 8, 2021, Hi-Med filed an opposition to the Motion to Dismiss. The Company and certain of its current officers and directors' replies were filed on February 22, 2021. In a memorandum of opinion dated August 30, 2021, the SDNY granted the Company's and certain of its officers and directors' Motion to Dismiss the Hi-Med Amended Complaint. The SDNY indicated that Hi-Med may move for leave to file a proposed second amended complaint by September 30, 2021. On September 30, 2021, Hi-Med filed a motion for leave to amend the Hi-Med Amended Complaint. On October 28, 2021, the parties filed a Stipulation and Proposed Scheduling Order Regarding Hi-Med's Motion for Leave to File a second Amended Complaint (the "Stipulation"). On November 3, 2021, the SDNY so-ordered the Stipulation and Hi-Med's second Amended Complaint was deemed filed as of this date. On December 20, 2021, the Company and its current named officers and directors filed a Motion to Dismiss Hi-Med's second Amended Complaint. Hi-Med's opposition to the Company's and its current named officers and directors' Motion to Dismiss was filed on February 3, 2022. The Company and its current named officers and directors' reply to Hi-Med's opposition was filed on March 21, 2022. On September 28, 2022, the SDNY issued an opinion granting in part and denying in part the Motion to Dismiss Hi-Med's second Amended Complaint (the "Opinion"). On October 12, 2022, the parties filed a joint stipulation and proposed scheduling order (the "Joint Stipulation and Proposed Scheduling Order"), in which certain defendants indicated that they may be filing a motion seeking clarification of certain aspects of the court's Opinion. The parties proposed that the Company's answer would be due on November 21, 2022 and that the parties would submit a proposed discovery plan by December 12, 2022. The Joint Stipulation and Proposed Scheduling Order was ordered by the court on October 19, 2022. Defendants' motions seeking clarification were filed on October 24, 2022 and are currently pending before the court. On January 17, 2023, the parties submitted the matter, together with the Class Action Lawsuit referenced below, to mediation. On January 31, 2023, the parties advised the SDNY that the defendants and Hi-Med remain in ongoing settlement discussions. Accordingly, the parties requested that the SDNY suspend all further deadlines and proceedings in the Hi-Med action until February 21, 2023, to allow for continued settlement discussions between the parties, which the SDNY granted on February 7, 2023. On February 16, 2023, the parties advised the SDNY that the parties remained in ongoing settlement discussions and requested that SDNY extend the parties' deadlines further until March 21, 2023, which the SDNY granted on February 21, 2023. On March 16, 2023, the parties requested another extension of the parties' deadlines until April 11, 2023 to continue settlement discussions, which the SDNY granted on March 17, 2023. On April 6, 2023, the parties again advised the SDNY that settlement discussions remained ongoing and requested another extension of the applicable deadlines until May 2, 2023, which the SDNY granted. On April 28, 2023, another extension of the deadlines until May 16, 2023 was requested due to ongoing settlement discussions, which the SDNY granted. The parties have reached a settlement in principle and are in the process of finalizing a settlement agreement, which would fully resolve all of Hi-Med's claims. While the parties finalize the settlement agreement, all deadlines in the matter have been stayed until November 14, 2023.

Walmer Matter

On May 29, 2019, Walmer Capital Limited (“Walmer”) and Island Investments Holdings Limited (“Island”) filed a statement of claim in the Ontario Superior Court of Justice against MPX. The claim arose from the debentures (the “MPX Debentures”) issued by MPX Bioceutical Corporation (“MPX Corporation”) in May 2018, the majority of which debentures were redeemed on April 24, 2019 by MPX, a wholly-owned subsidiary of the Company and the successor entity to MPX Corporation following the MPX Acquisition. MPX withheld the redemption of approximately \$1,250,000 of the original subscription amount of the MPX Debentures as MPX was unable to confirm valid payment of such debentures (the “Disputed Debentures”). The plaintiffs’ statement of claim alleged that the plaintiffs were entitled to the Disputed Debentures and sought immediate conversion of such debentures into the Company’s common shares. In addition, the plaintiffs sought damages including, but not limited to, for breach of the Disputed Debentures and related indenture in the amount of \$111,000,000 and breach of a security subordination agreement in the amount of \$3,500,000. On July 2, 2019, Walmer, Island, Walmer’s principal, Alastair Crawford (“Crawford”), Broughton Limited (“Broughton”) and Puddles 8 Limited (“Puddles”) filed a petition in British Columbia against the Company and its then directors based on the same facts as alleged in the statement of claim filed by Walmer and Island in the Ontario Superior Court of Justice and seeking a declaration that the respondents engaged in oppressive or unfairly prejudicial conduct and resulting damages. In September 2019, the parties to the Ontario action and the British Columbia petition agreed to consolidate the two proceedings into one action that addresses all issues in the British Columbia petition and agreed to discontinue the separate proceedings. On August 23, 2019, Walmer, Island, Crawford, Broughton and Puddles filed a notice of civil claim in the Supreme Court of British Columbia against MPX, the Company and its then directors consolidating the allegations made in the previously commenced Ontario action and British Columbia petition and seeking, among other things: (i) a mandatory order compelling MPX and the Company to convert the Disputed Debentures into common shares of the Company; (ii) damages for breach of the Disputed Debentures (and indentures) and breach of fiduciary obligations in the amount of \$111,000,000; (iii) damages for breach of a security subordination agreement in the amount of \$3,500,000; (iv) damages for breach of a consultancy agreement in the amount of \$440,000 plus \$150,000 plus certain warrants; and (v) damages for breach of the duty of good faith in the amount of \$1,000,000. On October 31, 2019, the Company and MPX served the plaintiffs with a response and counterclaim. On December 3, 2019, the plaintiffs served (i) a notice of application seeking an order to strike the Company’s and MPX’s counterclaim against Timothy Childs, Island’s principal, in his personal capacity, on the basis that it alleges no cause of action against him and (ii) a notice of application for summary judgment. On February 11, 2020, the Company’s directors filed a defense to the plaintiffs’ claim with the Supreme Court of British Columbia. On August 22, 2023, Walmer, Island, Broughton, Crawford and Puddles filed a Notice of Intention to Proceed with their claim.

Claim by Former Financial Advisor

On April 5, 2023, Canaccord Genuity Corp. (“Canaccord”) filed a Statement of Claim against ICH in the Ontario Superior Court of Justice pursuant to an engagement letter (as amended, the “Engagement Letter”) entered into by and between Canaccord and ICH. Specifically, Canaccord alleges that it is owed a cash fee equal to \$2,236,000 (the “Alleged Fee”) pursuant to the Engagement Letter as a result of the closing of the Recapitalization Transaction. ICH filed its Statement of Defense on May 17, 2023 in which, ICH disputes that it owes the Alleged Fee on the basis that the Recapitalization Transaction closed outside of the tail period of the Engagement Letter, which expired on November 4, 2021. ICH also filed a counterclaim against Canaccord, seeking the repayment of a \$250,000 payment mistakenly made by ICH towards the Alleged Fee in October 2022. On November 3, 2023, Canaccord filed a Motion for Summary Judgment, requesting that the court grant Canaccord’s claim for the Alleged Fee. ICH is reviewing Canaccord’s Motion for Summary Judgment and will file an opposition in due course.

ITEM 1A. RISK FACTORS.

Risk factors that affect our business and financial results are discussed in Part I, Item 1A “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2022 (“Annual Report”). In light of the restatement of this Amended Form 10-Q, the Company has updated a risk factor relating to maintaining internal controls over financial reporting as listed below. Other than this change, there have been no material changes in the risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in our Reports, which could materially affect our business, financial condition or future results. The risks described in our Reports are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

Failure to maintain effective internal control over our financial reporting in accordance with Section 404 of Sarbanes-Oxley could cause our financial reports to be inaccurate.

We are required pursuant to Section 404 of Sarbanes-Oxley Act to maintain internal control over financial reporting and to assess and report on the effectiveness of those controls. This assessment includes disclosure of any material weaknesses identified by our

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management in our internal control over financial reporting. Although we prepare our financial statements in accordance with accounting principles generally accepted in the United States, our internal accounting controls may not meet all standards applicable to companies with publicly traded securities. If we fail to implement any required improvements to our disclosure controls and procedures, we may be obligated to report control deficiencies, in which case we could become subject to regulatory sanction or investigation. Further, such an outcome could damage investor confidence in the accuracy and reliability of our financial statements.

Our management has concluded that our internal controls over financial reporting were, and continue to be, ineffective, and as the three and nine months ended September 30, 2023, as a result of a material weakness in our internal controls, which could adversely affect our ability to record, process, summarize, and report financial data. Such weaknesses include: (1) Our internal controls relating to financial reporting for inventory, including inventory valuation and consolidation of inventory, estimated useful lives and depreciation of long-lived assets, expense cutoff for certain subsidiaries, business combinations, impairment of long-lived assets, and debt modification and extinguishment was not designed and maintained (2) Information technology general controls related to access security were not designed and implemented for all financially relevant applications during the audit period. Additionally, we did not perform reviews of relevant Service Organization Control Reports for key third party service providers (3) We did not perform an effective risk assessment or monitor internal controls over financial reporting. We did not have written documentation of internal control policies and procedures. We lacked sufficient resources to adequately perform and monitor account reconciliation and review controls (4) We misclassified certain employees as contractors based on the rules and regulations of the IRS. While management is working to remediate the material weakness, there is no assurance that such changes, when economically feasible and sustainable, will remediate the identified material weaknesses or that the controls will prevent or detect future material weaknesses. If we are not able to maintain effective internal control over financial reporting, our financial statements, including related disclosures, may be inaccurate, which could have a material adverse effect on our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No.	Description
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes- Oxley Act of 2002
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes- Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File—the cover page from the Registrant’s Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2023 is formatted in Inline XBRL

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IANTHUS CAPITAL HOLDINGS, INC.

Date: February 23, 2024

By: /s/ Richard Proud

Richard Proud
Chief Executive Officer
(Principal Executive Officer)

Date: February 23, 2024

By: /s/ Philippe Faraut

Philippe Faraut
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Certification of Chief Executive Officer of iAnthus Capital Holdings, Inc.
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Richard Proud, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of iAnthus Capital Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2024

/s/ Richard Proud

Richard Proud
Chief Executive Officer
(Principal Executive Officer)

**Certification of Chief Financial Officer of iAnthus Capital Holdings, Inc.
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Philippe Faraut, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of iAnthus Capital Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2024

/s/ Philippe Faraut

Philippe Faraut
Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Richard Proud, Chief Executive Officer of iAnthus Capital Holdings, Inc. (the "Company"), hereby certifies that based on the undersigned's knowledge:

1. The Company's Quarterly Report on Form 10-Q/A for the period ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2024

/s/ Richard Proud

Richard Proud
Chief Executive Officer
(Principal Executive Officer)

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Philippe Faraut, Chief Financial Officer of iAnthus Capital Holdings, Inc. (the "Company"), hereby certifies that based on the undersigned's knowledge:

1. The Company's Quarterly Report on Form 10-Q/A for the period ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2024

/s/ Philippe Faraut _____

Philippe Faraut
Chief Financial Officer
(Principal Financial and Accounting Officer)
