

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities in those jurisdictions.

The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act) (the “United States”), and may not be offered or sold within the United States, except as permitted by the Underwriting Agreement (as defined herein) and in transactions exempt from registration under the U.S. Securities Act and applicable U.S. state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to, or for the account or benefit of, U.S. persons.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of iAnthus Capital Holdings, Inc., Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9, Telephone: 212-479-2572, and are also available electronically at [www.sedar.com](http://www.sedar.com).



## SHORT FORM PROSPECTUS

New Issue

November 14, 2016

### **IANTHUS CAPITAL HOLDINGS, INC.** (Formerly known as Genarca Holdings Ltd.)

**\$20,002,500**  
**9,525,000 Units**

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**Price: \$2.10 per Unit**

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This short form prospectus (the “**Prospectus**”) qualifies the distribution of 9,525,000 units (the “**Units**”) of iAnthus Capital Holdings, Inc. (“**iAnthus**” or the “**Company**”) at a price of \$2.10 per Unit (the “**Offering Price**”) for total gross proceeds of \$20,002,500 (the “**Offering**”). Each Unit consists of one common share of the Company (each a “**Unit Share**”) and one-half of one common share purchase warrant (each whole common share purchase warrant, a “**Warrant**”). Each Warrant entitles the holder to purchase one common share of the Company (a “**Warrant Share**”) at an exercise price of \$3.00 per Warrant Share for a period of one year from the Closing Date (as hereinafter defined), subject to adjustment in certain events. In the event that the volume weighted average closing price of the issued and outstanding common shares of the Company (the “**Common Shares**”) on the Canadian Securities Exchange (the “**CSE**”) (or if the Common Shares are no longer traded on the CSE, on any other recognized stock exchange on which the Common Shares are listed or quoted) is greater than \$4.00 per Common Share for a period of 15 consecutive trading days at any time after the Closing Date, the Company may accelerate the expiry date of the Warrants by giving notice to the holders of the Warrants by way of a press release, and in such case, the Warrants will expire on the 30<sup>th</sup> day after the date on which such notice is provided by the Company. Except for the Warrants issued under the Concurrent Private Placement (as hereinafter defined), the Warrants will be

governed by a warrant indenture to be entered into on the Closing Date between the Company and Computershare Trust Company of Canada, as warrant agent. The Unit Shares and the Warrants are immediately separable and will be issued separately. See “Description of Securities Being Distributed”.

The Company has entered into an underwriting agreement (the “**Underwriting Agreement**”) dated as of October 27, 2016 with Canaccord Genuity Corp., as lead underwriter and sole bookrunner (the “**Lead Underwriter**”), and Beacon Securities Limited (together with the Lead Underwriter, the “**Underwriters**”). The Offering Price was determined by negotiation between the Company and the Lead Underwriter, on its own behalf and on behalf of the Underwriters, with reference to the prevailing market price of the Common Shares.

The Common Shares are traded on the CSE under the symbol “IAN”. On October 27, 2016, the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the CSE was \$3.00 per Common Share. On November 11, 2016, the last trading day before the date of this Prospectus, the closing price of the Common Shares on the CSE was \$3.55 per Common Share. The CSE has conditionally approved the listing of the Unit Shares and Warrant Shares to be distributed under this Prospectus. Listing will be subject to the Company fulfilling all of the requirements of the CSE.

**There is currently no market through which the Warrants may be sold and purchasers may not be able to resell securities purchased under the Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors”.**

	<b>Price to the Public</b>	<b>Underwriting Fee<sup>(1)</sup></b>	<b>Net Proceeds to the Company<sup>(3)</sup></b>
Per Unit	\$2.10	\$0.147	\$1.953
<b>Total</b>	<b>\$20,002,500</b>	<b>\$1,382,182<sup>(2)</sup></b>	<b>\$18,620,317</b>

Notes:

- (1) Pursuant to the Underwriting Agreement, the Company has agreed to pay to the Underwriters a cash fee equal to 7% of Offering Price per Unit (the “**Underwriting Fee**”). The Underwriting Fee shall be reduced from 7% to 3.5% of the Offering Price per Unit in respect of Units to be issued and sold to purchasers identified by the Company on a president’s list.
- (2) Assuming 244,800 Units are sold under the president’s list.
- (3) After deducting the Underwriting Fee, but before deducting the expenses of the Offering and the Concurrent Private Placement, which are estimated to be \$260,000, which, together with the Underwriting Fee, will be paid out of the gross proceeds of the Offering.

The following table sets out the number of Units or other compensation securities, if any, that have been issued or may be issued by the Company to the Underwriters:

<b>Underwriters’ Position</b>	<b>Maximum Size or Number of Securities Available</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Compensation Warrants <sup>(1)</sup>	658,182 Units <sup>(2)</sup>	Exercisable for a period of 24 months following the Closing Date	\$2.10 per Unit

Notes:

- (1) In addition to the Underwriting Fee, pursuant to the Underwriting Agreement the Underwriters will be granted compensation warrants (the “**Compensation Warrants**”) exercisable to acquire, within two years of the Closing Date, such number of Units (each comprised of one Common Share and one-half of one Warrant) as is equal to 7% of the number of Units sold under the Offering, at an exercise price per Unit equal to the Offering Price. The number of Compensation Warrants shall be reduced from 7% to 3.5% of the Units issued and sold to purchasers identified by the Company on a president’s list. See “Plan of Distribution”. This Prospectus qualifies the grant of the Compensation Warrants to the Underwriters. See “Plan of Distribution”.
- (2) Assuming 244,800 Units are sold under the president’s list.

Subscriptions for the Units will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about November 18, 2016, or such other date as may be agreed upon by the Company and the Underwriters, but in any event not later than 42 days after the date of the receipt of the (final) short form prospectus (the “**Closing Date**”).

Except for the Unit Shares and the Warrants comprising the Units issued under the Concurrent Private Placement, it is anticipated that the Unit Shares and the Warrants comprising the Units will be delivered under the book-based system through CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee and deposited in electronic form. A purchaser of Units will receive only a customer confirmation from the Underwriters or another registered dealer from or through which the Units are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system. No definitive certificates will be issued unless specifically requested or required. Definitive certificates will be issued for the Unit Shares and the Warrants comprising the Units issued under the Concurrent Private Placement. See “Plan of Distribution”.

**An investment in the Units involves a high degree of risk. Prospective purchasers should consider the risk factors described under “Risk Factors” in this Prospectus and in the Company’s Non-Offering Prospectus (as defined herein), which can be found on SEDAR at [www.sedar.com](http://www.sedar.com), before purchasing the Units.**

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution”, subject to the approval of certain legal matters on behalf of the Company by McMillan LLP, and on behalf of the Underwriters by DLA Piper (Canada) LLP.

In addition to the Offering, the Company will enter into subscription agreements (the “**Subscription Agreements**”) on or prior to the Closing Date pursuant to which certain U.S. purchasers will agree to purchase, on a non-brokered, private placement basis pursuant to exemptions from the prospectus requirements under applicable securities laws, an aggregate of up to 725,200 Units at the Offering Price, concurrent with the closing of the Offering (the “**Concurrent Private Placement**”). No commission or other fee will be paid to the Underwriters in connection with the Concurrent Private Placement. This Prospectus does not qualify the distribution of any securities issued pursuant to the Concurrent Private Placement and the Underwriters are not involved, directly or indirectly, in the issuance, offer and sale of the Units being distributed pursuant to the Concurrent Private Placement. The anticipated net proceeds from the Offering and the Concurrent Private Placement (before payment of the expenses of the Offering and the Concurrent Private Placement, other than the Underwriters’ Fee) will be \$20,196,540. The closing of the Concurrent Private Placement is subject to acceptance by the CSE.

Prospective purchasers should rely only on the information contained or incorporated by reference in this Prospectus. The Company and the Underwriters have not authorized anyone to provide prospective purchasers with information different from that contained or incorporated by reference in this Prospectus. The Underwriters are offering to sell and seeking offers to buy the Units only in jurisdictions where, and to persons to whom, offers and sales are lawfully permitted. Readers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus.

**Prospective purchasers are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Units, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires the Units.**

Two of the persons providing a certificate under Part 5 of National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators, are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside Canada. The individuals, Hadley Ford and Randy Maslow, have appointed Baron Global Financial Ltd. of Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9, as their respective agent for service of process in British Columbia.

Purchasers are advised that it may not be possible for purchasers to enforce judgments obtained in Canada against any person who resides outside of Canada, even if the party has appointed an agent for service of process.

Unless otherwise noted, all currency amounts in this Prospectus are stated in Canadian dollars.

The Company's head office is located at Suite 300, 420 Lexington Avenue, New York, New York, 10170, United States of America. The Company's registered office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada.

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## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated herein by reference contain certain statements that are forward-looking statements or information (collectively “**forward-looking statements**”). Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “may”, “is expected to”, “anticipates”, “estimates”, “intends”, “plans”, “projection”, “could”, “vision”, “goals”, “objective” and “outlook”) are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

In particular, this Prospectus contains forward-looking statements relating to:

- the Company’s expectations with respect to pursuing new opportunities and its future growth;
- the use by the Company of the net proceeds of the Offering and the Concurrent Private Placement;
- the terms of the Offering (including the manner of distribution) and the Concurrent Private Placement;
- the listing of the Unit Shares and Warrant Shares on the CSE;
- the Company’s expectations with respect to its working capital requirements and financial obligations; and
- the anticipated Closing Date.

These forward-looking statements are necessarily based on a number of factors and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. With respect to the forward-looking statements, the Company has made assumptions, which may prove to be incorrect, regarding, among other things:

- the timely receipt of any required regulatory approvals;
- the ability of the Company to generate cash flow from operations and necessary financing on acceptable terms;
- government regulation of the Company’s activities remain the same;
- consumer perception of the medical-use and adult-use marijuana industry continues to affect the market price of marijuana-related products;
- general economic, financial market, regulatory and political conditions in which the Company operates remain the same;
- the impact of increasing competition on the Company;
- anticipated and unanticipated costs;
- the ability of the Company to obtain qualified staff and services in a timely and cost efficient manner;
- the ability of the Company to enter contracts with target companies; and
- the Company’s ability to maintain adequate internal control over financial reporting and disclosure controls and procedures.

This list is not exhaustive of the factors that may affect any of forward-looking statements or information of the Company. Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management of the Company to predict all such factors and to assess in advance the impact of each such factor on the business of the Company 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 statement. See “Risk Factors”.

## EXCHANGE RATE DATA

The Company publishes its consolidated financial statements in US dollars. In this Prospectus, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars and references to “CDN\$” or “\$” are to Canadian dollars and references to “US\$” are to U.S. dollars.

The following table sets forth certain exchange rates based on the noon rate as reported by the Bank of Canada. Such rates are set forth as U.S. dollars per CDN\$1.00 and are the inverse of noon rates quoted by the Bank of Canada for Canadian dollars per US\$1.00. On November 10, 2016, the inverse of the noon rate reported by the Bank of Canada was US\$1.3475 per CDN\$1.00.

	Six Months Ended June 30,		Year Ended December 31,		
	2016	2015	2015	2014	2013
High.....	0.7972	0.8527	0.8527	0.9422	1.0164
Low.....	0.6854	0.7811	0.7148	0.8589	0.9348
Average <sup>(1)</sup> .....	0.7518	0.8095	0.7820	0.9054	0.9710
Period end.....	0.7687	0.8017	0.7225	0.8620	0.9402

Notes:

(1) The average of the exchange rates on the last day of each month during the applicable period.

## FINANCIAL INFORMATION

The Company prepares its financial statements, which are incorporated by reference into this Prospectus, in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. Accordingly, the Company’s financial statements are not comparable to financial statements of United States companies.

## GENERAL MATTERS

Prospective purchasers should rely only on information contained or incorporated by reference in this Prospectus. Neither the Company nor the Underwriters have authorized any other person to provide prospective purchasers with different information. If a prospective purchaser is provided with different or inconsistent information, the prospective purchaser should not rely on such information. The information contained on the Company’s website is not intended to be included in or incorporated by reference into this Prospectus and

prospective investor should not rely on such information when deciding whether or not to invest in the Units. Neither the Company nor the Underwriters are making an offer to sell in any jurisdiction where the offer or sale is not permitted.

Unless the context otherwise requires, any references in this Prospectus to the “Company” or “iAnthus” refer to iAnthus Capital Holdings, Inc. and its subsidiaries.

## ELIGIBILITY FOR INVESTMENT

In the opinion of McMillan LLP, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Underwriters, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the “**Tax Act**”) and any proposal to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, as of the date hereof, the Unit Shares, Warrants and Warrant Shares, if issued on the date hereof, would be “qualified investments” under the Tax Act for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (“**TFSAs**”), all as defined in the Tax Act (collectively “**Deferred Income Plans**”), provided that (i) the Common Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE), and (ii) in the case of the Warrants, neither the Company, nor any person with whom the Company does not deal at arm’s length for the purposes of the Tax Act, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the particular Deferred Income Plan.

Notwithstanding that a Unit Share, Warrant or Warrant Share may be a qualified investment for an RRSP, RRIF or TFSA as discussed above, if the Unit Share, Warrant or Warrant Share is a “prohibited investment” for the purposes of the Tax Act, the holder of a TFSA or the annuitant under an RRSP or RRIF which holds such Unit Share, Warrant or Warrant Share will be subject to penalty taxes as set out in the Tax Act. The Unit Share, Warrant or Warrant Share will be a prohibited investment for a RRSP, RRIF or TFSA if the annuitant or holder, as the case may be, does not deal at arm’s length with the Company for the purposes of the Tax Act or has a “significant interest” (as defined in the Tax Act for purposes of the prohibited investment rules) in the Company. However, a Unit Share or Warrant Share will not be a “prohibited investment” if such securities are “excluded property” (as defined in the Tax Act for purposes of the prohibited investment rules) for trusts governed by such RRSP, RRIF or TFSA.

**Purchasers who intend to hold Unit Shares, Warrants or Warrant Shares in their RRSP, RRIF or TFSA, should consult their own tax advisors in regard to the application of these rules in their particular circumstances.**

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commission or similar regulatory authority in each of the provinces of Canada, other than Québec, are available at [www.sedar.com](http://www.sedar.com) and are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- the following sections of the Company’s final long form non-offering prospectus dated August 12, 2016 (the “**Non-Offering Prospectus**”) prepared in connection with the Company’s application to become a reporting issuer:
  - “Glossary of Terms”, at pages 2-7;
  - “Information Concerning BC Co.” at pages 12-17;
  - “Information Concerning iAnthus” at pages 18-45;

- “Information Concerning the Resulting Issuer” at pages 45-64;
- “Risk Factors” at pages 65-74;
- “Promoters” at page 74;
- “Legal Proceedings and Regulatory Actions” at page 74;
- “Interest of Management and Others in Material Transactions” at page 75;
- “Material Contracts” at page 75;
- “iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.) Audited Financial Statements for years ended December 31, 2015 and 2014” at Appendix A;
- “iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.) Audited Financial Statements for years ended December 31, 2014 and the period from incorporation on November 15, 2013 to December 31, 2013” at Appendix A;
- “iAnthus Capital Holdings, Inc. (formerly Genarca Holdings Ltd.) Management’s Discussion and Analysis for the Years ended December 31, 2015 and 2014” at Appendix A1;
- “iAnthus Capital Management, LLC Audited Financial Statements at December 31, 2015 and 2014 and Unaudited Interim Financial Statements at March 31, 2016” at Appendix B;
- “iAnthus Capital Management, LLC Management’s Discussion and Analysis for the years ended December 31, 2015 and 2014” at Appendix B1;
- “iAnthus Capital Management, LLC Management’s Discussion and Analysis for the period ended March 31, 2016” at Appendix B2;
- “iAnthus Transfer Corp. Audited Financial Statements at December 31, 2015 and 2014 and Unaudited Interim Financial Statements at March 31, 2016” at Appendix C;
- “iAnthus Transfer Corp. Management’s Discussion and Analysis for the years ended December 31, 2015 and 2014” at Appendix C1;
- “iAnthus Transfer Corp. Management’s Discussion and Analysis for the period ended March 31, 2016” at Appendix C2;
- “iAnthus Formation Corp. Audited Financial Statements at December 31, 2015 and 2014 and Unaudited Interim Financial Statements at March 31, 2016” at Appendix D;
- “iAnthus Formation Corp. Management’s Discussion and Analysis for the years ended December 31, 2015 and 2014” at Appendix D1;
- “iAnthus Formation Corp. Management’s Discussion and Analysis for the period ended March 31, 2016” at Appendix D2;
- “Resulting Issuer and Pro Forma Financial Statements as at March 31, 2016” at Appendix E;
- “Share Exchange Agreement” at Appendix F;
- “Stock Option Plan” at Appendix G; and

- “Audit Committee Charter” at Appendix H;
- the audited consolidated financial statements of the Company, and the notes thereto, for the year ended December 31, 2015 and 2014, together with the auditors’ report thereon;
- management’s discussion and analysis of financial condition and result of operations of the Company for the year ended December 31, 2015;
- the unaudited amended condensed interim consolidated financial statements of the Company, and the notes thereto, for the six months ended June 30, 2016 and 2015;
- management’s discussion and analysis of financial condition and results of operations of the Company for the three and six months ended June 30, 2016;
- the unaudited interim financial statements for the Company’s subsidiary, iAnthus Capital Management, LLC, and the notes thereto, for the three and six months ended June 30, 2016 and 2015;
- the material change report of the Company dated October 27, 2016 with respect to the announcement of the Offering;
- the material change report of the Company dated October 28, 2016 with respect to the amendment of the terms of the Offering; and
- a template version of the term sheet in respect of the Offering dated October 27, 2016 and the revised term sheet in respect of the Offering dated October 28, 2016 (together, the “**Marketing Materials**”).

Any documents of the type required by Item 11.1 of Form 44-101F1 – *Short Form Prospectus*, filed by the Company with a securities commission or similar regulatory authority in any of the provinces or territories of Canada pursuant to the requirements of applicable securities legislation after the date of this Prospectus and prior to the termination of the distribution of this Offering shall be deemed to be incorporated by reference into this Prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this Prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the statement or document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this Prospectus.**

## **MARKETING MATERIALS**

Neither the Marketing Materials, nor any “template version” of any other “marketing materials” (as such terms are defined in National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators) that are utilized by the Underwriters in connection with the Offering, are part of this Prospectus to the extent that the contents of the Marketing Materials or other marketing materials, as the case may be, have been modified or superseded by a statement contained in this Prospectus or any amendment.

In addition, any template version of any marketing materials that is filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) with the securities commission or similar authority in each of the provinces of Canada, except Québec, in connection with the Offering after the date of this Prospectus and before the termination of the distribution of the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this Prospectus.

## DESCRIPTION OF THE BUSINESS

### Name, Address and Incorporation

The Company was incorporated under the name "Genarca Holdings Ltd." under the *Business Corporations Act* (British Columbia) on November 15, 2013. The Company changed its name to iAnthus Capital Holdings, Inc. on August 4, 2016. The Company's head office is located at Suite 300, 420 Lexington Avenue, New York, New York, 10170, United States of America. The Company's registered office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada.

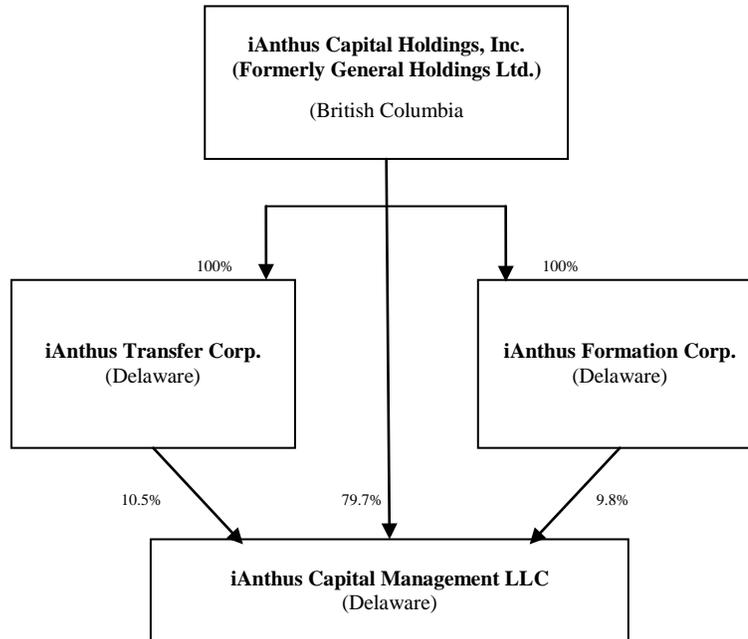
The Common Shares of the Company are listed on the CSE under the trading symbol "IAN".

### Inter-corporate Relationships

The Company currently owns 100%, directly and/or indirectly, of the issued and outstanding shares of three subsidiaries: (i) iAnthus Capital Management, LLC ("**iAnthus Capital**"); (ii) iAnthus Transfer Corp. ("**iAnthus Transfer**"); and (iii) iAnthus Formation Corp. ("**iAnthus Formation**"). The three subsidiaries were acquired by the Company pursuant to a reverse take-over transaction with the founding member of iAnthus Capital, the shareholders of iAnthus Transfer and the shareholders of iAnthus Formation that completed on August 12, 2016 (the "**Transaction**").

In connection with the Transaction, the Company issued from treasury, at the time of closing, an aggregate of (i) 11,255,000 Class A restricted voting convertible shares to certain sellers, and (ii) 5,083,065 Common Shares in consideration for the purchase of 100% of the iAnthus Purchased Membership Interests (as defined in the Non-Offering Prospectus) and all of the Purchased Shares (as defined in the Non-Offering Prospectus). See "The Transaction" in the Non-Offering Prospectus.

The diagram below describes the inter-corporate relationships of Company:



### Business of the Company

The Company, through its wholly owned subsidiary, iAnthus Capital, delivers a comprehensive solution for financing and managing licensed cannabis cultivators, processors and dispensaries throughout the United States. The Company generates returns from any or all of the revenue sources below:

- interest income from debt financing structures;
- dividend income (or other profit distributions) and capital appreciation from equity investments; and
- management and advisory fees from management service contracts with certain license holders to which the Company, directly or indirectly, will provide debt or equity financing.

See “Information Concerning the Resulting Issuer – Narrative Description of the Business” of the Non-Offering Prospectus.

### *iAnthus’ Projects*

The Company continually investigates license applicants and current license holders for the opportunity to provide capital and management services in the most favourable U.S. regulated medical cannabis markets. The following are two projects, among other projects, that the Company is currently involved with:

### ***Mayflower Medicinals, Inc.***

On July 1, 2016, the Company entered into a loan agreement (the “**Mayflower Loan Agreement**”) with Mayflower Medicinals, Inc. (“**Mayflower**”), a non-profit healthcare organization dedicated to providing medical cannabis products and services in a safe, secure and professionally managed environment. As of the date hereof, the Company has loaned US\$1,636,048 in support of the license application process and the securing of compliant real estate and local approval. The Mayflower Loan Agreement is currently evidenced by a promissory note from Mayflower to the Company. The loan bears interest rate of 16%, calculated daily and payable on a quarterly basis, starting one year after Mayflower commences sales of products to its patients (the “**First Payment Date**”). The maturity date is seven years after the First Payment Date. The Mayflower Loan Agreement is considered a related

party transaction because Randy Maslow and John Henderson, officers of the Company, serve as board members of Mayflower.

Mayflower is a green field investment currently in the design and construction phase, and there is no current operational data available. The Company anticipates that Mayflower will ultimately operate out of four locations – one cultivation and manufacturing facility totaling 36,000 square feet, and three retail locations. The cultivation and manufacturing facility is to be located in Holliston, Massachusetts. As of the date hereof, construction of the cultivation and manufacturing facility has begun. The Company expects that there will be a total of 24,505 square feet dedicated to cultivation, with the remaining square footage of the building dedicated to manufacturing marijuana infused products and marijuana concentrates, such as vaporizer pen cartridges.

Mayflower has applied for three medical cannabis licenses in the Commonwealth of Massachusetts and has been approved for two of such licenses to date. As of the date hereof, the locations for the two approved retail licenses are in Boston and Gloucester, Massachusetts. Mayflower is currently pursuing a location for the third licensed location.

Mayflower has granted the Company an exclusive right to negotiate a licensing, management services and financing agreement with Mayflower to provide capital financing, certain intellectual property licensing, real estate, equipment leasing and certain management services. The Company and a strategic partner will form a separate, limited liability company to provide such services to Mayflower (the “**Management Entity**”). The terms and fees related to such services and required capital expenditures are currently being negotiated between the management teams of Mayflower and the Company. The Company anticipates that the parties will enter into a definitive agreement once Mayflower has secured its third medical cannabis license, which the Company expects to occur in April 2017. It is currently anticipated that the Company’s ownership in the Management Entity will consist of approximately 79% of the Management Entity’s equity and will take the form of preferred equity. The remaining 21% of the Management Entity’s equity will be divided between the Company’s strategic partner and Mayflower. The Company anticipates that it will be entitled to nominate the majority of the directors serving on the Board of Directors of the Management Entity.

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

In January 2016, the Company entered into a loan agreement with Reynold Greenleaf & Associates, LLC (“**RGA**”). As of September 30, 2016, the Company loaned an aggregate of US\$2,270,000 to RGA. The loan bore an interest at a rate of 20% and was convertible into Class A-1 units of RGA. RGA is authorized to issue three classes of membership units: Class A-1 units, Class A-2 units and Class B units. As of the date hereof, only Class A-1 units and Class A-2 units are issued and outstanding; no Class B units have been issued. Holders of Class A-1 units are entitled to appoint two of the seven company managers. Holders of Class A-2 units are entitled to appoint five of the seven company managers. Until the holders of Class A-1 units receive cumulative distributions of 110% of their cumulative capital contributions, the distribution of the profits will be as follows: (i) 70% of the profits will be allocated to holders of Class A-1 units (based on their respective *pro rata* ownership of Class A-1 units); and (ii) 30% to the holders of Class A-2 units and Class B units (based on their respective *pro rata* ownership of Class A-2 units and Class B units, as applicable). Thereafter, the profits will be distributed to all holders of units on a *pro rata* basis. On October 12, 2016, the Company converted the principal amount outstanding under the loan and the interest thereon into 229,774 Class A-1 units of RGA. The Company currently has an approximately 29.5% ownership interest in RGA. The loan agreement was considered a related party transaction because the founder and Chief Executive Officer of RGA, Willie Ford, is a shareholder of the Company and is the brother of Hadley Ford, Chief Executive Officer of the Company.

RGA was formed on April 2, 2014 for the primary purpose of serving as: (i) a branding, marketing and consulting company that will license and/or sublicense certain technology and product names, (ii) a holding company for acquiring, leasing, and/or managing real estate, fixtures and equipment, and (iii) an entity that enters into financial transactions to support operating companies. RGA currently manages three cultivation operations totaling 13,200 square feet and four dispensary locations in Albuquerque, New Mexico. Working with the Company, RGA is currently instituting an expansion of its cultivation facilities and dispensaries, as well as developing a production strategy to provide value-added marijuana-infused products for its license holders and others in the State

of New Mexico. See “Information Concerning iAnthus - Narrative Description of the Business – iAnthus’ Projects – New Mexico” of the Non-Offering Prospectus for the description of the business and history of RGA.

For a complete summary of the Company’s projects, see “Information Concerning iAnthus - Narrative Description of the Business – iAnthus’ Projects” of the Non-Offering Prospectus.

### **Recent Developments**

On August 12, 2016, the Company filed the Non-Offering Prospectus concurrently with completing the Transaction. As a result, the Company became a reporting issuer in the Province of British Columbia.

On August 12, 2016, the Company had working capital of \$4.5 million. As of the date hereof, \$2,078,048 of such working capital has been utilized as follows: (i) \$1,921,152 towards project investments; (ii) \$150,000 towards the cost of the Transaction; and (iii) \$435,000 towards selling, general and administrative expenses.

On August 16, 2016, the Company appointed Paul Rosen and Richard Boxer, MD, to the Board of Directors of the Company.

On September 7, 2016, the Common Shares began trading on the CSE. In connection with such stock exchange listing, iAnthus became a reporting issuer in Ontario.

On September 15, 2016, the Company retained Integral Capital Markets, a division of Integral Wealth Securities Limited (“**Integral**”), to provide market-making services in accordance with CSE policies. Integral assists with the trading of the Common Shares of the Company on the CSE for the purposes of maintaining an orderly market and improving the liquidity of the Common Shares.

On October 13, 2016, the Company converted an existing US\$2,270,00 million loan into preferred equity of RGA

On October 24, 2016, Julius Kalcevich was appointed as Chief Financial Officer and Corporate Secretary of the Company, replacing the former Chief Financial Officer and Corporate Secretary, Savio Chiu.

### **DIVIDENDS**

The Company has not declared or paid dividends since incorporation and has no present intention to declare or pay any dividends in the foreseeable future. Any decision to declare or pay dividends will be made by the Company’s board of directors (the “**Board of Directors**”) based upon the Company’s earnings, capital requirements and other conditions existing as such future time.

### **CONSOLIDATED CAPITALIZATION**

There have been no material changes to the Company’s share and loan capitalization on a consolidated basis since June 30, 2016 except the following:

- (a) On August 12, 2016, the Company issued 5,083,065 Common Shares and 11,255,000 Class A restricted voting convertible shares of the Company (the “**Class A Shares**”) in connection with the Transaction.
- (b) On September 9, 2016, the Company granted 273,000 stock options to consultants, employees and members of the Company’s Advisory Board, exercisable at \$1.50 per Common Share, which are subject to certain vesting periods.

- (c) On September 21, 2016, the Company issued 15,956 Common Shares for the payment of interest in the amount of US\$19,945.20 pursuant to a convertible promissory note purchase agreement entered on February 10, 2016 between the Company and a holder of US\$500,000 of convertible promissory notes.
- (d) On September 30, 2016, the Company granted 65,000 stock options to consultants and directors of the Company, exercisable at \$1.76 per Common Share. 15,000 stock options vest at a rate of 10% on September 30, 2016, and 11.25% quarterly thereafter and 50,000 stock options vest at a rate of 25% quarterly.

The following table sets forth the consolidated capitalization of the Company as at the dates indicated, adjusted to give effect to the Offering, the Concurrent Private Placement and the above noted changes, on the share and loan capital of the Company since June 30, 2016, the date of the Company's most recently filed financial statements. This table should be read in conjunction with the consolidated financial statements of the Company and the related notes and management's discussion and analysis of financial condition and results of operations in respect of those statements that are incorporated by reference in this Prospectus.

	<b>As at June 30, 2016 before giving effect to the Offering, the Concurrent Private Placement and the above noted changes</b>	<b>As at June 30, 2016 after giving effect to the Transaction but before giving effect to the Offering, the Concurrent Private Placement and the above noted changes</b>	<b>As at June 30, 2016 after giving effect to the Offering, the Concurrent Private Placement and above noted changes<sup>(1)</sup></b>
Common Shares	600,001 Common Shares	5,683,066 Common Shares <sup>(2)</sup>	15,949,222 Common Shares <sup>(2)</sup>
Class A Shares <sup>(3)</sup>	Nil	11,255,000 Class A Shares	11,255,000 Class A Shares
Compensation Warrants	Nil	Nil	658,182 Compensation Warrants <sup>(4)</sup>
Stock Options	Nil	1,350,000 Stock Options <sup>(5)</sup>	1,688,000 Stock Options <sup>(5)</sup>
Warrants	Nil	325,758 Warrants <sup>(6)</sup>	5,450,858 Warrants <sup>(6)</sup>
Convertible Notes	Nil	1,006,174 Common Shares <sup>(7)</sup>	1,006,174 Common Shares <sup>(7)</sup>
<b>Fully diluted issued and outstanding</b>	<b>600,001</b>	<b>19,619,998</b>	<b>36,336,527</b>

Notes:

- (1) Assuming 725,200 Units are issued and sold by the Company pursuant to the Concurrent Private Placement.
- (2) 7,500,282 Common Shares are held in escrow pursuant to the escrow agreement dated August 12, 2016 among the Company, Computershare Investor Services Inc. and certain shareholders. See "Information Concerning the Resulting Issuer - The CSE Escrow Shares" of the Non-Offering Prospectus.
- (3) For a description of the rights associated with the Class A restricted voting convertible shares, see: "Part 1 – Information Concerning BC Co – The Transaction – Class A Shares" in the Non-Offering Prospectus.
- (4) Assuming 244,800 Units are sold under the president's list.
- (5) On November 23, 2015, the Company issued 387,500 options that are exercisable into Class A Shares at an exercise price of US\$1.00 per Class A Share and with an expiry date of November 23, 2025. On April 19, 2016, 12,500 of these options were cancelled. On March 7, 2016, the Company issued 165,000 options that are exercisable into Class A Shares at an exercise price of US\$1.25 per Class A Share and with an expiry date of March 7, 2026. On April 19, 2016, the Company issued 100,000 options that are exercisable into Class A Shares at US\$1.25 per Class A Share and with an expiry date of April 19, 2026. On May 1, 2016, the Company issued 50,000 options that are exercisable into Class A Shares at an exercise price of US\$1.25 per Class A Share and with an expiry date of May 1, 2026. On May 11, 2016, the Company issued 360,000 options that are exercisable into Class A Shares at an exercise price of US\$1.25 per Class A Share and with an expiry date of May 11, 2026. On May 17, 2016, the Company issued 200,000 options that are exercisable into Class A Shares at an exercise price of US\$1.25 per Class A Share and with an expiry date of May 17, 2026. On May 19, 2016, the Company issued 100,000 options that are exercisable into Class A Shares at an exercise price of US\$1.25 per Class A Share and with an expiry date of May 19, 2026. On September 9, 2016, the Company issued 273,000 options that are exercisable into Common Shares at an exercise price of \$1.50 per Common Share and with an expiry date of September 9, 2026. On September 21, 2016, the Company issued 65,000 options that are exercisable into Common Shares at an exercise price of \$1.76 per Common Share and with an expiry date of September 21, 2026.

- (6) On February 8, 2016, the Company issued 50,000 warrants that are exercisable into Class A Shares at an exercise price of US\$1.25 per Class A Share and expire on February 8, 2021. On February 10, 2016, the Company issued 106,061 warrants in connection with a convertible promissory note entered into on February 10, 2016. The warrants are exercisable into Class A Shares at an exercise price of US\$1.75 per Class A Share and expire on February 10, 2019. An additional 169,697 warrants were issued in connection with a convertible promissory note entered into on February 24, 2016. The warrants are exercisable into Class A Shares at an exercise price of US\$1.75 per Class A Share and expire on February 24, 2019.
- (7) See “Description of the Securities – Convertible Notes” of the Non-Offering Prospectus.

## USE OF PROCEEDS

The estimated net proceeds of the Offering and the Concurrent Private Placement, after deducting the Underwriters’ Fee and the estimated expenses of the Offering and the Concurrent Private Placement, will be \$20,181,540. The net proceeds of the Offering and the Concurrent Private Placement are currently intended to be used for acquisition financing, other capital projects and other general corporate purposes. In the ordinary course, the Company is involved in discussions with various strategic partners and needs to be able to execute and rapidly deploy capital when these opportunities present themselves. Specifically, the Company expects to use the net proceeds of the Offering and Concurrent Private Placement for the following purposes:

Project	Timeline	Milestone	Allocation of Net Proceeds
Mayflower Medicinals, Inc. (Massachusetts) <sup>(1)</sup>	November 2016 – September 2017	Significant design and construction of cultivation and dispensary facilities	\$7,500,000
Reynold, Greenleaf and Associates LLC (New Mexico) <sup>(2)</sup>	November 2016 – March 2017	Continued build-out of cultivation facility and commercial operations	\$1,500,000
Other projects/acquisitions	November 2016 – March 2017	N/A	\$9,000,000
Unallocated	N/A	N/A	\$2,196,540
		<b>Total</b>	<b>\$20,181,540</b>

Notes:

- (1) Mayflower is considered a related party as Randy Maslow and John Henderson, officers of the Company, serve as board members of Mayflower.
- (2) RGA is considered a related party as the Founder and CEO of RGA, Willie Ford, is a shareholder of the Company and is the brother of Hadley Ford, CEO of the Company.

The Company has been funding Mayflower through the Mayflower Loan Agreement and intends to provide additional funds to Mayflower under the Mayflower Loan Agreement. See “Description of Business – iAnthus’ Projects – Mayflower Medicinals, Inc.” for information concerning the Company’s investment in Mayflower. The Company expects that Mayflower will use the \$7.5 million it receives from the Company as follows: (i) \$5.5 million to the construction and development of its cultivation and manufacturing facility; and (ii) \$2 million to the construction and development of its two dispensary locations in Boston and Gloucester.

The Company currently owns approximately 29.5% of the issued and outstanding equity securities of RGA on a fully-diluted basis and intends to increase its ownership in RGA by purchasing additional Class A-1 units of RGA. The Company expects that RGA will use the \$1.5 million it receives from the Company as follows: (i) \$200,000 for the development of two additional dispensaries in New Mexico; and (ii) \$1.3 million for the purchase of equipment (such as plant lighting, cooling systems and CO<sub>2</sub> equipment) for its two cultivation facilities and processing facility.

The Company intends to allocate \$9 million of the net proceeds from the Offering and Concurrent Private Placement for other projects and acquisitions it intends to pursue in the United States. The Company has engaged in both exploratory and advanced discussions throughout the United States and has identified several licensed operators of cultivation, manufacturing and dispensary operations that require growth capital or are considering the full or partial sale of their business. The Company is currently considering several of these acquisition and

investment opportunities, and several of the investment opportunities are intended to provide the Company with significant majority control or 100% ownership. In the event of the acquisition of a licensed dispensary or cultivation operation, the Company will use its best efforts to ensure that current management is retained or new management put in place to most efficiently handle the day to day operations and local oversight. The Company will consider multiple structures for contemplated investments, including direct common equity investment, preferred equity and/or convertible loan facilities that allow the Company to convert its loans into equity. For each potential investment, the Company will engage regulatory, legal and accounting expertise to further ensure that any contemplated investment or acquisition structure complies with local and state regulations. Given the varying regulatory structures amongst the various states where cannabis programs exist, there is no one standard structure that the Company can pursue in all transactions. As a result, the Company endeavours to structure each direct equity investment or acquisition to conform to the applicable regulatory environment.

During the fiscal year ended December 31, 2015 and the six-month period ended June 30, 2016, the Company had negative operating cash flow. If the Company continues to have negative cash flow in the future, the net proceeds of the Offering and Concurrent Private Placement may be allocated to fund this negative cash flow in conjunction with the operational expenses listed above.

While the Company currently anticipates that it will use the net proceeds of the Offering and the Concurrent Private Placement as set forth above, the Company may re-allocate the net proceeds of the Offering and the Concurrent Private Placement from time to time, giving consideration to its strategy relative to the market, development and changes in the industry and regulatory landscape, as well as other conditions relevant at the applicable time. Until utilized, the net proceeds of the Offering and the Concurrent Private Placement will be held in cash balances in the Company's bank account or invested at the discretion of the Board of Directors. Management will have discretion concerning the use of the net proceeds of the Offering and the Concurrent Private Placement as well as the timing of their expenditure. See "Risk Factors".

## **PLAN OF DISTRIBUTION**

### **General**

In accordance with the Underwriting Agreement, the Company has agreed to issue and sell an aggregate of 9,525,000 Units at the Offering Price and the Underwriters have severally, and not jointly or jointly and severally, agreed to purchase such Units on the Closing Date, payable in cash to the Company against delivery of the Units and subject to compliance with all necessary legal requirements and terms and conditions of the Underwriting Agreement.

The CSE has conditionally approved the listing of the Unit Shares partially comprising the Units and the Warrant Shares issuable upon exercise of the Warrants. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint or joint and several, and may be terminated at their discretion upon the occurrence of certain stated events including, in the event that: (a) there shall be any material change (actual, anticipated, contemplated, threatened, financial or otherwise) in the assets, liabilities (contingent or otherwise), business, affairs, operations, prospects, capital or control of the Company and its subsidiaries taken as a whole, or there should be discovered any previously undisclosed material fact or new material fact, in each case which, in the reasonable opinion of the Underwriters, which has or would reasonably be expected to have a significant effect on the market price, value or marketability of the Units; (b) any inquiry, action, suit, investigation or other proceeding (whether formal or informal), including matters of regulatory transgression or unlawful conduct, is commenced, announced or threatened or any order is made or issued under or pursuant to any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality (including without limitation the CSE or any securities regulatory authority) or there is any enactment or change in any law, rule or regulation, or the interpretation or administration thereof, which, in the reasonable opinion of the Underwriters (or any of them), could operate to prevent, restrict or otherwise seriously adversely affect the distribution or trading of the Units or the market price or value of the Common Shares; (c) there should develop, occur or come into effect or existence any event, action,

state, or condition or any action, law or regulation, inquiry, including, without limitation, terrorism, accident or major financial, political or economic occurrence of national or international consequence, or any action, government, law, regulation, inquiry or other occurrence of any nature, which, in the reasonable opinion of the Underwriters (or any of them), seriously adversely affects or involves, or may seriously adversely affect or involve, the financial markets in Canada or the United States or the business, operations or affairs of the Company and its subsidiaries, taken as a whole, or the marketability of the Units; (d) the Company is in breach of any term, condition or covenant of the Underwriting Agreement or any representation or warranty given by the Company in the Underwriting Agreement becomes or is false; or (e) the Company fails to obtain a receipt for the (final) short form prospectus relating to the Offering on or before 5:00 p.m. (EST) on November 10, 2016. The Underwriters have waived their rights with respect to clause (e).

The Underwriters may form a selling group with other registered investment dealers to market a portion of the Offering. Any fees payable to members of such selling group will be paid by the Underwriters out of the Underwriters' Fee.

The Company has agreed, subject to certain limited exceptions, not to directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or any securities convertible into or exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Company for a period of 90 days after the Closing Date, without the prior written consent of the Lead Underwriter, on behalf of the Underwriters, such consent not to be unreasonably withheld, except in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Company and other share compensation arrangements, provided such options and other similar securities are granted or issued with an exercise price not less than the Offering Price; (ii) the exercise of outstanding warrants; (iii) obligations of the Company in respect of existing agreements; or (iv) the issuance of securities by the Company in connection with acquisitions in the normal course of business. The Underwriters have provided their consent to the issuance of Units pursuant to the Concurrent Private Placement.

As a condition of closing of the Offering, each of the senior officers and directors of the Company will enter into agreements in favour of the Underwriters pursuant to which each will agree not to, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or other securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Company for a period of 90 days after the Closing Date, without the prior written consent of the Lead Underwriter, on behalf of the Underwriters, such consent not to be unreasonably withheld. Notwithstanding the foregoing, it has been agreed that the foregoing restrictions shall not apply to the Class A restricted voting convertible shares of the Company previously pledged by Hadley Ford.

The Offering is being made in each of the provinces of Canada other than the Province of Quebec. The Units will be offered in each of the provinces of Canada other than Quebec through those Underwriters or their affiliates who are registered to offer the Units for sale in such provinces and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Underwriters may offer the Units outside of Canada.

## **United States**

The Unit Shares and Warrants comprising the Units have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States. Accordingly, the Units being distributed pursuant to the Offering may not be offered, sold or delivered, directly or indirectly, in the United States except in accordance with the Underwriting Agreement and pursuant to an exemption from the registration requirements of the US Securities Act and applicable US state securities laws. The Underwriting Agreement permits the Underwriters, through their US registered broker-dealer affiliates, to offer and sell Units in the United States to "qualified institutional buyers" (as defined in Rule 144A under the US Securities Act ("**Rule 144A**")) pursuant to Rule 144A and similar exemptions under applicable US state securities laws. The Underwriting Agreement also provides that the Underwriters will offer the Units outside the United States only in accordance with Regulation S

under the US Securities Act. This Prospectus does not constitute an offer to sell or a solicitation or an offer to buy any of the Units within the United States.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Unit Shares and Warrants comprising the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the US Securities Act. The Unit Shares and Warrants comprising the Units sold in the United States will be “restricted securities” within the meaning of Rule 144 under the US Securities Act.

### **Certificates**

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part. Other than the Unit Shares and Warrants comprising the Units issued under the Concurrent Private Placement, it is anticipated that the Unit Shares and Warrants comprising the Units will be registered in the name of CDS or its nominee, and will be deposited with CDS at the closing of the Offering on the Closing Date, which is expected to occur on or about November 18, 2016 or such other date as the Underwriters and the Company may agree, but in any case no later than 42 days after the date a receipt is issued for the (final) prospectus to be filed in respect of the Offering. A purchaser of Units pursuant to the Offering will receive only a customer confirmation from the registered dealer from or through which the Units are purchased and who is a CDS participant. Other than in connection with the Concurrent Private placement, no definitive certificates will be issued unless specifically requested or required.

### **Pricing of the Offering**

The Offering Price was negotiated among the Company and the Lead Underwriter, on behalf of the Underwriters. Among the factors considered in determining the Offering Price were the following:

- the market price of the Common Shares;
- prevailing market conditions;
- historical performance and capital structure of the Company;
- estimates of the business potential and earnings prospects of the Company;
- availability of comparable investments;
- an overall assessment of management of the Company; and
- the consideration of these factors in relation to market valuation of companies in related businesses.

### **Price Stabilization and Passive Market-Making**

In connection with the Offering and subject to applicable laws, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Common Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the CSE, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Common Shares are listed, in the over-the-counter market, or as otherwise permitted by applicable law.

### **Commissions and Expenses**

The Company has agreed to pay to the Underwriters the Underwriting Fee which is equal to 7% of the Offering Price per Unit, provided such fee shall be reduced to 3.5% of the Offering Price per Unit in respect of Units to be issued and sold to purchasers identified by the Company on a president's list. As additional compensation, the Company has also agreed to issue to the Underwriters the Compensation Warrants on the Closing Date. The Compensation Warrants will entitle the Underwriters to acquire that number of Units as is equal to 7% of the number of Units sold pursuant to the Offering, provided that the number of Compensation Warrants will be reduced to 3.5% of the number of Units sold to persons included on a president's list to be provided by the Company. The Underwriters will not receive any fee in respect of such Units sold under the Concurrent Private Placement. See "Concurrent Private Placement".

The Company has also agreed to reimburse the Underwriters for their reasonable out-of-pocket fees and expenses, including the fees and expenses of their legal counsel, whether or not the Offering is completed. All amounts payable to the Underwriters will be paid from the proceeds of the Offering.

The Compensation Warrants will be exercisable at the Offering Price for a period of 24 months from the Closing Date. This Prospectus qualifies the grant of the Compensation Warrants.

The Underwriters propose to offer the Units initially at the Offering Price. After a reasonable effort has been made to sell all of the Units at the Offering Price, the Underwriters may subsequently reduce the selling price to purchasers from time to time in order to sell any of the Units remaining unsold. In the event the selling price of the Units is reduced, the compensation received by the Underwriters will be decreased by the amount of the aggregate price paid by the purchasers for the Units is less than the gross proceeds paid by the Underwriters to the Company for the Units. Any such reduction will not affect the net proceeds received by the Company pursuant to the Offering.

### **Enforcement of Judgments Against Foreign Persons or Companies**

Certain directors and officers of iAnthus reside outside of Canada. Such directors and officers named below have appointed the following agents for service of process:

<b>Name of Director</b>	<b>Name and Address of Agent</b>
Hadley Ford	Baron Global Financial Ltd., Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 4N7
Randy Maslow	Baron Global Financial Ltd., Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 4N7

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

### **CONCURRENT PRIVATE PLACEMENT**

The Company will enter into the Subscription Agreements on or prior to the Closing Date, pursuant to which certain U.S. subscribers will agree to subscribe for and purchase an aggregate of up to 725,200 Units at the Offering Price per Unit for aggregate gross proceeds of up to \$1,522,920. Subject to obtaining regulatory approval, the closing of the Concurrent Private Placement is expected to occur concurrently with the closing of the Offering.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part. It is anticipated that definitive certificates will be issued for the Unit Shares and Warrants comprising the Units to be issued and sold by the Company pursuant to the Concurrent Private Placement at the closing of the Concurrent Private Placement on the Closing Date. The terms and conditions of the Concurrent Private Placement will be set out in the Subscription Agreements.

This Prospectus does not qualify any securities issued under the Concurrent Private Placement and the Underwriters are not involved, directly or indirectly, in the offer and sale of the Units forming part of the Concurrent Private Placement. The Units to be issued under the Concurrent Private Placement will be subject to a statutory hold period lasting four months and one day following the closing of the Concurrent Private Placement. No commission or other fee will be paid to the Underwriters in connection with the Concurrent Private Placement. The anticipated net proceeds from the Offering and the Concurrent Private Placement (before payment of the expenses of the Offering and the Concurrent Private Placement, other than the Underwriters' Fee) will be \$20,196,540. See "Use of Proceeds" for the principal purposes for which the net proceeds of the Concurrent Private Placement will be used by the Company.

## DESCRIPTION OF SECURITIES BEING DISTRIBUTED

### Units

Each Unit will be comprised of one Unit Share and one-half of one Warrant. Each Warrant will entitle the holder to purchase, subject to adjustment in certain circumstances, one Warrant Share at a price of \$3.00 for a period of 12 months following the Closing Date. The Units will separate into Unit Shares and Warrants immediately upon issue.

### Common Shares

The Company is authorized to issue an unlimited number of Common Shares without par value. Each Common Share carries the right to attend and vote at all general meetings of shareholders. As at November 11, 2016, 5,699,002 Common Shares were issued and outstanding. Holders of Common Shares are entitled to dividends, if any, as and when declared by the directors, to one vote per Common Share at meetings of shareholders and, upon liquidation, dissolution or winding-up of the Company, to share pro rata the remaining assets of the Company as are distributable to holders of Common Shares. The Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

### Warrants

Each Warrant entitles the holder to acquire, subject to adjustment in certain circumstances, one Warrant Share at an exercise price of \$3.00 on or before 5:00 p.m. (Toronto time) on the date that is 12 months following the Closing Date, after which time the Warrants will be void and of no value. In the event that the volume weighted average closing price of the Common Shares on the CSE (or if the Common Shares are no longer traded on the CSE, on any other recognized stock exchange on which the Common Shares are listed or quoted) is greater than \$4.00 per Common Share for a period of 15 consecutive trading days at any time after the Closing Date, the Company may accelerate the expiry date of the Warrants by giving notice to the holders of the Warrants by way of a press release, and in such case, the Warrants will expire on the 30<sup>th</sup> day after the date on which such notice is provided by the Company.

Except for the Warrants issued under the Concurrent Private Placement which will be evidenced by definitive warrant certificates, the Warrants will be governed by a warrant indenture to be entered into on the Closing Date (the "**Warrant Indenture**") between the Company and Computershare Trust Company of Canada (the "**Warrant Agent**"), as warrant agent. The Company will designate the Warrant Agent, in its Toronto office, as agent for the Warrants. Prior to the closing of the Offering, the Company may name any other agent with respect to the Warrants.

The following is a summary of the principal attributes of the Warrants to be issued pursuant to the Offering and certain anticipated provisions of the Warrant Indenture. The summary does not purport to be complete and is qualified in its entirety by the detailed provisions of the Warrant Indenture. A copy of the Warrant Indenture may be obtained on request from the Company's Corporate Secretary and will be available electronically at [www.sedar.com](http://www.sedar.com) and reference should be made to the Warrant Indenture for the full text of the attributes of the Warrants.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- (i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend or other distribution (other than a dividend paid in the ordinary course or a distribution of Common Shares upon the exercise of any outstanding warrants or options);
- (ii) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- (iii) the consolidation, reduction or combination of the Common Shares into a lesser number of shares;
- (iv) the issuance to all or substantially all of the holders of Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per Common Share to the holder (or at an exchange or conversion price per share) of less than 95% of the "current market price", as defined in the Warrant Indenture, of Common Shares on such record date; and
- (v) the issuance or distribution to all or substantially all of the holders of Common Shares of securities, including rights, options or warrants to acquire shares of any class or securities exchangeable or convertible into any such shares or property or assets and including evidences of indebtedness, or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events:

- (i) the reclassification of the Common Shares;
- (ii) the amalgamation, arrangement or merger with or into any other corporation or other entity (other than an amalgamation, arrangement or merger which does not result in any reclassification of the Company's outstanding Common Shares or a change of the Common Shares into other shares); or
- (iii) the transfer of the Company's undertakings or assets as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or number of Warrant Shares will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Warrant Shares purchasable upon exercise by at least one one-hundredth (1/100th) of a Common Share, as the case may be.

The Company will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, the Company will give notice to Warrant holders of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

No fraction of a Warrant Share will be issued upon the exercise of a Warrant and no cash payment will be made in lieu thereof. Warrant holders are not entitled to any voting rights or pre-emptive rights or any other rights conferred upon a person as a result of being a holder of Common Shares.

From time to time, the Company and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either (1) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 20% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66 $\frac{2}{3}$ % of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution, or (2) adopted by an instrument in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the aggregate number of all then outstanding Warrants.

The Warrants will not be exercisable in the United States or by or on behalf of a “U.S. Person”, nor will certificates representing the Warrant Shares issuable upon exercise of the Warrants be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities laws is available.

#### PRIOR SALES

For the 12-month period before the date of this Prospectus, the Company issued the following Common Shares and securities convertible into Common Shares:

Date of Issuance	Number of Common Shares Issued	Issue/Exercise Price
August 12, 2016	5,083,065 Common Shares <sup>(1)</sup>	US\$1.25
August 12, 2016	11,255,000 Class A restricted voting convertible shares <sup>(2)</sup>	US\$1.25
September 23, 2016	15,956 Common Shares <sup>(3)</sup>	US\$1.25

Notes:

- (1) Represents Common Shares issued upon closing of the Transaction. See “The Transaction” of the Non-Offering Prospectus.
- (2) Represents Class A restricted voting convertible shares issued upon closing the Transaction. See “The Transaction” of the Non-Offering Prospectus.
- (3) Issued pursuant to the conversion of accrued, unpaid interest on one of the convertible notes. See “Description of the Securities – Convertible Notes” of the Non-Offering Prospectus.

Date of Issuance	Number of Options Issued	Issue/Exercise Price
August 12, 2016	275,758 warrants <sup>(1)</sup>	US\$1.75
August 12, 2016	50,000 warrants <sup>(1)</sup>	US\$1.25

Notes:

- (1) Issued pursuant to the Transaction. See “The Transaction” of the Non-Offering Prospectus.

Date of Issuance	Number of Options Issued	Issue/Exercise Price
September 9, 2016	273,000 Stock Options <sup>(1)</sup>	\$1.50
September 21, 2016	65,000 Stock Options <sup>(1)</sup>	\$1.76
August 12, 2016	375,000 Stock Options <sup>(2)</sup>	US\$1.00

<b>Date of Issuance</b>	<b>Number of Options Issued</b>	<b>Issue/Exercise Price</b>
August 12, 2016	975,000 Stock Options <sup>(2)</sup>	US\$1.25

Notes:

- (1) Granted pursuant to the Company's stock option plan.
- (2) Granted pursuant to the Transaction. See "The Transaction" of the Non-Offering Prospectus.

## **TRADING PRICE AND VOLUME**

The Common Shares are listed on the CSE under the trading symbol "IAN". The following tables set forth information relating to the trading of the Common Shares on the CSE for the months indicated.

<b>Month<sup>(1)</sup></b>	<b>CSE Price Range</b>		<b>Total Volume</b>
	<b>High</b>	<b>Low</b>	
September 2016	\$2.70	\$1.20	698,246
October 2016	\$3.45	\$1.76	957,354
November 1-11, 2016	\$3.75	\$2.85	1,077,139

Notes:

- (1) The Common Share began trading on the CSE on September 7, 2016.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of McMillan LLP, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Underwriters, the following is, as at the date of this Prospectus, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to an investor who acquires Units pursuant to the Offering and who, for the purposes of the Tax Act and at all relevant times, (i) is or is deemed to be resident in Canada, (ii) deals at arm's length with the Company and the Underwriters, (iii) is not affiliated with the Company or a subsequent purchaser of the Unit Shares, Warrants or Warrant Shares, and (iv) acquires and holds the Unit Shares and Warrants, and will hold the Warrant Shares issuable on the exercise of the Warrants, (the Unit Shares and Warrant Shares hereinafter sometimes collectively referred to as "**Shares**") as capital property (a "**Holder**"). Generally, the Shares and Warrants will be considered as capital property of a Holder thereof provided that the Holder does not use the Shares or Warrants in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a "financial institution" for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii), an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iv) that has made a functional currency reporting election under the Tax Act; or (v) that has or will enter into a "derivative forward agreement", as that term is defined in the Tax Act, with respect to the Shares or Warrants. Such Holders should consult their own tax advisors with respect to an investment in Units.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Units, controlled by a non-resident corporation for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their tax advisors with respect to the consequences of acquiring Units.

This summary is based upon the current provisions of the Tax Act in force as of the date hereof and counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency (the "CRA"). This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals") and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Holders should consult their own tax advisors with respect to their particular circumstances.

#### *Allocation of Cost*

The total purchase price of a Unit to a Holder must be allocated on a reasonable basis between the Unit Share and the Warrant to determine the cost of each to the Holder for purposes of the Tax Act.

For its purposes, the Company intends to allocate \$2.099 of the Offering Price of each Unit as consideration for the issue of each Unit Share and \$0.001 of the Offering Price of each Unit for the one-half Warrant comprising part of the Unit. Although the Company believes its allocation is reasonable, it is not binding on the CRA or the Holder. The Holder's adjusted cost base of the Unit Share comprising a part of each Unit will be determined by averaging the cost allocated to the Unit Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

#### *Exercise of Warrants*

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

#### **Resident Holders**

The following section of this summary applies to Holders who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times ("**Resident Holders**"). Certain Resident Holders whose Common Shares might not constitute capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Shares, and every other "Canadian security" as defined in the Tax Act, held by such persons, in the taxation year of the election and each subsequent taxation year to be capital property. This election does not apply to Warrants. Resident Holders should consult their own tax advisors regarding this election.

#### *Expiry of Warrants*

In the event of the expiry of an unexercised Warrant, a Resident Holder generally will realize a capital loss equal to the Resident Holder's adjusted cost base of such Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses".

### *Dividends*

Dividends received or deemed to be received on the Shares will be included in computing a Resident Holder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from "taxable Canadian corporations" (as defined in the Tax Act), including the enhanced dividend tax credit in respect of "eligible dividends", if any, so designated by the Company to the Resident Holder in accordance with the provisions of the Tax Act. There may be restrictions on the Company's ability to so designate any dividends as "eligible dividends", and the Company has made no commitments in this regard.

Dividends received or deemed to be received by a corporation that is a Resident Holder on the Shares must be included in computing its income but generally will be deductible in computing its taxable income, subject to all restrictions and special rules under the Tax Act. A Resident Holder that is a "private corporation" (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a 38½% tax under Part IV of the Tax Act (refundable in certain circumstances) on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing taxable income.

### *Dispositions of Shares and Warrants*

Upon a disposition (or a deemed disposition) of a Share or a Warrant (other than on the exercise thereof), a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such security, as applicable, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such security, as applicable, to the Resident Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses".

### *Capital Gains and Capital Losses*

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstance specified by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Shares, directly or indirectly, through a partnership or trust. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) also may be liable to pay an additional tax (refundable in certain circumstances) of 10⅔% on its "aggregate investment income" (as defined in the Tax Act) for the year which will include taxable capital gains.

### *Minimum Tax*

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act. Resident Holders should consult their own advisors with respect to the application of the minimum tax.

## **Non-Resident Holders**

The following section of this summary is generally applicable to Holders who, for the purposes of the Tax Act, (i) have not been and will not be deemed to be resident in Canada at any time while they hold the Shares or Warrants, and (ii) do not use or hold the Shares or Warrants in carrying on a business in Canada (“**Non-Resident Holders**”).

Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere. Such Holders should consult their own tax advisors.

### *Dividends*

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Company are subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty. Under the Canada-United States Income Tax Convention (1980) (the “**Treaty**”) as amended, for example, the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the Treaty and entitled to benefits under the Treaty (a “**U.S. Holder**”) is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a company beneficially owning at least 10% of the Company’s voting shares). Non-Resident Holders should consult their own tax advisors.

### *Dispositions of Shares and Warrants*

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Share or a Warrant, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Share or Warrant constitutes “taxable Canadian property” to the Non-Resident Holder thereof for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Provided the Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE) at the time of disposition, the Shares and Warrants generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60 month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm’s length, partnerships in which the Non-Resident Holder or such non-arm’s length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the Company; and (ii) more than 50% of the fair market value of the shares of the Company was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) or an option, an interest or right in such property, whether or not such property exists. Notwithstanding the foregoing, a Share or Warrant may also be deemed to be taxable Canadian property to a Non-Resident Holder under other provisions of the Tax Act.

A Non-Resident Holder’s capital gain (or capital loss) in respect of Shares or Warrants that constitute or are deemed to constitute taxable Canadian property (and are not “treaty-protected property” as defined in the Tax Act) will generally be computed in the manner described above under the subheading “Resident Holders – Dispositions of Shares and Warrants”.

Non-Resident Holders whose Shares or Warrants are taxable Canadian property should consult their own tax advisors.

## RISK FACTORS

An investment in the securities of the Company is speculative and subject to risks and uncertainties. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the business, prospects, financial position, financial condition or operating results of the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations.

Prospective purchasers should carefully consider all information contained in this Prospectus, including all documents incorporated by reference, and in particular should give special consideration to the risk factors under the section titled "Risk Factors" in the Non-Offering Prospectus, which may be accessed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com), and the information contained in the section entitled "Caution Regarding Forward-Looking Statements", before deciding to purchase the Units.

The risks and uncertainties described or incorporated by reference in this Prospectus are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks actually occur, the Company's business, financial condition or results of operations could be materially adversely affected, with the result that the trading price of the Common Shares could decline and purchasers could lose all or part of their investment. Additionally, purchasers should consider the following risk factors:

### *Laws and Regulations Affecting Our Industry Are Constantly Changing*

The constant evolution of laws and regulations affecting the marijuana industry could detrimentally affect the Company's operations. Local, state and federal medical marijuana laws and regulations are broad in scope and subject to changing interpretations. These changes may require the Company to incur substantial costs associated with legal and compliance fees and ultimately require the Company to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt its business and result in a material adverse effect on its operations. In addition, the Company cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to its business.

### *Possible failure to realize expected returns on the Company's investment in Mayflower, RGA or any other investments*

The investments in Mayflower and RGA involve risks that could materially and adversely affect the Company's business plan, including the failure of Mayflower to receive its third medical cannabis license and failure of the Company to enter into a definitive agreement with Mayflower. There is no guarantee that Mayflower will begin the commercialization of its marijuana-related products and there is no guarantee that RGA will successfully expand its cultivation facilities and dispensaries. The aggregate return of the Company may be materially and adversely affected by the unfavourable performance of Mayflower or RGA. While the Company intends to seek other investment opportunities, there can be no assurance that the Company will acquire favourable investment opportunities or that any such investments will generate revenues or profits. Failure to realize a return on the investments could harm the Company's business, strategy and operating results in a material way.

### *Completion of potential acquisitions*

Any potential acquisitions, if the Company proceeds, will be subject to conditions, which may include, without limitation, satisfactory completion of the Company's due diligence, negotiation and finalization of formal legal documents, debt financing and approval from the Company's board of directors. As a result, there can be no assurance that the Company will complete any acquisitions. If the Company does not complete such acquisitions, it may be subject to a number of risks, including: (i) the price of its securities may decline to the extent that the current market price reflects a market assumption that these acquisitions will be completed; (ii) certain costs related to each such acquisition, such as legal, accounting and consulting fees, must be paid even if an acquisition is not completed; and (iii) there is no assurance that such suitable opportunities will be available to the Company in the future or at all.

### *Marijuana-related Practices or Activities are Illegal Under U.S. Federal Laws*

The concepts of “medical marijuana” and “retail marijuana” do not exist under U.S. federal law. The Federal Controlled Substances Act classifies “marihuana” as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. As such, marijuana-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under U.S. federal law. Strict compliance with state laws with respect to marijuana will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company’s operations and financial performance.

### *Discretion in the Use of Proceeds*

The Company intends to use the net proceeds from the Offering as set forth under “Use of Proceeds”; however, the Company maintains broad discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditure. The Company may re-allocate the net proceeds of the Offering other than as described under the heading “Use of Proceeds” if management of the Company believes it would be in the Company’s best interest to do so and in ways that a purchaser may not consider desirable. Until utilized, the net proceeds of the Offering will be held in cash balances in the Company’s bank account or invested at the discretion of the Board of Directors. As a result, a purchaser will be relying on the judgment of management of the Company for the application of the net proceeds of the Offering. The results and the effectiveness of the application of the net proceeds are uncertain. If the net proceeds are not applied effectively, the Company’s results of operations may suffer, which could adversely affect the price of the Common Shares on the open market.

### *No Current Market for Warrants*

There is currently no market through which the Warrants may be sold and purchasers may not be able to resell such Warrants.

### *The Market Price of the Common Shares is Volatile and May Not Accurately Reflect the Long-Term Value of the Company*

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company’s operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts’ estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company’s operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company’s operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

### *A Positive Return in an Investment in the Units is Not Guaranteed*

There is no guarantee that an investment in the Units will earn any positive return in the short term or long term. A purchase under the Offering involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Units is appropriate only for purchasers who have the capacity to absorb a loss of some or all of their investment.

### *Risk Factors Related to Dilution*

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, Class A restricted voting convertible shares and preferred shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants.

### *Negative Cash Flow from Operations*

During the fiscal year ended December 31, 2015 and the six-month period ended June 30, 2016, the Company had negative cash flow from operating activities. Although the Company anticipates it will have positive cash flow from operating activities in future periods, to the extent that the Company has negative cash flow in any future period, certain of the net proceeds from the Offering may be used to fund such negative cash flow from operating activities.

### *Risk Factors Related to Cybersecurity*

The Company's reliance on information technology to manage its business exposes the Company to potential risks related to cybersecurity attacks and unauthorized access to the Company's confidential information (which may include personally identifiable information), through hacking, viruses and otherwise (collectively "**cybersecurity threats**").

The Company uses information technology systems and network infrastructure, which include controls for interconnected systems of generation, distribution and transmission, and some of which is shared with third parties for operating purposes. Despite security measures in place, the Company's systems, assets and information could be vulnerable to cybersecurity threats and other data security breaches that could cause system failures, disrupt operations and cause the release of sensitive or confidential information. Should such cybersecurity threats materialize, the Company could suffer costs, losses and damages; all or some of which may not be recoverable through regulatory processes or otherwise.

## **EXEMPTIONS FROM CERTAIN DISCLOSURE REQUIREMENTS**

Section 2.2(d) of National Instrument 44-101 – *Short Form Prospectus Distributions* of the Canadian Securities Administrators ("**NI 44-101**") requires that the Company have a "current AIF" (as defined in NI 44-101), in at least one jurisdiction in which the Company is a reporting issuer in order to qualify to file a short form prospectus under NI 44-101 (the "**AIF Requirement**"). The Company is relying on the exemption provided in Subsection 2.7(1) of NI 44-101 to be relieved from the AIF Requirement. Subsection 2.7(1) of NI 44-101 provides that an issuer that is not exempt from the requirement in the applicable CD rule (as defined in NI 44-101) to file annual financial statements but has not yet been required under the applicable CD rule to file same, and has filed and obtained a receipt for a final prospectus that included the issuer's or each predecessor entity's comparative annual financial statements for its most recently completed financial year or the financial year immediately preceding its most recently completed financial year (together with the auditor's report accompanying those financial statements), is exempt from the AIF Requirement. On August 12, 2016, the Company filed and received a receipt for the Non-Offering Prospectus.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditor of the Company is BDO Canada LLP, located at 600 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2. BDO Canada LLP has advised that they are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

The transfer agent and registrar for the Company's Common Shares is Computershare Investor Services Inc., 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada, V6C 3B9.

The Warrant Agent in respect of the Warrants is Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, Canada, M5J 2Y1.

## **LEGAL MATTERS**

Certain legal matters in connection with this Offering will be passed upon by McMillan LLP, on behalf of the Company, and by DLA Piper (Canada) LLP, on behalf of the Underwriters. As at the date hereof, the partners and associates of McMillan LLP, as a group, and the partners and associates of DLA Piper (Canada) LLP, as a group, each beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares of the Company.

## **PROMOTER**

Hadley Ford, the CEO of the Company, is the promoter of the Company. As of November 11, 2016, Mr. Ford beneficially owns, or controls or directs, directly or indirectly, a total of 2,712,500 Class A Shares and 120,000 options that are exercisable to acquire Class A Shares, representing 14.2% of the Company's fully diluted issued and outstanding Common Shares (assuming conversion of such Class A Shares in accordance with their terms). Other than as disclosed in this section or elsewhere in this Prospectus (or in the Non-Offering Prospectus), no person who was a promoter of the Company within the last two years:

- received anything of value directly or indirectly from the Company or a subsidiary;
- sold or otherwise transferred any asset to the Company or a subsidiary within the last two years;
- has been a director, chief executive officer or chief financial officer of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;
- has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;
- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or
- has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

## **INTERESTS OF EXPERTS**

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in the Prospectus:

- McMillan LLP is the Company's counsel with respect to Canadian legal matters herein.
- BDO Canada LLP is the external auditor of the Company and reported on the Company's audited financial statements for the years ended December 31, 2015 and 2014 and filed on SEDAR.

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

**CERTIFICATE OF IANTHUS CAPITAL HOLDINGS, INC.  
(Formerly known as Genarca Holdings Ltd.)**

Dated: November 14, 2016

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

(Signed) *Hadley Ford*  
Chief Executive Officer

(Signed) *Julius Kalcevich*  
Chief Financial Officer

On Behalf of the Board of Directors

(Signed) *Randy Maslow*  
Director

(Signed) *Paul Rosen*  
Director

## **CERTIFICATE OF THE PROMOTER**

Dated: November 14, 2016

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

(Signed) *Hadley Ford*

**CERTIFICATE OF THE UNDERWRITERS**

Dated: November 14, 2016

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

**CANACCORD GENUITY CORP.**

By: (Signed) *Steve Winokur*

**BEACON SECURITIES LIMITED**

By: (Signed) *Mario Maruzzo*