ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to the Consolidated Financial Statements

* PKF O'Connor Davies, LLP, New York, NY (PCAOB ID:127)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of
iAnthus Capital Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of iAnthus Capital Holdings, Inc. (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of operations, changes in shareholders' deficit and cash flows for each of the two years in the period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has elected to change its method of accounting for reporting interest and penalties related to unpaid income taxes within "selling, general and administrative expenses" to reporting interest and penalties related to unpaid income taxes within "income tax (benefit) expense" in the consolidated statements of operations, which has been retrospectively applied in the financial statements for each of the two years in the period ended December 31, 2024.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2 to the financial statements, the Company has a net loss, working capital deficit and material debt obligations coming due. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2 to the financial statements. The financial statements do not include any adjustments that might results from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PKF O'Connor Davies, LLP

We have served as the Company's auditor since 2023.

New York, New York
March 24, 2025

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

	December 31, 2024	December 31, 2023
Assets		
Cash	$ 18,543	$ 13,104
Restricted cash	556	71
Accounts receivable, net of allowance for credit losses of $828 (December 31, 2023 - $384)	5,537	4,609
Prepaid expenses	2,321	2,100
Inventories, net	22,466	25,382
Other current assets	1,643	243
Assets classified as held for sale	23,572	—
Current Assets	**74,638**	**45,509**
Investments	863	735
Property, plant and equipment, net	87,488	94,003
Operating lease right-of-use assets, net	24,012	27,377
Other long-term assets	5,032	4,411
Intangible assets, net	72,862	105,372
Goodwill	6,148	—
Total Assets	**$ 271,043**	**$ 277,407**
Liabilities and Shareholders' (Deficit)		
Accounts payable	$ 12,831	$ 14,399
Accrued and other current liabilities	53,516	103,261
Current portion of long-term debt, net of issuance costs	65	55
Current portion of operating lease liabilities	6,534	7,716
Liabilities classified as held for sale	2,347	—
Current Liabilities	**75,293**	**125,431**
Contingent consideration payable	3,127	—
Long-term debt, net of issuance costs	182,262	165,221
Deferred income tax	—	20,412
Long-term portion of operating lease liabilities	21,599	28,009
Uncertain tax position liabilities	54,304	—
Total Liabilities	**$ 336,585**	**$ 339,073**
Commitments (Refer to Note 13)		
Shareholders' (Deficit)		
Common shares - no par value. Authorized - unlimited number. 6,678,395 - issued and outstanding (December 31, 2023 - 6,510,527 - issued and outstanding)	—	—
Additional paid-in capital	1,269,738	1,265,978
Accumulated deficit	(1,335,280)	(1,327,644)
Total Shareholders' (Deficit)	**$ (65,542)**	**$ (61,666)**
Total Liabilities and Shareholders' (Deficit)	**$ 271,043**	**$ 277,407**

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

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

	Year Ended December 31, 2024	Year Ended December 31, 2023 (Adjusted)
Revenues, net of discounts	$ 167,567	$ 159,237
Costs and expenses applicable to revenues (exclusive of depreciation and amortization expense shown separately below)	(92,453)	(96,068)
Gross profit	75,114	63,169
Operating expenses		
Selling, general and administrative expenses	62,182	67,863
Depreciation and amortization	22,681	25,143
(Recoveries), write-downs and other charges, net	(1,236)	(102)
Total operating expenses	83,627	92,904
Loss from operations	(8,513)	(29,735)
Interest and other income	5,156	1,334
Interest expense	(17,173)	(15,745)
Accretion expense	(4,624)	(3,950)
Loss on debt extinguishment (Refer to Note 9)	(114)	(1,288)
Losses from changes in fair value of financial instruments	(46)	(74)
Loss before income taxes	(25,314)	(49,458)
Income tax (benefit) expense	(17,678)	27,163
Net loss	$ (7,636)	$ (76,621)
Net loss per share - basic and diluted	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	6,539,803	6,437,450

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

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

	Year Ended December 31, 2024			
	Number of Common Shares ('000)	Additional Paid-in-Capital	Accumulated Deficit	Total Shareholders (Deficit)
Balance – January 1, 2024	**6,510,527**	**$ 1,265,978**	**$ (1,327,644)**	**$ (61,666)**
Share-based compensation	110,269	2,107	—	2,107
Share settlement for taxes paid related to restricted stock units	(28,715)	(283)	—	(283)
Shares issued for legal settlements (Refer to Note 10(a))	25,000	355	—	355
Shares issued for 2024 NJ Amendment (Refer to Note 10(a))	61,314	1,581	—	1,581
Net loss	—	—	(7,636)	(7,636)
Balance – December 31, 2024	**6,678,395**	**$ 1,269,738**	**$ (1,335,280)**	**$ (65,542)**

	Year Ended December 31, 2023			
	Number of Common Shares ('000)	Additional Paid-in-Capital	Accumulated Deficit	Total Shareholders' Equity (Deficit)
Balance – January 1, 2023	**6,403,289**	**$ 1,262,012**	**$ (1,251,023)**	**$ 10,989**
Share-based compensation	141,604	4,535	—	4,535
Share settlement for taxes paid related to restricted stock units	(34,366)	(569)	—	(569)
Net loss	—	—	(76,621)	(76,621)
Balance – December 31, 2023	**6,510,527**	**$ 1,265,978**	**$ (1,327,644)**	**$ (61,666)**

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

iANTHUS CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Year Ended December 31, 2024	Year Ended December 31, 2023 (Adjusted)
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	$ (7,636)	$ (76,621)
Adjustments to reconcile net loss to net cash provided by operations:		
Interest income	(3)	(4)
Interest expense	17,173	15,745
Accretion expense	4,624	3,950
Depreciation and amortization	24,736	27,170
(Recoveries), write-downs and other charges, net (Refer to Note 17)	(1,236)	(102)
(Gain)/loss from deconsolidation of subsidiaries	(2,120)	512
Inventory reserve	406	814
Share-based compensation	2,107	4,535
Losses from changes in fair value of financial instruments	46	74
Loss on debt extinguishment (Refer to Note 9)	114	1,288
Loss on equity method investments	211	183
Deferred income taxes	(20,274)	(3,431)
Change in operating assets and liabilities (Refer to Note 17)	(5,604)	29,664
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES	**$ 12,544**	**$ 3,777**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,519)	(3,572)
Acquisition of other intangible assets	(205)	(2,504)
Investments in associates	(385)	(760)
Proceeds from sale of property, plant and equipment	503	2,514
Cash impact from acquisitions	(675)	—
Cash impact of deconsolidation of subsidiaries	—	(68)
NET CASH USED IN INVESTING ACTIVITIES	**$ (6,281)**	**$ (4,390)**
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of debt	(56)	(49)
Taxes paid related to net share settlement of restricted stock units	(283)	(569)
NET CASH USED IN FINANCING ACTIVITIES	**$ (339)**	**$ (618)**
CASH AND RESTRICTED CASH		
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH DURING THE PERIOD	5,924	(1,231)
CASH AND RESTRICTED CASH, BEGINNING OF PERIOD (Refer to Note 2(f))	13,175	14,406
CASH AND RESTRICTED CASH, END OF PERIOD (Refer to Note 2(f))	**$ 19,099**	**$ 13,175**

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

Note 1 – Organization and Description of Business

iAnthus Capital Holdings, Inc. ("ICH", or "iAnthus"), together with its consolidated subsidiaries (the "Company") was incorporated under the laws of British Columbia, Canada, on November 15, 2013. The Company is a vertically-integrated multi-state owner and operator of licensed cannabis cultivation, processing and dispensary facilities. Through the Company's subsidiaries, licenses, interests and contractual arrangements, the Company has the capacity to operate dispensaries and cultivation/processing facilities, and manufacture and distribute cannabis across the states in which the Company operates in the U.S.

The Company's registered office is located at 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, V6E 4N7, Canada. The Company is listed on the Canadian Securities Exchange (the "CSE") under the ticker symbol "IAN" and on the OTCQB Tier of the OTC Markets Group, Inc. under the symbol "ITHUF".

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

Note 2 – Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements (the "financial statements") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These consolidated financial statements are presented in U.S. dollars.

The Company is an "emerging growth company", as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as modified by the Jumpstart Our Business Start-ups Act of 2012 (the "JOBS Act"). Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Exchange Act for complying with new or revised accounting standards applicable to public companies. An emerging growth company may delay the adoption of certain accounting standards until those standards would otherwise apply to non-public companies. The Company has elected to take advantage of this extended transition period and as a result, the Company may not adopt new or revised accounting standards on effective dates as they are applicable to public companies.

(b) Consummation of Recapitalization Transaction

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

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

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

Secured Debenture Purchase Agreement

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

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

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

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

Unsecured Debenture Purchase Agreement

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

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

Refer to Note 9 for further discussion regarding the Recapitalization Transaction.

(c) Going Concern

These consolidated financial statements have been prepared under the assumption that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. For the year ended December 31, 2024, the Company reported a net loss of $7.6 million, operating cash inflow of $12.5 million and an accumulated deficit of $1,335.3 million as of December 31, 2024.

As part of management's plans to drive sustainable growth, the Company has completed the divestment of certain assets (See Item 1. Business - Dispositions" covered by this Annual Report on Form 10-K for additional information) to optimize its portfolio, strengthen its balance sheet and focus on key markets with the greatest growth potential. Management plans on redirecting resources obtained from these divestments to its growth initiatives in Florida, Maryland, New Jersey, Massachusetts and New York, while still maintaining a retail presence in Arizona with one dispensary in Mesa, Arizona, as well as reduce its outstanding debt obligations.

The Company believes it may continue to generate positive cash flows from operations in the near future, notwithstanding the foregoing, the substantial losses and working capital deficiency cast substantial doubt on the Company's ability to continue as a going concern for a period of no less than 12 months from the date of this report. These consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

(d) Basis of Consolidation

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

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

The accounts of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Intercompany accounts and transactions, including all unrealized intercompany gains or losses on transactions have been eliminated. The Company's subsidiaries and its interests in each are presented below as of December 31, 2024:

Name of Entity	Place of Incorporation	Interest
MPX Bioceutical ULC ("MPX ULC") (1)	Canada	100%
MPX Luxembourg SARL (1)	Luxembourg	100%
ABACA, Inc. (1)	Arizona, USA	100%
Health For Life, Inc. (1)	Arizona, USA	100%
iAnthus Arizona, LLC ("iA AZ")	Arizona, USA	100%
S8 Management, LLC (1)	Arizona, USA	100%
S8 Rental Services, LLC (1)	Arizona, USA	100%
Soothing Options, Inc. (1)	Arizona, USA	100%
The Healing Center Wellness Center, Inc. ("THCWC") (1)	Arizona, USA	100%
Bergamot Properties, LLC	Colorado, USA	100%
Scarlet Globemallow, LLC	Colorado, USA	100%
iAnthus Capital Management, LLC ("ICM")	Delaware, USA	100%
GHHIA Management, Inc. ("GHHIA")	Florida, USA	100%
GrowHealthy Properties, LLC ("GHP")	Florida, USA	100%
iAnthus Holdings Florida, LLC ("IHF")	Florida, USA	100%
McCrory's Sunny Hill Nursery, LLC ("McCrory's")	Florida, USA	100%
iA IT, LLC	Illinois, USA	100%
Budding Rose, Inc. (1)	Maryland, USA	100%
GreenMart of Maryland, LLC (1)	Maryland, USA	100%
LMS Wellness, Benefit, LLC (1)	Maryland, USA	100%
Rosebud Organics, Inc. (1)	Maryland, USA	100%
Fall River Development Company, LLC (1)	Massachusetts, USA	100%
IMT, LLC (1)	Massachusetts, USA	100%
Mayflower Medicinals, Inc. (2)	Massachusetts, USA	100%
Pilgrim Rock Management, LLC	Massachusetts, USA	100%
CGX Life Sciences, Inc. ("CGX") (1)	Nevada, USA	100%
GreenMart of Nevada NLV, LLC (GMNV) (1)	Nevada, USA	100%
GTL Holdings, LLC	New Jersey, USA	100%
iA CBD, LLC ("iA CBD")	New Jersey, USA	100%
iAnthus New Jersey, LLC	New Jersey, USA	100%
MPX New Jersey, LLC (1)	New Jersey, USA	100%
Citiva Medical, LLC ("Citiva")	New York, USA	100%
iAnthus Empire Holdings, LLC	New York, USA	100%
iAnthus Kentucky, LLC	Kentucky, USA	100%
iAnthus Delaware, LLC	Delaware, USA	100%
Cheetah Brand, LLC	Delaware, USA	100%

(1) Entities acquired as a part of the MPX Bioceutical Corporation ("MPX") acquisition on February 5, 2019 (the "MPX Acquisition").
(2) Effective as of June 30, 2023, our two wholly-owned subsidiaries, Mayflower and Cannatech Medicinals, Inc. merged.
(3) Formed as part of the Cheetah Acquisition (as defined in Note 4) on December 30, 2024.

As a result of the Company's sale of the Vermont business, FWR, Inc. and Grassroots Vermont Management Services, LLC were deconsolidated on March 8, 2023.

During the year ended December 31, 2024, the Company dissolved iAnthus Northern Nevada, LLC, Ambary, LLC and Pakalolo, LLC.

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

(e) Use of Estimates

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

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

(f) Cash and Restricted Cash

For purposes of the consolidated balance sheets and the statements of cash flows, cash includes cash and restricted cash amounts held primarily in U.S. dollars.

Restricted cash balances are those which meet the definition of cash but are not available for use by the Company. As of December 31, 2024, the Company held $0.6 million as restricted cash (December 31, 2023—less than $0.1 million).

The following table summarizes a reconciliation of cash and restricted cash reported within the consolidated balance sheets to such amounts presented in the statements of cash flows:

	December 31, 2024	December 31, 2023
Cash	$ 18,543	$ 13,104
Restricted cash	556	71
Total cash and restricted cash presented in the statements of cash flows	**$ 19,099**	**$ 13,175**

(g) Accounts Receivable

The Company assesses its accounts receivables for expected credit losses resulting from the potential uncollectability of specific customer balances, based upon a review of the customer's creditworthiness and past collection history. The loss-rate method is used to estimate potential losses by applying an estimated loss rate to customer balances to determine the allowance for credit losses. For trade accounts receivable deemed as uncollectible, and arose from the sale of goods or services, the Company will write off the specific balance against the allowance for expected credit losses when it is known that a provided amount will not be collected.

(h) Inventories

Inventory is comprised of supplies, raw materials, finished goods and work-in-process such as harvested cannabis plants and by-products to be harvested. Inventory is valued at the lower of cost, determined on a weighted average cost basis, and net realizable value. The direct and indirect costs of inventory initially include the costs to cultivate the harvested plants at the time of harvest. They also include subsequent costs such as materials, labor, and overhead involved in processing, packaging, labeling, and inspection to turn raw materials into finished goods. All direct and indirect costs related to inventory are capitalized as they are incurred and are subsequently recorded within costs and expenses applicable to revenues on the consolidated statements of operations at the time of sale.

Net realizable value is determined as the estimated selling price less a reasonable estimate of the costs of completion, disposal, and transportation. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value. Factors considered in determining obsolescence include, but are not limited to, slow-moving inventory or products that can no longer be marketed. As such, any identified slow moving and/or obsolete inventory is written down to its net realizable value through costs and expenses applicable to revenues on the consolidated statements of operations.

(i) Investments

The Company currently accounts for its equity-accounted investments using the equity method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 323 *Investments*. Investments are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company's investments are adjusted for the Company's share of income or loss and distributions each reporting period. The carrying value of the Company's investments are assessed for indicators or impairment at each balance sheet date.

The Company applies fair value accounting for its other investments recognized as financial assets that are disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets that are required to be recorded at fair value, the Company considers all related factors of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions of market participants.

(j) Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost net of accumulated depreciation, write-downs and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life as follows:

Buildings	20 - 25 years
Leasehold improvements	over the shorter of the initial term of the underlying lease plus any reasonably assured renewal terms, and the useful life of the asset
Production equipment	5 years
Processing equipment	5 years
Sales equipment	3 - 5 years
Office equipment	3 - 5 years
Land	not depreciated
Construction in progress	not depreciated

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items or components of property, plant and equipment and each major component is assigned an appropriate useful life. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized in the consolidated statements of operations. Maintenance and repairs are charged to expense as incurred. Significant expenditures, which extend the useful lives of assets or increase productivity, are capitalized.

Construction in progress includes construction progress payments, deposits, engineering costs, and other costs directly related to the construction of cultivation, processing or dispensary facilities. Expenditures are capitalized during the construction period and construction in progress is transferred to the appropriate class of property, plant and equipment when the assets are available for use, at which point the depreciation of the asset commences.

The Company reviews the carrying values of its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group might not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent when testing for, and measuring for, impairment. In performing its review of recoverability, the Company estimates the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statements of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows.

A liability for the fair value of an asset retirement obligation associated with the retirement of tangible long-lived assets and the associated asset retirement costs are recognized in the period in which the liability and costs are incurred if a reasonable estimate of fair value can be made using a discounted cash flow model. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently amortized over the asset's useful life. The liability is accreted over the period of expected cash outflows. The Company does not have any asset retirement obligations as of December 31, 2024 and 2023.

(k) Leases

The Company leases some items of property, plant and equipment, office, cultivation, processing and dispensary space. On the lease commencement date, a lease is classified as a finance lease or an operating lease based on the classification criteria of the lease guidance under U.S. GAAP. As of January 1, 2019, the Company adopted Financial Accounting Standard Board ("FASB") ASC Topic 842 *Leases* ("ASC 842") and applied the lease classification criteria contained therein for any new leases. Upon adoption of ASC 842, the Company recorded right-of-use ("ROU") assets for all of its leased assets classified as operating leases. The ROU assets were computed as the present value of future minimum lease payments, including additional payments resulting from a change in an index such as a consumer price index or an interest rate, plus any prepaid lease payments minus any lease incentives received.

A lease liability was also recorded at the same time. No ROU asset is recorded for leases with a lease term, including any reasonably assured renewal terms, of 12 months or less.

Upon adoption of ASC 842, the Company also recorded lease liabilities computed as the present value of future minimum lease payments, including additional payments resulting from a change in an index or an interest rate. Lease liabilities are amortized using the effective interest method.

Amortization on the ROU asset is calculated as the difference between the expected straight-line rent expense over the lease term less the accretion on the lease liability.

(l) Intangible Assets

Intangible assets with a finite life are recorded at cost and are amortized on a straight-line basis over their estimated useful lives. Intangible assets with an indefinite life are not amortized and are assessed annually for impairment, or more frequently if indicators of impairment arise. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Company capitalizes certain internal-use software development costs, consisting primarily of contractor costs and employee salaries and benefits allocated to the software. Capitalization of costs incurred in connection with internally developed software commences when both the preliminary project stage is completed and management has authorized further funding for the project, based on a determination that it is probable the project will be completed and used to perform the function intended. Capitalization of costs ceases no later than the point at which the project is substantially complete and ready for its intended use. All other costs are expensed as incurred. Amortization is calculated on a straight-line basis over three years. Costs incurred for enhancements that are expected to result in additional functionalities are capitalized.

Intangible assets mainly comprise of licenses acquired in business combinations. Licenses are amortized over 15 years, which reflects the useful lives of the assets. Trademarks are amortized over 7 to 15 years, and all other intangible assets with a finite life are amortized over 1 to 5 years.

The Company reviews the carrying values of its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group might not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent when testing for, and measuring for, impairment. In performing its review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statements of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows.

(m) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to a specific reporting unit or allocated between reporting units based on the relative fair value of each reporting unit.

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Impairment is determined for goodwill by assessing if the carrying value of a reporting unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a reporting unit are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the reporting unit. Any goodwill impairment is recorded in impairment loss within the consolidated statement of operations in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

As of December 31, 2024, the Company recognized $6.1 million of goodwill from its Cheetah Acquisition (as defined below). As the Company is still in the process of determining its final purchase price allocation, the final goodwill amount is not yet determined as of the reporting date.

(n) Assets Held For Sale

The Company classifies assets held for sale in accordance with ASC Topic 360 Property, Plant and Equipment. When the Company makes the decision to sell an asset, the Company assesses if such asset should be classified as an asset held for sale. To classify as an asset held for sale, the asset or disposal group must meet all of the following conditions: i) management, having the authority to approve the action, commits to a plan to sell the asset, ii) the asset is available for immediate sale in its present condition, subject to certain customary terms, iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated, iv) the sale of the asset is probable and the transfer of the asset is expected to qualify for recognition as a completed sale, within one year, subject to certain exceptions, v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current value, and vi) actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn. Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell ("FVLCTS"). FVLCTS is the amount obtainable from the sale of the asset in an arm's length transaction, less the costs of disposal. Once classified as held for sale, any depreciation and amortization on an asset cease to be recorded. As of December 31, 2024, the Company had $23.6 million in assets classified as held for sale on the consolidated balance sheets, which relates to property, plant and equipment, right-of-use assets, and intangible assets; and $2.3 million in liabilities classified as held for sale which relates to operating lease liabilities. There were no assets or liabilities classified as held for sale as of the year ended December 31, 2023.

(o) Derivative Liabilities and Long-term Debt

The Company's debt instruments contain a host liability, freestanding warrants and in some instances, an embedded conversion feature. The Company uses the guidance under FASB ASC Topic 815 *Derivatives and Hedging* ("ASC 815") to determine if the embedded conversion feature must be bifurcated and separately accounted for as a derivative under ASC 815. It also determines whether any embedded conversion features requiring bifurcation and/or freestanding warrants qualify for any scope exceptions contained within ASC 815. Generally, contracts issued or held by a reporting entity that are both (i) indexed to its own stock; and (ii) classified in shareholders' equity, would not be considered a derivative for the purposes of applying ASC 815. Any embedded conversion features and/or freestanding warrants that do not meet the scope exception noted above are classified as derivative liabilities, initially measured at fair value and remeasured at fair value each reporting period with changes in fair value recognized in the consolidated statements of operations. Any embedded conversion feature and/or freestanding warrants that meet the scope exception under ASC 815 are initially recorded at their relative fair value in paid-in-capital and are not remeasured at fair value in future periods. There were no derivatives liabilities on the consolidated balance sheets as of December 31, 2024 and December 31, 2023.

The host debt instrument is initially recorded at its relative fair value in long-term debt. The host debt instrument is accounted for in accordance with guidance applicable to non-convertible debt under FASB ASC Topic 470 *Debt* ("ASC 470") and is accreted to its face value over the term of the debt with accretion expense and periodic interest expense recorded in the consolidated statements of operations.

Issuance costs are allocated to each instrument (the debt host, embedded conversion feature and/or freestanding warrants) in the same proportion as the proceeds that are allocated to each instrument other than issuance costs directly related to an instrument are allocated to that instrument only. Issuance costs allocated to the debt host instrument are netted against the proceeds allocated to the debt host. Issuance costs allocated to an instrument classified as derivative liability are expensed in the period that they are incurred in the consolidated statements of operations. Issuance costs allocated to freestanding warrants classified in equity are recorded in paid-in-capital.

Upon settlement of convertible debt instruments, ASC 470-20 requires the issuer to allocate total settlement consideration, inclusive of transaction costs, amongst the liability and equity components of the instrument based on the fair value of the liability component immediately prior to repurchase. The difference between the settlement consideration allocated to the liability component and the net carrying value of the liability component, including unamortized debt issuance costs, is recognized as gain (loss) on extinguishment of debt in the consolidated statements of operations. The remaining settlement consideration allocated to the equity component is recognized as a reduction of additional paid-in capital in the consolidated balance sheets.

(p) Income Taxes

Income taxes are accounted for under the asset and liability method whereby deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the accounting and tax bases of assets and liabilities and net operating loss carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized in the consolidated statements of operations in the period in which the change is enacted.

The Company assesses realization of deferred income tax assets and, based on all available evidence, concludes whether it is more likely than not that the net deferred income tax assets will be realized. A valuation allowance is provided for the amount of deferred income tax assets not considered to be realizable.

The Company has elected to classify interest and penalties related to income tax liabilities, when applicable, as part of the income tax expense within its consolidated statements of operations.

The Company is subject to ongoing tax exposures, examinations and assessments in various jurisdictions. Accordingly, the Company may incur additional tax expense based upon the outcomes of such matters. The Company follows the provisions of ASC Topic 740, *Accounting for Income Taxes* ("ASC Topic 740"). ASC Topic 740 clarifies the accounting for uncertainties in income taxes recognized in a Company’s consolidated financial statements. ASC Topic 740 also prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 provides guidance on derecognition, classification, interest and penalties, disclosures and transition. As required by the uncertain tax position guidance in ASC Topic 740, the Company recognized the benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

(q) Revenue Recognition

The Company recognizes revenue under the provision of ASC 606—*Revenue from Contracts with Customers*. The Company generates revenue primarily from the sale of cannabis, cannabis related products and provision of services. The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue from the sale of cannabis is generally recognized when control over the goods has been transferred to the customer. Payment for medical sales is typically due prior to shipment for wholesale orders and at point-of-sale for retail orders. Payment for wholesale transactions is due within a specified time period as permitted by the underlying agreement and the Company’s credit policy upon the transfer of goods to the customer. The Company generally satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled. Substantially all of the Company’s sales are single performance obligations arrangements for which the transaction price is equivalent to the stated price of the products net of any stated discounts applicable at point of sale.

Revenue is recognized net of sales incentives and returns, after discounts. The Company offers loyalty reward programs to its retail customers across several of its dispensaries. A portion of the revenue generated in a sale must be allocated to the loyalty points earned. The amount allocated to the points earned is deferred until the loyalty points are redeemed or expired at the end of each fiscal year. As of December 31, 2024 and 2023, the loyalty liability totaled $Nil and $1.1 million, respectively, and is included in accrued and other current liabilities on the consolidated balance sheets.

(r) Costs and Expenses Applicable to Revenues

Costs and expenses applicable to revenues represents costs directly related to processing and distribution of the Company's products. Primary costs include raw materials, packaging, direct labor, overhead, and shipping and handling. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance and property taxes. The Company recognizes the costs and expenses applicable to revenues at the time the related revenues are recognized.

(s) Foreign Currency Translation

The functional and reporting currency of the Company is the U.S. dollar. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the foreign exchange rates prevailing at the end of the period. Non-monetary assets and liabilities measured at historical cost are translated using the exchange rate at the date of the transaction. Realized and unrealized foreign exchange gains and losses are included in the determination of earnings in the period in which they arise.

(t) Share-based Compensation

The Company has a share-based compensation plan which includes options and restricted stock units ("RSUs"). Share-based awards are measured at the fair value of the awards at the grant date and recognized as expense over the requisite service periods in the Company's consolidated statements of operations. The fair value of options is determined using the Black-Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the share-based awards granted shall be based on the number of awards that eventually vest. Amounts recorded for forfeited or expired unexercised options are accounted for in the year of forfeiture. Upon the exercise of stock options, consideration received on the exercise of share-based awards is recorded as paid-in-capital. The fair value of RSUs is determined using the Company's closing stock price on the grant date.

Share-based compensation expense includes compensation cost for employee awards granted and all modified or cancelled awards. In addition, compensation expense includes the compensation cost, based on the grant-date fair value calculated under FASB ASC Topic 718 *Share-based payments* ("ASC Topic 718"). Share-based compensation expense is not adjusted for estimated forfeitures, but instead adjusted upon an actual forfeiture of a stock option. The Company utilizes the risk free rate determined by the market yield on United States Treasury marketable bonds over the contractual term of the instrument being issued.

The critical assumptions and estimates used in determining the fair value of share-based compensation include: expected life of options, volatility of the Company's future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

The Company's policy is to issue new common shares from treasury to satisfy stock options which are exercised.

The Company recognizes compensation expense for RSUs and options on a straight-line basis over the requisite service period for awards that vest solely based on a service condition. Compensation expense for awards that vest based on both service and performance conditions are recognized over the requisite service period of the award using the graded vesting method. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

(u) Contingent Liabilities

In accordance with the FASB ASC Topic 450 *Contingencies*, the Company will make a provision for a liability when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company reviews these provisions in conjunction with any related provisions on assets related to the claims at least quarterly and adjusts these provisions to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other pertinent information related to the case.

The Company expenses legal costs relating to its lawsuits, claims and proceedings as incurred.

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

(v) Business Combinations

In accordance with the FASB ASC Topic 805 *Business Combinations* ("ASC 805"), the Company allocates the fair value of purchase consideration to the tangible and intangible asset purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets acquired and liabilities assumed requires estimates and the use of valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. If the Company obtains new information about the facts and circumstances that existed as of the acquisition date during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed.

(w) Change in Accounting Policy

Upon adoption of ASC Topic 740, the Company elected to follow an accounting policy to classify interest and penalties related to accrued income taxes under "selling, general and administrative expenses". The Company has now elected to classify interest and penalties related to income tax liabilities, when applicable, as part of "income tax expense".

The change in classification is considered preferable as it i) aligns with how the Company manages its ongoing tax obligations, ii) provides more transparent reporting of expenses by classifying taxes distinct from expenses incurred as a result of the Company's core business activities, and iii) enhances the comparability of these financial statements with those within the industry.

In accordance with ASC Topic 250-10 "Accounting Changes and Error Corrections", the periods presented below have been retrospectively adjusted to reflect the changes to income tax expense and selling, general, and administrative expenses. The effect of the adjustment on the line items within the Company's consolidated statements of operations for the year ended December 31, 2023 is as follows:

Prior Year's Line item	Year Ended December 31, 2023		
	As Previously Restated	Amount Reclassified	As Adjusted
Selling, general and administrative expenses	$ 78,326	$ (10,463)	$ 67,863
Income tax expense	$ 16,700	$ 10,463	$ 27,163

(x) Reclassification

Certain prior year amounts have been reclassified to conform with the current year's presentation. These reclassification adjustments had no effect on the Company's previously reported consolidated statements of operations and consolidated statements of cash flows.

The following table summarizes the effects of reclassification adjustments on the line items within the Company's consolidated statements of operations:

Prior Year's Line item	Year Ended December 31, 2023		
	As Previously Restated	Amount Reclassified	As Reclassified
(Recoveries), write-downs, and other charges, net	$ 410	$ (512)	$ (102)
Interest and other income	$ (1,846)	$ 512	$ (1,334)

The following table summarizes the effects of reclassification adjustments on the line items within the Company's consolidated statements of cash flows:

Prior Year's Line item	Year Ended December 31, 2023		
	As Previously Restated	Amount Reclassified	As Reclassified
Accounts payable	$ 3,037	$ 760	$ 3,797
Change in operating assets and liabilities:	28,904	760	29,664
Investment in associates	—	(760)	(760)
Net cash used in investing activities	(3,630)	(760)	(4,390)

Note 3 – New Accounting Standards and Accounting Changes

Adoption of New Accounting Policies

In November 2023, the FASB issued ASU 2023-07 Segment Reporting (Topic 280). All public entities will be required to report segment information in accordance with the new guidance starting in annual periods beginning after December 15, 2023. The amendments improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The Company adopted the new standard in the fourth quarter of 2024. The adoption did not have any material impact on the Company's consolidated financial statements.

Recently Issued FASB Accounting Standard Updates

In December 2023, the FASB issued ASU 2023-09 Income Taxes (Topic 740). For public business entities, the amendments are effective for annual periods beginning after December 15, 2024. The amendments address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This amendment also looks to improve the effectiveness of income tax disclosures. The Company is in the process of determining the effects adoption will have on its consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02, Codification Improvements. Public entities must adopt the amendments for annual periods beginning after December 15, 2024. The standard removes outdated glossary references, streamlining Codification content. The Company is evaluating the impact of these improvements on its financial reporting disclosures.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income (Topic 220). Public entities must comply with the amendments for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. The update enhances disclosure requirements by requiring detailed breakdowns of material expense categories. The Company is determining the effects of adoption on its financial reporting practices.

Note 4 – Acquisitions

Cheetah Acquisition

On December 30, 2024, the Company entered into an Asset Purchase Agreement (the "Cheetah Purchase Agreement") with Cheetah Enterprises, Inc. (the "Cheetah Seller"), pursuant to which, the Company acquired substantially all the assets related to the Cheetah Seller's wholesale business, including the manufacture, marketing, and sale of cannabis distillate vaporize products in the states of Illinois and Pennsylvania under the "Cheetah" brand (the "Brand"), but excluding certain excluded assets (the "Cheetah Purchased Assets") together with certain assumed liabilities related to the Cheetah Purchased Assets. The purchase price (the "Purchase Price") for the Cheetah Purchased Assets is approximately $3.5 million, and includes (i) common shares at an aggregate deemed value of approximately $1.5 million, which the Company recorded at a fair value on acquisition of $1.2 million, to be issued in three (3) tranches; (ii) upon the completion of certain performance benchmarks (if the Brand does not meet the performance benchmark by the payment date, such payment date will be delayed until the later of (x) thirty (30) days or (y) until such time the Brand achieves the applicable performance benchmark; provided, the full cash consideration shall not be delayed more than twenty-four (24) months after closing); and (iii) additional consideration based on EBITDA generated by the Brand (the "Earn-Out") over the next three years which is payable annually in cash, with the final payment due on or before April 1, 2028.

The Company has determined that the acquisition of the Cheetah Purchased Assets (the "Cheetah Acquisition") is a business combination under ASC 805 whereby the total consideration is recorded by allocating the purchase consideration to the net assets and liabilities acquired based on their estimated fair values at the acquisition date. The Company is still in the process of finalizing the valuation of the intangible assets acquired from the Cheetah Acquisition. Once finalized, the excess of the purchase consideration for the Cheetah Acquisition over the fair value of the net assets acquired will be recorded to goodwill.

The following table summarizes the preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed for the Cheetah Acquisition as of December 31, 2024:

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

Consideration:		
Cash consideration - paid	$	675
Cash consideration - accrued		1,325
Common stock - issuable		1,167
Additional earn-out consideration		3,127
Fair value of consideration	**$**	**6,294**
Estimated fair values of net assets acquired and liabilities assumed:		
Cash	$	45
Receivables and prepaid assets		340
Inventory		106
Operating lease right-of-use assets, net		42
Accounts payable		(301)
Accrued and other current liabilities		(87)
Deferred tax liabilities		—
Net assets acquired	**$**	**145**
Goodwill and intangible assets	$	6,149

Total purchase consideration transferred at closing also included additional Earn-Out that had a fair value of $3.1 million as of the acquisition date. The acquisition date fair value of the Earn-Out was determined based on the Company's assessment of the probability of achieving the performance targets that ultimately obligate the Company to transfer additional consideration to the seller. The Earn-Out is comprised of certain EBITDA targets to be achieved by the Brand and is paid annually in cash, commencing April 1, 2026 for the preceding fiscal year. Any remeasurement of the Earn-Out during the finalization of the Purchase Price allocation will be included in the determination of goodwill recognized from the Cheetah Acquisition. Subsequent to finalizing the Purchase Price allocation, the fair value of the Earn-Out will be remeasured at the end of each reporting period with any gains or losses recognized in selling, general, and administrative expenses within the consolidated statement of operations. Refer to Note 12 for further discussion on contingent consideration.

Total acquisition-related costs incurred during the year ended December 31, 2024, were less than $0.1 million (December 31, 2023 - $Nil), which were recorded within selling, general and administrative expenses on the consolidated statement of operations.

Pro forma financial information is not disclosed as the results are not material to the Company's consolidated financial statements.

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

Note 5 – Leases

The Company mainly leases office space and cannabis cultivation, processing and retail dispensary space. Leases with an initial term of less than 12 months are not recorded on the consolidated balance sheets. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The Company has determined that it was reasonably certain that the renewal options on the majority of its cannabis cultivation, processing and retail dispensary space would be exercised based on previous history and knowledge, current understanding of future business needs and the level of investment in leasehold improvements, among other considerations. The incremental borrowing rate used in the calculation of the lease liability is based on the rate available to the parent company. The depreciable life of assets and leasehold improvements are limited by the expected lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Certain subsidiaries of the Company rent or sublease certain office space to/from other subsidiaries of the Company. These intercompany subleases are eliminated on consolidation and have lease terms ranging from less than 1 year to 15 years.

The components of lease expense are as follows:

		Year Ended December 31, 2024	Year Ended December 31, 2023
Operating lease costs[(1)]	Selling, general and administrative expenses	$ 6,863	$ 7,084
	Costs and expenses applicable to revenues	1,405	1,780
Total lease cost		**$ 8,268**	**$ 8,864**

(1) Includes short-term leases and variable lease costs for the years ended December 31, 2024 and 2023.

Operating cash flows from operating leases for the year ended December 31, 2024 was $7.5 million (December 31, 2023 - $7.8 million).

Supplemental balance sheet information related to leases is as follows:

Balance Sheet Information	Classification	As of December 31, 2024	As of December 31, 2023
Operating lease right-of-use assets, net	Operating leases	$ 24,012	$ 27,377
Lease liabilities			
Current portion of operating lease liabilities	Operating leases	$ 6,534	$ 7,716
Long-term portion of operating lease liabilities	Operating leases	21,599	28,009
Total		**$ 28,133**	**$ 35,725**

Maturities of lease liabilities for operating leases as of December 31, 2024, were as follows:

	Operating Leases
2025	$ 6,534
2026	6,508
2027	6,180
2028	6,188
2029	5,943
Thereafter	31,188
Total lease payments	$ 62,541
Less: interest expense	(34,408)
Present value of lease liabilities	$ 28,133
Weighted-average remaining lease term (years)	9.6
Weighted-average discount rate	19%

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

The Company entered into multiple sublease agreements pursuant to which it serves as lessor to the sublessees. For the year ended December 31, 2024, the Company recorded sublease income of $1.0 million (December 31, 2023—$0.9 million), which is included in the interest and other income line on the consolidated statements of operations.

During the year ended December 31, 2024, the Company had reclassified $2.1 million of right-of-use assets, net to assets classified as held for sale, and $2.3 million of operating lease liabilities to liabilities classified as held for sale on the consolidated balance sheets, as it plans to sell certain cultivation and processing facilities in Arizona.

Note 6 – Inventories, net

Inventories is comprised of the following items:

	As of December 31,	
	2024	2023
Supplies	$ 4,134	$ 5,331
Raw materials	3,815	7,110
Work in process	5,194	6,351
Finished goods	9,570	6,614
Inventory reserve	(247)	(24)
Total	**$ 22,466**	**$ 25,382**

Inventories are written down for any obsolescence or when the net realizable value considering future events and conditions is less than the carrying value. For the year ended December 31, 2024, the Company recorded $0.4 million (December 31, 2023 – $0.9 million), related to spoiled inventory in costs and expenses applicable to revenues on the consolidated statements of operations.

Note 7 – Property, Plant and Equipment

	As of December 31, 2024		
	Cost	Accumulated Depreciation	Net Book Value
Buildings	$ 71,870	$ 11,970	$ 59,900
Leasehold improvements	41,439	26,057	15,382
Production equipment	2,403	1,324	1,079
Processing equipment	2,801	1,559	1,242
Sales equipment	896	784	112
Office equipment	6,551	5,352	1,199
Land	2,716	—	2,716
Construction in progress	5,858	—	5,858
Total	**$ 134,534**	**$ 47,046**	**$ 87,488**

	As of December 31, 2023		
	Cost	Accumulated Depreciation	Net Book Value
Buildings	$ 74,922	$ 10,305	$ 64,617
Leasehold improvements	47,693	28,959	18,734
Production equipment	3,504	2,244	1,260
Processing equipment	4,470	3,219	1,251
Sales equipment	1,275	1,054	221
Office equipment	7,079	5,775	1,304
Land	2,894	—	2,894
Construction in progress	3,722	—	3,722
Total	**$ 145,559**	**$ 51,556**	**$ 94,003**

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

For the year ended December 31, 2024, the Company recorded depreciation expense on property, plant, and equipment of $8.8 million (December 31, 2023— $11.2 million).

During the year ended December 31, 2024, the Company disposed $0.2 million of property, plant and equipment, net (December 31, 2023—$1.7 million), primarily related to the sale of cultivation and manufacturing equipment.

During the year ended December 31, 2024, the Company had reclassified $3.0 million of property, plant and equipment, net to assets classified as held for sale on the consolidated balance sheets, as it plans to sell certain cultivation and processing facilities in Arizona.

Note 8 – Intangible Assets and Goodwill

	As of December 31, 2024		
	Cost	Accumulated Amortization	Net Book Value
Licenses	$ 114,418	$ 44,550	$ 69,868
Trademarks	11,111	9,451	1,660
Other	3,726	2,392	1,334
	$ 129,255	**$ 56,393**	**$ 72,862**

	As of December 31, 2023		
	Cost	Accumulated Amortization	Net Book Value
Licenses	$ 139,920	$ 44,777	$ 95,143
Trademarks	29,100	20,497	8,603
Other	3,430	1,804	1,626
	$ 172,450	**$ 67,078**	**$ 105,372**

During the year ended December 31, 2024, the Company recorded $0.2 million in intangible asset additions (December 31, 2023—$2.5 million), which is primarily attributable to internal-use software. The weighted average remaining amortization period for these additions is 13 years as of December 31, 2024.

During the year ended December 31, 2024, the Company had reclassified $18.4 million of intangible assets, net to assets classified as held for sale on the consolidated balance sheets, as it plans to sell licenses and trademarks in Arizona.

Amortization expense for the years ended December 31, 2024 and 2023 was $13.9 million and $13.9 million, respectively.

The estimated amortization expense for each of the years ended December 31, as follows:

2025	$ 10,038
2026	9,750
2027	9,750
2028	9,500
2029	9,354
Thereafter	24,471

The following table summarizes the balances of goodwill as of December 31, 2024 and 2023:

	As of December 31,	
	2024	2023
Balance, beginning of year	$ —	$ —
Acquisition of Cheetah	6,148	—
Impairment loss	—	—
Total	**$ 6,148**	**$ —**

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

Note 9 - Long-Term Debt

The following table summarizes long term debt outstanding as of December 31, 2024 and 2023:

	Secured Notes	June Secured Debentures	Additional Secured Debentures	June Unsecured Debentures	Other	Total
As of January 1, 2024	**$ 15,565**	**$ 101,856**	**$ 28,247**	**$ 18,856**	**$ 752**	**$ 165,276**
Carrying value of financial liabilities issued	14,345	—	—	—	—	14,345
Paid-in-kind interest	239	9,449	2,368	1,895	—	13,951
Accretion of balance	632	2,993	—	999	—	4,624
Debt extinguishment	(15,813)	—	—	—	—	(15,813)
Repayment	—	—	—	—	(56)	(56)
As of December 31, 2024	**$ 14,968**	**$ 114,298**	**$ 30,615**	**$ 21,750**	**$ 696**	**$ 182,327**

	Secured Notes	June Secured Debentures	Additional Secured Debentures	June Unsecured Debentures	Other	Total
As of January 1, 2023	**$ 13,852**	**$ 90,273**	**$ 26,067**	**$ 16,175**	**$ 945**	**$ 147,312**
Carrying value of financial liabilities issued	13,786	—	—	—	—	13,786
Paid-in-kind interest	1,689	8,695	2,180	1,743	—	14,307
Accretion of balance	124	2,888	—	938	—	3,950
Debt extinguishment	(13,886)	—	—	—	—	(13,886)
Deconsolidation	—	—	—	—	(144)	(144)
Repayment	—	—	—	—	(49)	(49)
As of December 31, 2023	**$ 15,565**	**$ 101,856**	**$ 28,247**	**$ 18,856**	**$ 752**	**$ 165,276**

As of December 31, 2024, the total and unamortized debt discount costs were $21.9 million and $11.4 million, respectively (December 31, 2023— $20.4 million and $14.6 million, respectively).

As of December 31, 2024, total interest paid on long-term debt was $1.5 million (December 31, 2023 - $0.1 million).

(a) iAnthus New Jersey, LLC Senior Secured Bridge Notes

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

On February 2, 2023, ICH and INJ entered into an amendment (the "Amendment") to the Senior Secured Bridge Notes with all of the holders of the Senior Secured Bridge Notes. Pursuant to the Amendment, the maturity date of the Senior Secured Bridge Notes was extended until February 2, 2024, the interest on the principal amount outstanding was increased to a rate of 12.0% per annum, and an amendment fee equal to 10.0% of the principal amount outstanding of the Senior Secured Bridge Notes as of February 2, 2023 or $1.4 million in the aggregate, was added to such notes such that it will become due and payable on the extended maturity date.

On February 2, 2024, in order to facilitate the 2024 NJ Amendment (as defined below), the parties agreed to a short-term extension of the maturity date from February 2, 2024 to February 16, 2024. On February 16, 2024, ICH and INJ entered into another amendment (the"2024 NJ Amendment") to the Senior Secured Bridge Notes. Pursuant to the 2024 NJ Amendment, the maturity date of the Senior Secured Bridge Notes was extended from February 16, 2024 to February 16, 2026 and the interest rate of the Senior Secured Bridge Notes remained at 12% per annum, but the interest accruing after February 16, 2024 will be payable in quarterly cash payments (the first interest payment being on May 16, 2024). In addition, the 2024 NJ Amendment provides for an amendment fee equal to 10% of the principal amount of the Senior Secured Bridge Notes as of the date of the 2024 NJ Amendment, or $1.6 million in the aggregate, which is satisfied through the issuance of ICH's common shares at a price per share equal to the volume-weighted average trading price of ICH's common shares on the CSE for the twenty (20) consecutive trading days immediately prior to the date of the 2024 NJ Amendment. Lastly, ICH and INJ agreed to utilize twenty-five percent (25%) of Non-Operational Receipts in excess of $5.0 million to make payments towards the principal amount outstanding under the Senior Secured Bridge Notes, without penalty. For purposes of the 2024 NJ Amendment, "Non-Operational Cash Receipts" means cash ICH received which is not derived from the sale of cannabis products in the ordinary course of business of ICH, whether through retail, wholesale or otherwise. No additional amounts have been paid from Non-Operational Receipts during the year ended December 31, 2024.

In accordance with debt extinguishment accounting guidance outlined in ASC 470 "Debt", the terms of the Senior Secured Bridge Notes were materially modified pursuant to both the Amendment and 2024 NJ Amendment and as such, for the year ended December 31, 2024, the Company recorded a loss on debt extinguishment of $0.1 million, (December 31, 2023 - $1.3 million), on the consolidated statements of operations.

The amended host debt, classified as a liability using the guidance of ASC 470, was recognized at the carrying value of $14.3 million.

For the year ended December 31, 2024, interest expense of $1.9 million (December 31, 2023—$1.7 million), and accretion expense of $0.6 million (December 31, 2023—$0.1 million), were recorded on the consolidated statements of operations.

The Senior Secured Bridge Notes are secured by a security interest in certain assets of INJ. ICH provided a guarantee in respect of all of the obligations of INJ under the Senior Secured Bridge Notes, and the Company is in compliance with the terms of the Senior Secured Bridge Notes as of December 31, 2024. The Senior Secured Bridge Notes are classified as long-term debt, net of issuance costs on the consolidated balance sheets.

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

(b) June Secured Debentures

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

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

Interest is to be paid in kind by adding the interest accrued on the principal amount on the last day of each fiscal quarter (the first such interest payment date being June 30, 2022) and such amount thereafter becoming part of the principal amount, which will accrue additional interest. Interest paid in kind will be payable on the date when all of the principal amount is due and payable.

For the year ended December 31, 2024, interest expense and accretion expense of $9.4 million and $3.0 million, respectively, were recorded on the consolidated statements of operations (December 31, 2023—$8.7 million and $2.9 million, respectively).

The terms of the Secured DPA impose certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to: incur certain additional indebtedness; grant liens; make certain dividends and other payment restrictions affecting the Company's subsidiaries; issue shares or convertible securities; and sell certain assets. The June Secured Debentures are secured by all current and future assets of the Company and ICM. The terms of the Secured DPAs do not have any financial covenants or market value test and ICM is in compliance with the terms of the June Secured Debentures as of December 31, 2024. The June Secured Debentures are classified as long-term debt, net of issuance costs on the consolidated balance sheets.

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

(c) June Unsecured Debentures

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

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

Interest is to be paid in kind by adding the interest accrued on the principal amount on the last day of each fiscal quarter (the first such interest payment date being June 30, 2022) and such amount thereafter becoming part of the principal amount, which will accrue additional interest. Interest paid in kind will be payable on the date when all of the principal amount is due and payable.

For the year ended December 31, 2024, interest expense and accretion expense of $1.9 million and $1.0 million, respectively, were recorded on the consolidated statements of operations (December 31, 2023—$1.7 million and $0.9 million, respectively).

The terms of the Unsecured DPA impose certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to: incur certain additional indebtedness; grant liens; make certain dividends and other payment restrictions affecting the Company's subsidiaries; issue shares or convertible securities; and sell certain assets. The terms of the Unsecured DPA do not have any financial covenants or market value test, and ICM is in compliance with the terms of the June Unsecured Debentures as of December 31, 2024. The June Unsecured Debentures are classified as long-term debt, net of issuance costs on the consolidated balance sheets.

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

(d) Additional Secured Debentures

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

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

Interest is to be paid in kind by adding the interest accrued on the principal amount on the last day of each fiscal quarter (the first such interest payment date being June 30, 2022) and such amount thereafter becoming part of the principal amount, which will accrue additional interest. Interest paid in kind will be payable on the date when all of the principal amount is due and payable.

For the year ended December 31, 2024, interest expense of $2.4 million, was recorded on the consolidated statements of operations (December 31, 2023 - $2.2 million).

The terms of the Secured DPA impose certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to: incur certain additional indebtedness; grant liens; make certain dividends and other payment restrictions affecting the Company's subsidiaries; issue shares or convertible securities; and sell certain assets. The Additional Secured Debentures are secured by all current and future assets of the Company and ICM. The terms of the Secured DPAs do not have any financial covenants or market value test, and ICM is in compliance with the terms of the Additional Secured Debentures as of December 31, 2024. The Additional Secured Debentures are classified as long-term debt, net of issuance costs on the consolidated balance sheets.

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

Note 10 - Share Capital

(a) Share Capital

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

The Company's common shares are voting and dividend-paying. The following is a summary of the common share issuances for the year ended December 31, 2024:

- On January 2, 2024, the Company issued common shares totaling 20,000 for the Hi-Med Settlement Agreement (Refer to Note 14).
- On January 5, 2024, the Company issued 23,461 common shares for vested restricted stock units ("RSUs"). The Company withheld 2,300 common shares to satisfy employees' tax obligations of less than $0.1 million.
- On February 2, 2024, the Company issued common shares totaling 2,000 for vested RSUs.
- On February 27, 2024, the Company issued 61,314 common shares to the holders of the Senior Secured Bridge Notes to satisfy the amendment fee pertaining to the 2024 NJ Amendment.
- On April 24, 2024, the Company issued common shares totaling 486 for vested RSUs. The Company withheld 162 common shares to satisfy employees' tax obligations of less than $0.1 million.
- On July 2, 2024, the Company issued common shares totaling 17,977 for vested RSUs. The Company withheld 6,423 common shares to satisfy employees' tax obligations of less than $0.1 million.
- On October 8, 2024, the Company issued common shares totaling 66,345 for vested RSUs. The Company withheld 19,830 common shares to satisfy employees' tax obligations of $0.1 million.
- On December 13, 2024, the Company issued common shares totaling 5,000 for the Ninth Square Settlement Agreement (Refer to Note 14).

The following is a summary of the common share issuances for the year ended December 31, 2023.

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

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

- On October 10, 2023, the Company issued common shares totaling 69,352 for vested restricted stock units, out of which the Company withheld 18,669 shares to satisfy employees' tax obligations with respect thereto of $0.3 million.

(b) Potentially Dilutive Securities

The following table summarizes potentially dilutive securities, and the resulting common share equivalents outstanding as of December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Common share options	7,877	7,877
Restricted stock units	325,539	325,643
Total	**333,416**	**333,520**

(c) Equity Incentive Plans

On December 31, 2021, the Board approved the Company's Amended and Restated Omnibus Incentive Plan (the "Omnibus Incentive Plan") dated October 15, 2018, whereas, the Company may award stock options or RSUs (the "Awards") to board members, officers, employees or consultants of the Company. The Omnibus Incentive Plan authorizes the issuance of up to 20% of the number of outstanding shares of common stock of the Company.

Awards generally vest over a three year period and the estimated fair value of the Awards at issuance is recognized as compensation expense over the related vesting period.

Stock Options

The Company's stock options are currently held by two former officers of the Company which have fully vested on July 10, 2023. Share-based compensation expense related to stock options for the year ended December 31, 2024 was $Nil (December 31, 2023 - less than $0.1 million), and is presented in selling, general and administrative expenses on the consolidated statements of operations.

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

	Year Ended December 31, 2024			Year Ended December 31, 2023		
	Units	Weighted Average Exercise Price	Weighted Average Contractual Life	Units	Weighted Average Exercise Price	Weighted Average Contractual Life
Options outstanding, beginning	7,877	$ 0.05	6.78	7,877	$ 0.05	7.78
Granted	—	—	—	—	—	—
Cancellations	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—
Expirations	—	—	—	—	—	—
Options outstanding, ending [(1)]	**7,877**	**$ 0.05**	**5.53**	**7,877**	**$ 0.05**	**6.78**

(1) As of December 31, 2024, 7,877 of the stock options outstanding were exercisable (December 31, 2023—7,877).

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

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

There was no stock option activity for the years ended December 31, 2024 and 2023.

Restricted Stock Units

On December 31, 2021, the Board approved a long-term incentive program, pursuant to which, on July 26, 2022, the Company issued certain employees of the Company and its subsidiaries, RSUs, under the Company's Omnibus Incentive Plan. RSUs represent a right to receive a single common share that is both non-transferable and forfeitable until certain conditions are satisfied.

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

Certain RSU recipients were also holders of the Original Awards, which were cancelled upon closing the Recapitalization Transaction. The RSUs granted to these employees have been treated as replacement awards (the "Replacement RSUs") and are accounted for as a modification to the Original Awards. As the fair value of the Original Awards was $Nil on the modification dates, the incremental compensation cost recognized is equal to the fair value of the Replacement RSUs on the modification date, which shall be recognized over the remaining requisite service period.

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

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

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

On October 20, 2023, the Board awarded 15,487 RSUs to Robert Galvin, a former officer of the Company, for compensation owed. The fair value of the RSUs was determined on the grant date and the award is expected to vest fully over three months.

On November 15, 2023, the Board awarded 42,604 RSUs to four Board members, and an officer. The RSUs shall vest over a period of one to three years. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

On November 26, 2024, the Board awarded 144,500 RSUs to four Board members. The RSUs shall vest over a period of one year. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

During the year ended December 31, 2024, the Company recognized $2.1 million of share-based compensation expense associated with the RSUs (December 31, 2023 - $4.5 million). Share-based compensation expense is presented in selling, general and administrative expenses on the consolidated statements of operations.

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

As of December 31, 2024, there was approximately $2.8 million of total unrecognized compensation cost related to unvested RSUs which is expected to be recognized over a weighted-average service period of 1.4 years.

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

	Year Ended December 31, 2024		Year Ended December 31, 2023	
	Units	Weighted Average Grant Price	Units	Weighted Average Grant Price
Unvested balance, beginning	315,668	$ 0.02	129,671	$ 0.07
Granted	144,500	0.01	304,212	0.02
Vested	(126,957)	0.02	(108,021)	0.08
Forfeited	(34,334)	0.02	(10,194)	0.07
Unvested balance, ending	**298,877**	**$ 0.01**	**315,668**	**$ 0.02**

Note 11 - Segment Information

Management, including the Company’s Chief Executive Officer, who is considered the Company’s Chief Operating Decision Maker (“CODM”) (as defined in the FASB ASC Topic 280 Segment Reporting), assesses segment performance based on segment revenues, gross margins, and net income/(loss). For instance, the CODM uses both segment gross profit and segment profit/loss from operations to allocate resources (including labor or capital resources) to each of the geographical locations (entities) in the forecasts. An analysis of the gross profit from the regions enables decisions regarding marketing activities, additional investments or scale back of expansion plans, as well as, implementation of cost management strategies.

The Company divides its reportable operating segments primarily by geographic region. The Company has two reportable operating segments: Eastern Region and Western Region. The Eastern Region includes the Company’s operations in Florida, Maryland, Massachusetts, New York and New Jersey. The Eastern Region included results from its Vermont business until March 8, 2023 when it was sold and subsequently deconsolidated. The Western Region includes the Company’s operations in Arizona as well as its assets and investments in Colorado. The Western Region included results from its Nevada business until June 24, 2024 when it was sold and subsequently deconsolidated. The two geographic regions are looked at separately by the CODM and Company’s management as the operations within those regions are in different stages of development. The operations comprising the Western Region are more established than those in the Eastern Region. Most of the Company’s financial and operational growth is being driven by the Eastern Region. Both the Eastern Region and the Western Region segments generate revenues from the sale of cannabis products through retail dispensaries as well as wholesale supply agreements.

The “Other” category in the disclosure below comprises items not separately identifiable to the two reportable operating segments and are not part of the measures used by the Company when assessing the reportable operating segments’ results. It also includes items related to operating segments of the Company that did not meet the quantitative thresholds under ASC 280-10-50-12 to be considered reportable operating segments, nor did they meet the aggregation criteria under ASC 280-10-50-11 to qualify for aggregation with one of the two reportable operating segments of the Company. All inter-segment profits are eliminated upon consolidation.

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

Reportable Segments

	Year Ended December 31, 2024	Year Ended December 31, 2023 (Adjusted)
Revenues, net of discounts		
Eastern Region[1]	$ 128,553	$ 105,922
Western Region[2]	39,014	53,088
Other[3]	—	227
Total	**$ 167,567**	**$ 159,237**
Gross profit (loss)		
Eastern Region	$ 60,219	$ 43,839
Western Region	14,895	19,609
Other	—	(279)
Total	**$ 75,114**	**$ 63,169**
Operating expenses:		
Selling, general and administrative expenses		
Eastern Region	34,555	33,957
Western Region	8,360	11,172
Other	19,267	22,734
Total	**62,182**	**67,863**
Depreciation and amortization		
Eastern Region	$ 15,186	$ 17,306
Western Region	7,033	7,339
Other	462	498
Total	**$ 22,681**	**$ 25,143**
(Recoveries), write-downs and other charges, net		
Eastern Region	$ (1,985)	$ (454)
Western Region	429	(4)
Other	320	356
Total	**$ (1,236)**	**$ (102)**
Profit (loss) from operations		
Eastern Region	$ 12,463	$ (6,971)
Western Region	(927)	1,103
Other	(20,049)	(23,867)
Total	**$ (8,513)**	**$ (29,735)**
Other income and expenses, net:		
Eastern Region	$ (868)	$ (2,308)
Western Region	(3,307)	(256)
Other	(12,626)	(17,159)
Total	**$ (16,801)**	**$ (19,723)**
Income tax (benefit) expense		
Eastern Region	$ 10,440	$ 11,674
Western Region	8,513	3,373
Other	(36,631)	12,116
Total	**$ (17,678)**	**$ 27,163**
Net loss		
Eastern Region	$ 1,157	$ (29,332)
Western Region	(12,749)	(3,200)
Other	3,956	(44,089)
Total	**$ (7,636)**	**$ (76,621)**

(1) Eastern region no longer includes Vermont operations as results were deconsolidated as of March 8, 2023.

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

(2) Western region no longer includes Nevada operations as results were deconsolidated as of June 24, 2024.

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

Supplemental Segment Disclosures:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Purchase of property, plant and equipment		
Eastern Region	$ 5,232	$ 3,373
Western Region	189	192
Other	98	7
Total	**$ 5,519**	**$ 3,572**
Purchase of other intangible assets		
Eastern Region	$ 20	$ 2,489
Other	185	15
Total	**$ 205**	**$ 2,504**

	As of December 31, 2024	As of December 31, 2023
Assets		
Eastern Region	$ 212,007	$ 215,743
Western Region	40,124	51,148
Other	18,912	10,516
Total	**$ 271,043**	**$ 277,407**

Major Customers

Major customers are defined as customers that each individually accounted for greater than 10% of the Company's annual revenues. For the years ended December 31, 2024 and 2023, no sales were made to any one customer that represented in excess of 10% of the Company's total revenues.

Geographic Information

As of December 31, 2024 and 2023, substantially all of the Company's assets were located in the United States and all of the Company's revenues were earned in the United States.

Disaggregated Revenues

The Company disaggregates revenues into categories that depict how the nature, amount, timing and uncertainty of the revenues and cash flows are affected by economic factors. For the years ended December 31, 2024 and 2023, the Company disaggregated its revenues as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Revenues, net of discounts		
iAnthus branded products	$ 84,904	$ 87,545
Third party branded products	64,506	61,108
Wholesale/bulk/other products	18,157	10,584
Total	**$ 167,567**	**$ 159,237**

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

Note 12 - Financial Instruments

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

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

The carrying values of cash, receivables, payables and accrued liabilities approximate their fair values because of the short- term nature of these financial instruments. Balances due to and due from related parties have no terms and are payable on demand, thus are also considered current and short-term in nature, hence carrying value approximates fair value.

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

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

	As of December 31, 2024				As of December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Long term investments	$ 10	$ —	$ 853	**$ 863**	**$ 56**	$ —	$ 679	**$ 735**
Financial liabilities								
Contingent consideration payable	$ —	$ —	$ 3,127	**$ 3,127**	**$ —**	**$ —**	$ —	**$ —**

There were no transfers or change in valuation method between Level 1, Level 2, and Level 3 within the fair value hierarchy during the years ended December 31, 2024 and 2023.

Financial Assets

The Company's investment in 4 Front Venture Corp. as of December 31, 2024 and 2023, is considered to be a Level 1 instrument because it is comprised of shares of a public company, and there is an active market for the shares and observable market data, or inputs are now available.

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

Level 3 investments are comprised of two investments made by the Company in which it holds an equity interest. The Company exercises significant influence for one of these investments and therefore records this investment under the equity method. The investment was initially recognized at cost and the Company recognizes its proportionate share of earnings and losses from the investment each reporting period.

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

The following table summarizes the changes in Level 1 and Level 3 financial assets:

	Financial Assets		
	4Front Venture Corp.	The Pharm Stand, LLC	Island Thyme, LLC
Balance as of December 31, 2022	**$ 130**	**—**	**$ 102**
Additions	—	—	760
Revaluations	(74)	—	—
Loss on equity method investments	—	—	(183)
Balance as of December 31, 2023	**$ 56**	**$ —**	**$ 679**
Additions	—	125	260
Revaluations	(46)	—	—
Loss on equity method investments	—	—	(211)
Balance as of December 31, 2024	**$ 10**	**$ 125**	**$ 728**

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

Financial Liabilities

The following table summarizes the changes in the Company's Level 3 financial liabilities:

	Financial Liabilities
	Contingent Consideration Payable
Balance as of December 31, 2023	**$ —**
Acquisition of Cheetah - Earn-Out	3,127
Consideration paid	—
Revaluations	—
Balance as of December 31, 2024	**$ 3,127**

The Company’s contingent consideration payable relates to the additional Earn-Out to be paid as part of the Cheetah Acquisition and is categorized as a Level 3 financial instrument within the fair value hierarchy, as specific valuation techniques using unobservable inputs is required. The Company is using a probability-weighted average scenario approach in assigning probabilities across multiple outcomes of the potential EBITDA earned from Cheetah which forms the basis of the Earn-Out. These assumptions include financial forecasts, discount rates, and growth expectations. As of December 31, 2024, the discount rate applied was the Company's incremental borrowing rate of 14.2% and growth expectations on potential EBITDA earned from Cheetah were in the range of 574% to 1,697% in 2025, 98% to 163% in 2026, and 41 to 118% in 2027. The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company’s management.

The following table summarizes the Company’s long-term debt instruments (Refer to Note 9) at their carrying value and fair value:

	As of December 31, 2024		As of December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
June Unsecured Debentures	$ 21,750	$ 20,142	$ 18,856	$ 17,301
June Secured Debentures	144,913	134,096	130,103	118,118
Secured Notes	14,968	15,223	15,565	15,414
Other	696	687	752	772
Total	**$ 182,327**	**$ 170,148**	**$ 165,276**	**$ 151,605**

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

Note 13 - Commitments

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

The following table summarizes the Company's contractual obligations and commitments as of December 31, 2024:

	2025	2026	2027	2028	2029
Operating leases	$ 6,534	$ 6,508	$ 6,180	$ 6,188	$ 5,943
Service and other contracts	2,078	—	—	—	—
Long-term debt	65	17,751	216,383	97	111
Consideration to be paid from acquisitions	2,492	706	2,420	—	—
Total	**$ 11,169**	**$ 24,965**	**$ 224,983**	**$ 6,285**	**$ 6,054**

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

Note 14 - Contingencies and Guarantees

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

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

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

- There is a claim from two former noteholders against the Company and MPX Bioceutical ULC ("MPX ULC"), with respect to alleged payments of $1.3 million made by the noteholders to MPX, claiming the right to receive $115.0 million; and
- There is a claim against the Company, MPX ULC and MPX, with respect to a prior acquisition made by MPX in relation to a subsidiary that was not acquired by the Company as part of the MPX Acquisition, claiming $3.0 million in connection with alleged contractual obligations of MPX. On December 3, 2024, the Company and MPX ULC entered into a settlement agreement with the parties to this litigation, pursuant to which, the parties thereto agreed to settle this matter on terms that provide for, among other things, a cash payment of approximately CAD$0.5 million and the issuance of 5,000,000 common shares of the Company to Ninth Square, at a deemed price of CAD$0.01 per share.

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

In October 2018, Craig Roberts and Beverly Roberts (the "Roberts") and the Gary W. Roberts Irrevocable Trust Agreement I, Gary W. Roberts Irrevocable Trust Agreement II, and Gary W. Roberts Irrevocable Trust Agreement III (the "Roberts Trust" and together with the Roberts, the "Roberts Plaintiffs") filed two separate but similar declaratory judgment actions in the Circuit Court of Palm Beach County, Florida against GrowHealthy Holdings, LLC ("GrowHealthy Holdings") and the Company in connection with the acquisition of substantially all of GrowHealthy Holdings' assets by the Company in early 2018. The Roberts Plaintiffs sought a declaration that the Company must deliver certain share certificates to the Roberts without requiring them to deliver a signed Shareholder Representative Agreement to GrowHealthy Holdings, which delivery was a condition precedent to receiving the Company share certificates and required by the acquisition agreements between GrowHealthy Holdings and the Company. In January 2019, the Circuit Court of Palm Beach County denied the Roberts Plaintiffs' motion for injunctive relief, and the Roberts Plaintiffs signed and delivered the Shareholder Representative Agreement forms to GrowHealthy Holdings while reserving their rights to continue challenging the validity and enforceability of the Shareholder Representative Agreement. The Roberts Plaintiffs thereafter amended their complaints to seek monetary damages in the aggregate amount of $22.0 million plus treble damages. On May 21, 2019, the court issued an interlocutory order directing the Company to deliver the share certificates to the Roberts Plaintiffs, which the Company delivered on June 17, 2019, in accordance with the court's order. On December 19, 2019, the Company appealed the court's order directing delivery of the share certificates to the Florida Fourth District Court of Appeal, which appeal was denied per curiam. On October 21, 2019, the Roberts Plaintiffs were granted leave by the Circuit Court of Palm Beach County to amend their complaints in order to add purported claims for civil theft and punitive damages, and on November 22, 2019, the Company moved to dismiss the Roberts Plaintiffs' amended complaints. On May 1, 2020, the Circuit Court of Palm Beach County heard arguments on the motions to dismiss, and on June 11, 2020, the court issued a written order granting in part and denying in part the Company's motion to dismiss. Specifically, the order denied the Company's motion to dismiss for lack of jurisdiction and improper venue; however, the court granted the Company's motion to dismiss the Roberts Plaintiffs' claims for specific performance, conversion and civil theft without prejudice. With respect to the claim for conversion and civil theft, the Circuit Court of Palm Beach County provided the Roberts Plaintiffs with leave to amend their respective complaints. On July 10, 2020, the Roberts Plaintiffs filed further amended complaints in each action against the Company including claims for conversion, breach of contract and civil theft including damages in the aggregate amount of $22.0 million plus treble damages, and on August 13, 2020, the Company filed a consolidated motion to dismiss such amended complaints. On October 26, 2020, Circuit Court of Palm Beach County heard argument on the consolidated motion to dismiss, denied the motion and entered an order to that effect on October 28, 2020. Answers on both actions were filed on November 20, 2020 and the parties commenced discovery. On September 9, 2021, the Roberts Plaintiffs filed a motion to consolidate the two separate actions, which motion was granted on October 14, 2021. On August 6, 2020, the Roberts filed a lawsuit against Randy Maslow, the Company's now former Interim Chief Executive Officer, President, and director, in his individual capacity (the "Maslow Complaint"), alleging a single count of purported conversion. The Maslow Complaint was not served on Randy Maslow until November 25, 2021, and the allegations in the Maslow Complaint are substantially similar to those allegations for purported conversion in the complaints filed against the Company. On March 28, 2022, the court consolidated the action filed against Randy Maslow with the Roberts Plaintiffs' action for discovery and trial purposes. As a result, the court vacated the matter's initial trial date of May 9, 2022 and the case has not been reset for trial yet. On April 22, 2022, the parties attended a court required mediation, which was unsuccessful. On May 6, 2022, the Circuit Court of Palm Beach County granted Randy Maslow's motion to dismiss the Maslow Complaint. On May 19, 2022, the Roberts filed a second amended complaint against Mr. Maslow ("Amended Maslow Complaint"). On June 3, 2022, Mr. Maslow filed a motion to dismiss the Amended Maslow Complaint, which was denied on September 9, 2022. On April 12, 2023, the Circuit Court of Palm Beach County set this matter for a jury trial to occur sometime between June 5, 2023 and August 11, 2023; however, the court rescheduled the jury trial and did not set a new trial date. On April 14, 2023, the Roberts Plaintiffs filed a partial Motion for Summary Judgment on liability for the Roberts Plaintiffs' claims for breach of contract and the Company filed a competing Motion for Summary Judgment on all claims against the Company. On April 21, 2023, Mr. Maslow also filed a Motion for Summary Judgment. All of the motions remain pending. On February 27, 2024, the Roberts Plaintiffs filed a Notice for Jury Trial with the Circuit Court of Palm Beach County, notifying the court that the matter was ready to be set for trial. On April 19, 2024, the Roberts Plaintiffs filed a Motion for Speedy Trial due to the ages and health of the Roberts Plaintiffs. On May 14, 2024, the court issued a scheduling order that, among other things, set this matter for a jury trial to occur sometime between October 21, 2024 and December 27, 2024; however, due to competing schedules of the parties, the court elected to specially set the trial. On October 15, 2024, the court issued an order specially setting the trial to begin on January 14, 2025; however, the court has vacated this trial date. On December 13, 2024, the court denied each of the parties' respective Motions for Summary Judgment. Further, the parties have been ordered by the court to attend mediation, which occurred on March 7, 2025 and was ultimately unsuccessful. On March 21, 2025, the court issued an order specially setting the trial to begin on April 8, 2025 and on the same day, the Company filed an objection to the order on the basis that that it was not timely issued. Also on March 21, 2025, the court scheduled a case management conference for March 28, 2025 and referred this matter to non-binding arbitration beginning on April 8, 2025.

On May 19, 2020, Hi-Med LLC ("Hi-Med"), an equity holder and one of the Unsecured Lenders who held an Unsecured Debenture in the principal amount of $5.0 million prior to the closing of the Recapitalization Transaction, filed a complaint (the "Hi-Med Complaint") with the United States District Court for the Southern District of New York (the "SDNY") against the Company and certain of the Company's current and former directors and officers and other defendants (the "Hi-Med Lawsuit"). Hi-Med is seeking damages of an unspecified amount and the full principal amount of the Unsecured Debenture against the Company, for among other things, alleged breaches of provisions of the Unsecured Debenture and the related Debenture Purchase Agreement as well as alleged violations of Federal securities laws, including Sections 10(b), 10b-5 and 20(a) of the Securities Exchange Act of 1934, as amended and common law fraud relating to alleged false and misleading statements regarding certain proceeds from the issuance of long-term debt that were held in escrow to make interest payments in the event of a default thereof. On July 9, 2020, the court issued an order consolidating the class action matter with the shareholder class action referenced below. On July 23, 2020, Hi-Med and the defendants filed a stipulation and proposed scheduling and coordination order to coordinate the pleadings for the consolidated actions. On September 4, 2020, Hi-Med filed an amended complaint (the "Hi-Med Amended Complaint"). On October 14, 2020, the SDNY issued a stipulation and scheduling and coordination order, which required that the defendants answer, move, or otherwise respond to the Hi-Med Amended Complaint no later than November 20, 2020. On November 20, 2020, the Company and certain of its current officers and directors filed a Motion to Dismiss the Hi-Med Amended Complaint. On January 8, 2021, Hi-Med filed an opposition to the Motion to Dismiss. The Company and certain of its current officers and directors' reply were filed on February 22, 2021. In a memorandum of opinion dated August 30, 2021, the SDNY granted the Company's and certain of its officers and directors' Motion to Dismiss the Hi-Med Amended Complaint. The SDNY indicated that Hi-Med may move for leave to file a proposed second amended complaint by September 30, 2021. On September 30, 2021, Hi-Med filed a motion for leave to amend the Hi-Med Amended Complaint. On October 28, 2021, the parties filed a Stipulation and Proposed Scheduling Order Regarding Hi-Med's Motion for Leave to File a second Amended Complaint (the "Stipulation"). On November 3, 2021, the SDNY so-ordered the Stipulation and Hi-Med's second Amended Complaint was deemed filed as of this date. On December 20, 2021, the Company and its current named officers and directors filed a Motion to Dismiss Hi-Med's second Amended Complaint. Hi-Med's opposition to the Company's and its current named officers and directors' Motion to Dismiss was filed on February 3, 2022. The Company and its current named officers and directors' reply to Hi-Med's opposition was filed on March 21, 2022. On September 28, 2022, the SDNY issued an opinion granting in part and denying in part the Motion to Dismiss Hi-Med's second Amended Complaint (the "Opinion"). On October 12, 2022, the parties filed a joint stipulation and proposed scheduling order (the "Joint Stipulation and Proposed Scheduling Order"), in which certain defendants ("Moving Defendants") indicated that they may be filing a motion seeking clarification of certain aspects of the court's Opinion. The parties proposed that the Company's answer would be due on November 21, 2022 and that the parties would submit a proposed discovery plan by December 12, 2022. The Joint Stipulation and Proposed Scheduling Order was ordered by the court on October 19, 2022. Defendants' motions seeking clarification were filed on October 24, 2022 and are currently pending before the court. On December 12, 2023, the parties executed a settlement agreement (the "Hi-Med Settlement Agreement"), which fully settled all claims by and between the parties. The terms of the Hi-Med Settlement Agreement provides for, among other things, the issuance of 20,000 shares of the Company's common stock, no par value per share. In accordance with the terms of the Hi-Med Settlement Agreement, Hi-Med filed Notice of Voluntary Dismissal with the SDNY, dismissing the Hi-Med Amended Complaint with prejudice. Separately, on June 29, 2020, Hi-Med filed a claim in the Court, which mirrors the Hi-Med Complaint, but the Company was never served. It is the Company's position that the release in the Hi-Med Settlement Agreement released the claims underlying the Hi-Med claim filed in the Court. Refer to Note 9 for further discussion on the Unsecured Debentures.

On April 20, 2020, Donald Finch, a shareholder of the Company, filed a putative class action lawsuit against the Company (the "Class Action Lawsuit") and is seeking damages for an unspecified amount against the Company, its former Chief Executive Officer, its former Chief Financial Officer and others with the SDNY for alleged false and misleading statements regarding certain proceeds from the issuance of long-term debt, that were held in escrow to make interest payments in the event of default on such long-term debt. On May 5, 2020, Peter Cedeno, another shareholder of the Company, filed a putative class action against the same defendants alleging substantially similar causes of action. On June 16, 2020, four separate motions for consolidation, appointment as lead plaintiff, and approval of lead counsel were filed by Jose Antonio Silva, Robert and Sherri Newblatt, Robert Dankner, and Melvin Fussell. On July 9, 2020, the SDNY issued an order consolidating the Class Action Lawsuit and the Hi-Med Complaint referenced above and appointed Jose Antonio Silva as lead plaintiff ("Lead Plaintiff"). On July 23, 2020, the Lead Plaintiff and defendants filed a stipulation and proposed scheduling and coordination order to coordinate the pleadings for the consolidated actions. On September 4, 2020, the Lead Plaintiff filed a consolidated amended class action lawsuit against the Company (the "Amended Complaint"). On November 20, 2020, the Company and its Chief Financial Officer filed a Motion to Dismiss the Amended Complaint. On January 8, 2021, the Lead Plaintiff filed an opposition to the Motion to Dismiss the Amended Complaint. The Company and its Chief Financial Officer's reply to the opposition was filed on February 22, 2021. In a memorandum of opinion dated August 30, 2021, the SDNY granted the Company's and its Chief Financial Officer's Motion to Dismiss the Amended Complaint. The SDNY indicated that the Lead Plaintiff may move for leave to file a proposed second amended complaint by September 30, 2021. On October 1, 2021, the Lead Plaintiff filed a motion for leave to amend the Amended Complaint. The Lead Plaintiff's Motion for Leave to File a second Amended Complaint was included as part of the Stipulation identified above. On October 28, 2021, the parties filed the Stipulation regarding the Lead Plaintiff's Motion for Leave to File a second Amended Complaint. On November 3, 2021, the SDNY so-ordered the Stipulation and the Lead Plaintiff's second Amended Complaint was deemed filed as of this date. On December 20, 2021, the Company and its Chief Financial Officer filed a Motion to Dismiss the Lead Plaintiff's second Amended Complaint. The Lead Plaintiff's opposition to the Company's and its Chief Financial Officer's Motion to Dismiss was filed on February 3, 2022. The Company's and its Chief Financial Officer's reply to the Lead Plaintiff's opposition was filed on March 21, 2022. On September 28, 2022, the SDNY issued an opinion granting in part and denying in part the Motion to Dismiss the Lead Plaintiff's second Amended Complaint. On October 12, 2022, the parties filed the Joint Stipulation and Proposed Scheduling Order, which the SDNY so ordered on October 19, 2022, ordering that that the Defendants' answers are due on November 21, 2022; that the parties shall submit a proposed discovery plan by December 12, 2022; and that discovery in the Finch and Cedeno actions shall be coordinated with discovery in the Hi-Med action referenced above, to the extent the two actions involved overlapping issues. The parties agreed to submit the matter, together with the Hi-Med action referenced above, to mediation, which took place on January 17, 2023. On January 31, 2023, the parties advised the SDNY that the Defendants and Lead Plaintiff reached a settlement in principle and anticipate filing a motion for preliminary approval of the settlement by March 9, 2023. Accordingly, the parties requested that the SDNY suspend all further deadlines and proceedings in the Class Action Lawsuit pending submission of the motion for preliminary approval. On March 7, 2023, the parties advised the SDNY that the parties required a short extension of the motion for preliminary approval of the settlement and such motion would be filed by March 21, 2023. On March 21, 2023, the parties executed a settlement agreement and filed the motion for preliminary approval of the settlement with the SDNY. On December 20, 2023, the SDNY preliminarily approved the settlement. On April 10, 2024, the SDNY held the final approval hearing. Following this hearing, the SDNY issued an order, requesting additional information regarding the allocation of settlement funds. The Lead Plaintiff submitted the additional information to the SDNY on April 26, 2024. On May 28, 2024, the SDNY approved the settlement and issued its final judgment and order of dismissal with prejudice, which concludes this matter.

On July 23, 2020, Blue Sky Realty Corporation filed a putative class action against the Company and the Company's former Chief Financial Officer in the Ontario Superior Court of Justice ("OSCJ") in Toronto, Ontario. On September 27, 2021, the OSCJ granted leave for the plaintiff to amend its claim ("Amended Claim"). In the Amended Claim, the plaintiff seeks to certify the proposed class action on behalf of two classes. "Class A" consists of all persons, other than any executive level employee of the Company and their immediate families ("Excluded Persons"), who acquired the Company's common shares in the secondary market on or after April 12, 2019, and who held some or all of those securities until after the close of trading on April 5, 2020. "Class B" consists of all persons, other than Excluded Persons, who acquired the Company's common shares prior to April 12, 2019, and who held some or all of those securities until after the close of trading on April 5, 2020. Among other things, the plaintiff alleges statutory and common law misrepresentation, and seeks an unspecified amount of damages together with interest and costs. The plaintiff also alleges common law oppression for releasing certain statements allegedly containing misrepresentations inducing Class B members to hold the Company's securities beyond April 5, 2020. No certification motion has been scheduled. The Amended Claim also changed the named plaintiff from Blue Sky Realty Corporation to Timothy Kwong. The hearing date for the motion for leave to proceed with a secondary market claim under the Securities Act (Ontario) has been vacated. The parties have reached a settlement in principle, and November 16, 2023, the OSCJ certified the class for settlement purposes only. On February 20, 2024, the OSCJ held the settlement approval hearing and on March 8, 2024, issued its decision rejecting the proposed settlement.

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

On May 23, 2022, CGX Life Sciences, Inc. ("CGX"), a wholly-owned subsidiary of the Company, filed a demand for arbitration (the "CGX Arbitration") with the American Arbitration Association ("AAA") against LMS Wellness, Benefit LLC ("LMS") and its 100% owner, William Huber ("Huber" and together with LMS, the "Defendants") for various breaches under the option agreements entered into between CGX and LMS, on the one hand, and CGX and Huber on the other (collectively, the "Option Agreements"). Specifically, CGX is seeking: (i) an order finding the Defendants in breach of the Option Agreements and directing specific performance by the Defendants of their obligations under the Option Agreements to complete the sale and transfer of LMS to CGX; (ii) an order either tolling or extending the closing date under the Option Agreements; (ii) an order requiring Huber to restore LMS' bank account of all sums withdrawn for the payment of contracts entered into in breach of the Option Agreements; and (iii) an order prohibiting Huber from withdrawing any further funds from LMS' bank account. On June 8, 2022, the Defendants filed an Answering Statement, denying the allegations raised by CGX and sent a notice to CGX, purporting to terminate the Option Agreements. In addition, on June 8, 2022, LMS filed a demand for arbitration (the "S8 Arbitration") with the AAA against S8 Management, LLC ("S8"), alleging that S8 breached the Amended and Restated Management Services Agreement (the "MSA") entered into between LMS and S8 on March 12, 2018. On June 24, 2022, the Defendants filed Motion to Consolidate the CGX Arbitration and S8 Arbitration. On July 5, 2022, CGX filed an opposition to the Defendants' Motion to Consolidate and a cross-Motion to Stay the S8 Arbitration to allow the CGX Arbitration to proceed first. On July 26, 2022, the parties attended a preliminary conference with the arbitrator, at which conference the arbitrator preliminarily granted the Defendants' Motion to Consolidate and denied CGX's cross-Motion to Stay the S8 Arbitration. On October 7, 2022, CGX filed a dispositive motion for specific performance of Defendants' obligations to complete the sale of LMS to CGX (claims (i) and (ii), above), which Defendants opposed. On October 31, 2022, the arbitrator granted CGX's dispositive motion and ordered Defendants to complete the sale of LMS to CGX. The remaining claims asserted in the CGX Arbitration (claims (iii) and (iv), above) and the S8 Arbitration remain pending. On November 30, 2022, Defendants filed a Petition to Vacate Arbitration Award. CGX's filed its response on January 30, 2023, and subsequently the Defendants filed a Request for Hearing on February 3, 2023. The Circuit Court for Baltimore County had a hearing on the Petition to Vacate Arbitration Award on February 21, 2024, and on March 4, 2024, the Circuit Court for Baltimore County denied Defendants' Petition to Vacate Arbitration Award. On April 8, 2024, the Defendants submitted the required ownership transfer paperwork to the Maryland Cannabis Administration (the "MCA") to request approval of the transfer of ownership of LMS to CGX following the denial of the Defendants' Petition to Vacate Arbitration Award. Also on April 8, 2024, the Defendants requested that the MCA either deny the ownership transfer of LMS to CGX, or delay their consideration of the request until the S8 Arbitration is complete. On April 22, 2024, the MCA notified the parties that it will wait to consider the request to transfer ownership of LMS to CGX until the S8 Arbitration is complete. Beginning on July 15, 2024, the parties attended a hearing regarding claims (iii) and (iv) in the CGX Arbitration and the claims in the S8 Arbitration. The parties filed post-hearing briefs on August 27, 2024 and oral argument regarding the post-hearing briefs was held on September 16, 2024. On September 24, 2024, the arbitrator issued his final award, in which he denied the claims of all parties in the CGX Arbitration and S8 Arbitration. Upon completion of the CGX Arbitration and S8 Arbitration, CGX continued to pursue regulatory approval of the transfer of ownership of LMS to CGX from the MCA. On March 4, 2025, the MCA approved the transfer of 100% of the ownership of LMS to CGX.

Pursuant to the terms of the Option Agreements, LMS and Huber are required to close the transaction and transfer 100% of the membership interests of LMS to CGX within two (2) business days of receipt of the MCA's approval, as that was the final closing condition to be satisfied. Accordingly, CGX demanded that LMS and Huber close no later than March 7, 2025. LMS and Huber failed to close and on March 10, 2025, CGX filed a Motion to Enforce Judgment to mandate that LMS and Huber transfer ownership of LMS to CGX, among other things. LMS and Huber have not responded to CGX's motion yet. On March 7, 2025, LMS filed an action in the Circuit Court for Anne Arundel County, seeking a writ of mandamus, temporary restraining order and preliminary injunction against the MCA on the basis that the MCA violated the law by issuing its March 4, 2025 approval regarding the transfer of 100% of the ownership of LMS to CGX. Specifically, LMS is seeking an order that the MCA be compelled to rescind its approval because ownership of LMS's license cannot be transferred for five (5) years, or until July 1, 2028, because LMS converted its medical-only license to a dual license on July 1, 2023. On March 12, 2025, the MCA filed its opposition to LMS, arguing, among other things, that the court order exception to the 5-year restriction on transfers applies. Also on March 12, 2025, CGX intervened and filed an opposition to LMS, incorporating the MCA's opposition. On March 14, 2025, the parties attended a court conference and the court denied LMS's motion for a temporary restraining order.

On June 20, 2023, LMS filed a complaint in the United States District Court for the District of Maryland against the Company and three wholly-owned subsidiaries of the Company (the "iAnthus Defendants"), alleging conversion, RICO violations and unjust enrichment and seeking damages in excess of $4.5 million, plus treble damages (the "Federal Complaint"). The allegations in the Federal Complaint appear substantially similar to, and appear to arise from substantially the same operative facts as, those alleged by LMS in the CGX Arbitration, the S8 Arbitration, and in support of the Defendants' Petition to Vacate Arbitration Award. The iAnthus Defendants deny LMS's allegations alleging unlawful conduct. The iAnthus Defendants filed a Motion to Dismiss (Or Stay the Proceedings) the Federal Complaint on September 11, 2023. On March 12, 2024, the Court granted the iAnthus Defendants' motion and administratively stayed the Federal Complaint pending the outcome of the CGX Arbitration and the S8 Arbitration. On November 1, 2024, LMS filed a voluntary notice of dismissal, dismissing the Federal Complaint. On November 4, 2024, the court ordered that LMS's notice of dismissal be adopted and further ordered that the Federal Complaint be dismissed.

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

On October 29, 2021, the Florida Department of Health, Office of Medical Marijuana Use (the "OMMU") approved the requested (the "Variance Request") change of ownership and control of McCrory's resulting from the closing of the Recapitalization Transaction. On November 19, 2021, Weisser filed a petition (as amended, the "Florida Petition") with the OMMU, challenging the OMMU's approval of the Variance Request. On February 3, 2022, the Florida Division of Administrative Hearings ("DOAH") issued a Recommended Order of Dismissal, recommending that the OMMU enter a final order dismissing the Florida Petition for lack of standing. On May 4, 2022, the OMMU issued a final agency order (the "Final Order"), which accepted the recommendation of the DOAH and dismissed the Florida Petition for lack of standing. Weisser appealed the Final Order with the District Court of Appeal in the First District of Florida (the "Court of Appeal") and filed his initial brief on November 9, 2022, which seeks a reversal of the Final Order. On February 3, 2023, the Company filed a Motion to Dismiss the appeal, which the Court of Appeal denied on June 16, 2023. On July 6, 2023, McCrory's filed its answer brief in response to Weisser's appeal brief. On June 12, 2024, the Court of Appeal affirmed the Final Order, finding that Weisser lacked standing to challenge the Final Order. Weisser did not seek rehearing of the Court of Appeal's decision and did not seek discretionary review by the Florida Supreme Court. As a result, this matter is now closed.

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

On April 5, 2023, Canaccord Genuity Corp. ("Canaccord") filed a Statement of Claim against the Company in the OSCJ pursuant to an engagement letter (as amended, the "Engagement Letter") entered into by and between Canaccord and the Company. Specifically, Canaccord alleges that it is owed a cash fee equal to approximately $2.2 million(the "Alleged Fee") pursuant to the Engagement Letter as a result of the closing of the Recapitalization Transaction. The Company filed its Statement of Defense on May 17, 2023 in which, the Company disputes that it owes the Alleged Fee on the basis that the Recapitalization Transaction closed outside of the tail period of the Engagement Letter, which expired on November 4, 2021. The Company also filed a counterclaim against Canaccord, seeking the repayment of $0.3 million payment mistakenly made by the Company towards the Alleged Fee in October 2022. On November 3, 2023, Canaccord filed a Motion for Summary Judgment, requesting that the court grant Canaccord's claim for the Alleged Fee. The hearing on Canaccord's Motion for Summary Judgment is scheduled for June 26, 2025.

Note 15 - Related Party Transactions

	As of December 31,	
	2024	**2023**
Financial Statement Line Item		
Current portion of long-term debt, net of issuance costs (1)	—	15,566
Long-term debt, net of issuance costs (1)	177,925	144,321
Accrued and other current liabilities	9,461	8,302
Total	**$ 187,386**	**$ 168,189**

(1) Upon the closing of the Recapitalization Transaction, certain of the Company's lenders held greater than 5.0% of the voting interests in the Company and therefore are classified as related parties. Refer to Note 9 for further discussion.

Effective as of October 11, 2023 (the "October Resignation Date"), Robert Galvin, the Company's then-Interim Chief Operating Officer, resigned from his executive positions, including all positions with the Company's subsidiaries and affiliates. In connection with the resignation, Mr. Galvin and the Company executed a separation agreement (the "October Separation Agreement"), pursuant to which Mr. Galvin received certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(f) of his employment agreement. Specifically, Mr. Galvin received: (i) total cash compensation in the amount of approximately $0.4 million, which was payable in a lump sum on January 5, 2024; (ii) a grant of RSUs with an aggregate fair market value of approximately $0.4 million, which fully vested on January 4, 2024. Under the terms of the October Separation Agreement, the Company paid the monthly premium for Mr. Galvin's continued participation in the Company's health and dental insurance benefits pursuant to COBRA for one year following the October Resignation Date. Mr. Galvin served in a consulting role for three months following the October Resignation Date at a base compensation rate of $25 per month. As of December 31, 2024, the total balance owed to Mr. Galvin is $Nil (December 31, 2023 - $0.4 million).

Effective as of April 5, 2024 (the "Faraut Resignation Date"), Philippe Faraut, the Company's then-Chief Financial Officer, resigned from his executive positions, including all positions with the Company's subsidiaries and affiliates. In connection with the resignation, Mr. Faraut and the Company executed a separation agreement (the "Faraut Separation Agreement"), pursuant to which, Mr. Faraut received certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(g) of his employment agreement. Specifically, Mr. Faraut received total cash compensation in the amount of approximately $0.2 million, which was payable in equal installments of approximately $25 per month over a period of 7 months following the Effective Date (as defined in the Faraut Separation Agreement). Under the terms of the Faraut Separation Agreement, the Company will continue to pay the monthly premium for Mr. Faraut's continued participation in the Company's health and dental insurance benefits pursuant to COBRA for one year from the Faraut Resignation Date. Mr. Faraut served in a consulting role for one month following the Faraut Resignation Date at a base compensation rate of $25 per month. Pursuant to the Faraut Separation Agreement, the RSUs granted to Mr. Faraut on November 23, 2022 and May 17, 2023 accelerated and fully vested upon satisfactory completion of Mr. Faraut's consulting services. Further, the RSUs granted to Mr. Faraut on September 1, 2023 and November 15, 2023 were forfeited as of the Faraut Resignation Date. As of December 31, 2024, the total balance owed to Mr. Faraut is $Nil (December 31, 2023 - $Nil).

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

Pursuant to the terms of the Secured DPA, the Company has a related party payable of $6.3 million due to certain of the New Secured Lenders, including Gotham Green Fund 1, L.P., Gotham Green Fund 1 (Q), L.P., Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Oasis Investment Master II Fund LTD., Senvest Global (KY), LP, Senvest Master Fund, LP and Hadron Healthcare and Consumer Special Opportunities Master Fund, for certain out-of-pocket costs, charges, fees, taxes and other expenses incurred by the New Secured Lenders in connection with the closing of the Recapitalization Transaction (the "Deferred Professional Fees"). These New Secured Lenders held greater than 5.0% of the outstanding common shares of the Company upon the closing of the Recapitalization Transaction and are therefore considered to be related parties. The Company had until December 31, 2022, to pay the Deferred Professional Fees ratably based on the amount of each New Secured Lender's Deferred Professional Fees. The Deferred Professional Fees accrued simple interest at the rate of 12.0% from the Closing Date until December 31, 2022. Beginning with the first business day of the month following December 31, 2022, interest shall accrue on the Deferred Professional Fees at the rate of 20.0% calculated on a daily basis and is payable on the first business day of every month until the Deferred Professional Fees and accrued interest thereon is paid in full. As of December 31, 2024, the outstanding related party portion of the Deferred Professional Fees including accrued interest was $9.2 million (December 31, 2023 – $8.0 million). The related party balance is presented in accrued and other current liabilities on the consolidated balance sheets.

Note 16 - Income Taxes

Income tax (benefit) expense for the years ended December 31, 2024 and 2023 consisted of the following:

	2024	2023
Current income (benefit) tax expense		
Federal	$ (9,215)	$ 25,242
State	11,811	5,352
Total current income tax expense	2,596	30,594
Deferred income tax recoveries		
Federal	(16,053)	(2,787)
State	(4,221)	(644)
Total deferred income tax benefit	(20,274)	(3,431)
Income tax (benefit) expense	**$ (17,678)**	**$ 27,163**

Income tax expense differed from the amount computed by applying the federal statutory tax rate of 21.0% for the years ended December 31, 2024 and 2023 due to the following:

	2024	2023
Pretax loss at federal statutory rate	$ (5,316)	$ (12,583)
State income taxes, net of federal expense	(244)	(1,249)
Foreign income taxes	(848)	—
Non-deductible items	1,065	16,443
True-up of income taxes payable	(6,573)	10,359
Uncertain tax positions	5,363	—
Other items	(20)	(40)
Change in valuation allowance	(11,105)	14,233
Income tax (benefit) expense	**$ (17,678)**	**$ 27,163**

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities as of December 31, 2024 and 2023 are presented below:

	2024	2023
Deferred income tax assets:		
Net operating loss carryforwards	$ 52,183	$ 47,431
Interest expense carryforwards	35,596	37,014
Stock based compensation	12,486	16,209
Intangible assets	6,650	2,916
Property, plant and equipment	6,696	5,391
Inventories	166	139
Other items	1,103	638
	114,880	**109,738**
Valuation allowance	(94,151)	(105,257)
Deferred income tax assets	**$ 20,729**	**$ 4,481**
Deferred income tax liabilities:		
Intangibles resulting from acquisitions	(20,729)	(24,893)
Deferred income tax liabilities	**(20,729)**	**(24,893)**
Net deferred income tax liabilities	**$ —**	**$ (20,412)**

The Company is subject to taxation in Canada and the United States. As the Company operates in the cannabis industry within the United States, the Company considers Internal Revenue Code ("IRC") Section 280E which generally allows a deduction for certain expenses directly related to sales of product. Based on our legal interpretation, we have established a reserve for uncertain tax positions related to the differences that would arise under IRC Section 280E, resulting in a higher effective tax rate than most industries.

As of December 31, 2024, the Company has Canadian non-capital loss carryforwards of $128.4 million available to offset future income which will expire in the years 2025 through 2042. As of December 31, 2024, the Company has federal net operating loss carryforwards of approximately $154.2 million with a portion that will begin to expire in the years 2035 through 2037. Additionally, the Company has net operating loss carryforwards for state purposes aggregating $145.4 million as of December 31, 2024, of which a portion will begin to expire in the years 2028 through 2043.

For the year ended December 31, 2024, the Company has established a full valuation allowance based on management's assertion that certain deferred tax assets, related to net operating loss carryforwards, are not realizable in the near future due to operating losses incurred as we continue to expand the business and Section 163(j) limitation on interest expense deductibility.

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

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

The Company files income tax returns in Canada, Luxembourg, United States and various state and local tax jurisdictions. The Company's income tax years open to examination are 2013 through 2020 in Canada, and 2019 through 2022 in the United States. Although the Company is under audit for certain entities within the consolidated group, however, we are not aware of any items that would materially impact the consolidated financial statements. Net operating losses arising prior to these years are also open to examination, if and when utilized.

Note 17 – Consolidated Statements of Cash Flows Supplemental Information

(a) Cash payments made on account of:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Income taxes (including interest and penalties)	$ 4,402	$ 4,433
Interest	1,525	128

(b) Changes in other non-cash operating assets and liabilities are comprised of the following:

	Year Ended December 31, 2024	Year Ended December 31, 2023 *(Adjusted)*
Decrease (increase) in:		
Accounts receivables, net	$ (1,762)	$ (828)
Prepaid expenses	(190)	95
Inventories, net	1,570	2,778
Other current assets	1,194	(589)
Other long-term assets	(2,167)	(701)
Operating leases	(2,196)	(1,634)
(Decrease) increase in:		
Accounts payable	(2,003)	3,797
Accrued and other current liabilities	(54,354)	26,746
Uncertain tax position liabilities	54,304	—
	$ (5,604)	**$ 29,664**

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
Property, plant and equipment	$ 8,774	$ 11,154
Operating lease ROU assets	2,055	2,027
Intangible assets	13,907	13,989
	$ 24,736	**$ 27,170**

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

	Year Ended December 31, 2024	Year Ended December 31, 2023 *(Adjusted)*
Account receivable	$ 1,181	$ 303
Share issuance	320	—
Operating lease ROU assets	(136)	(272)
Property, plant and equipment	(2,601)	(133)
	$ (1,236)	**$ (102)**

(U.S. dollar amounts and shares in thousands, unless otherwise stated)

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
Supplemental Cash Flow Information:		
Non-cash consideration for paid-in-kind interest	$ 13,951	$ 14,308
Non-cash issuance of shares from Senior Secured Bridge Notes Amendment	1,581	—
Non-cash issuance of shares for legal settlements	355	—
Non-cash issuance of Senior Secured Bridge Notes	14,345	—
Assets classified as held for sale	23,572	
Liabilities classified as held for sale	(2,347)	
Non-cash extinguishment of Senior Secured Bridge Notes	(15,813)	—

Note 18 - Subsequent Events

Legal Proceedings

Please refer to Note 14 for further discussion.

Issuance of Common Shares

On January 9, 2025, the Company issued 41,667 common shares to the Cheetah Seller with respect to the Cheetah Acquisition.

On January 14, 2025, the Company issued 25,632 common shares for vested RSUs to certain employees and directors. The Company withheld 1,029 common shares to satisfy employees' tax obligations of less than $0.1 million.

Sale of Certain Arizona Assets

On February 6, 2025, the Company entered into definitive agreements (the "AZ Purchase Agreements") with an unaffiliated third-party buyer (the "AZ Buyer"), pursuant to which the Company agreed to sell three dispensaries and two processing/cultivation facilities in Arizona for aggregate consideration of approximately $36.5 million (the "AZ Transaction"). The AZ Transaction includes two dispensaries, a processing facility and a cultivation/processing facility located in Mesa, Arizona as well as one dispensary located in Phoenix, Arizona (collectively, the "Facilities"). Following the closing of the AZ Transaction, the Company will continue to operate one dispensary in Mesa, Arizona.

Pursuant to the AZ Purchase Agreements, the Company agreed to sell and the AZ Buyer agreed to acquire, substantially all of the assets related to or used in connection with the Facilities, including, but not limited to, all cannabis licenses associated with such businesses and related real property (collectively, the "AZ Purchased Assets"), together with certain assumed liabilities related to the AZ Purchased Assets. The closing of the Transaction is subject to customary conditions precedent, including the receipt of applicable consents and regulatory approvals.

The purchase price for the AZ Purchased Assets is approximately $36.5 million and will consist of approximately $20 million of cash payable at closing, subject to certain adjustments, and a secured promissory note to be issued by the AZ Buyer in the principal amount of $16.5 million (the "AZ Note"). The AZ Note will bear interest at a rate of six percent per annum compounded annually, with a term of 66 months.

The AZ Transaction closed on February 14, 2025, with an effective closing date of February 10, 2025, which is the date the AZ Buyer assumed the financial benefit and risk relating to the AZ Purchased Assets. As of February 14, 2025, all closing conditions of the AZ Purchase Agreement had been met and that is the date that the AZ Transaction closed and the AZ Buyer assumed full managerial and operational control of the AZ Purchased Assets.

As of December 31, 2024, we had reclassified a total of $23.6 million to assets classified as held for sale, and $2.3 million to liabilities classified as held for sale on the consolidated balance sheets with respect to the AZ Purchased Assets.