

FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: Inner Spirit Holdings Ltd. (the "Issuer").

Trading Symbol: ISH

Number of Outstanding Listed Securities: 172,941,177

Date: August 31, 2018

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

General Instructions

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

Spiritleaf franchise partners received their first 11 development permits in the month of August for locations to open in Lethbridge, Moosejaw, Calgary & Edmonton. The Issuer has another 38 potential locations secured in Alberta & BC where it continues to pursue development permits from local municipalities. The Issuer has also commenced advertising for franchise partners in the Ontario market and seeking strategic real-estate to potentially open corporate and franchise locations should the province's plan allow private retail stores to be implemented within parameters that allow Spiritleaf to be successful in the country's most populous province.

The Issuer closed its initial public offering on the maximum gross proceeds of \$3.75 million on July 31, 2018 and, on August 1, 2018, the Issuer's common shares commenced trading under the symbol "ISH" on the Canadian Securities Exchange.

The Issuer also continued to develop its infrastructure to support retail and franchise operations. Investments have been made in HR, POS, accounting, and an online Spirit Hub to allow employees to continue to learn, grow and collaborate across the chain.

2. Provide a general overview and discussion of the activities of management.

Management has been focused on several key initiatives:

- 1) Preparing stores and franchise partners for all aspects of opening a successful retail store which includes but is not limited to staff hiring & training, effective operations, POS systems, merchandising, product assortment, etc.
- 2) Coordinating the design, planning and construction for all retail stores.
- 3) Acquiring additional locations and development permits for locations across Alberta & BC..
- 4) Submitted an application to open Spiritleaf stores in Manitoba.
- 5) Commenced leasing and franchise activity in the province of Ontario.
- 6) Preparing head office and training centre to train franchise partners and key managers.
- 7) Various investment relations activities including working with investor relations consultant, contacting investment advisors, conducting interviews and meetings.
- 8) Continuing all marketing initiatives including the development of the Oct17th.com website, web optimization activities to promote, educate and familiarize customers with the Spiritleaf brand. Various other strategic marketing activities are under development for all company divisions.
- 9) Ongoing business development discussions.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

The Issuer continues to work on the development of its 5 cannabis house brands which includes working with its streaming partners, strain selection, packaging and other items.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

None.

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

Inner Spirit has retained Hybrid Financial Inc. ("Hybrid") for marketing services, including brand distribution, subject to regulatory approval. In consideration for Hybrid's services, Inner Spirit will pay a monthly retainer of \$14,000 for 3 months and grant 100,000 warrants at an exercise price equal to \$0.30 per share

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

None.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

None

8. Describe the acquisition of new customers or loss of customers.

N/A

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

- The Issuer's "Spirit Joint" Trademark application was published in Trade-marks Journal, Volume 65, No. 3330 on August 22, 2018
- The Issuer's "Spirit Leaf" Trademark application was published in Trade-marks Journal, Volume 65, No. 3330, on August 22, 2018
- The Issuer provided royalty relief on two WATCH IT! stores until December 31, 2019. The royalty was decreased from 5% to 1% from August 1, 2018 – December 31, 2019.
- The Issuer acquired back three territories (Whyte Avenue (Edmonton), Okotoks & Ingelwood (Calgary)) from one of its franchise partners. Total consideration paid was \$32,500 plus the issuance of 360,500 warrants @ .28/share.
- The Issuer entered into 1 new Spiritleaf franchise agreement in Fort McMurray, Alberta and terminated 3 Spiritleaf franchise agreements (as described above).
- The Issuer terminated 2 Spiritleaf franchise agreements in BC to accommodate the 8-store maximum number of stores that any brand is able to open through 2020.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

None.

11. Report on any labour disputes and resolutions of those disputes if applicable.

There have been no labour disputes.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

There have been no legal proceedings.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

There has been no indebtedness incurred or repaid by the Issuer.

14. Provide details of any securities issued and options or warrants granted.

| Security | Number Issued | Details of Issuance | Use of Proceeds⁽¹⁾ |
|-----------------|----------------------|--|--------------------------------------|
| Common Shares | 100,000 | Exercise of warrants | Working capital |
| Warrants | 360,500 | partial consideration to a former franchisee in connection with the termination of a franchise agreement | n/a |
| Warrants | 100,000 | Investor relations consultant | n/a |

(1) State aggregate proceeds and intended allocation of proceeds.

15. Provide details of any loans to or by Related Persons.

There have been no loans to or by Related Persons.

16. Provide details of any changes in directors, officers or committee members.

There have been no changes in directors, officers, or committee members.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

The Ontario Government has indicated its intention to allow private retail in Ontario vs. a government owned model. Depending on the nature of the privatization regulations, this could allow Inner Spirit to grant and open franchises throughout the province of Ontario.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated September 10, 2018.

Darren Bondar
Name of Director or Senior
Officer

Darren Bondar
Signature
CEO, Director
Official Capacity

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| Issuer Details | For Month End | Date of Report |
| Name of Issuer Inner Spirit Holdings Ltd. | August | YY/MM/D 18/09/10 |
| Issuer Address #102, 5740 – 2 nd Street SW | | |
| City/Province/Postal Code Calgary/Alberta/T2H 1Y6 | Issuer Fax No. n/a | Issuer Telephone No. (403) 930-9300 |
| Contact Name Darren Bondar | Contact Position CEO | Contact Telephone No. 403-930-9303 |
| Contact Email Address darren.bondar@spiritleaf.ca | Web Site Address www.innerspiritholdings.com | |