FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: Canada House Wellness Group Inc.

Trading Symbol: CHV

 Number of Outstanding Listed Securities: 683,653,630

Date: September 7, 2021

# 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.

***On August 9, 2021,* Canada House Wellness Group Inc. (“Canada House”) and Montréal Cannabis Médical Inc. (“MTL Cannabis”), a Montréal-based “flower-first” Licensed Producer entered into a definitive share exchange agreement dated August 9, 2021 (the “Agreement”) for Canada House’s acquisition of all of the issued and outstanding shares of MTL Cannabis (the “Transaction”). The Transaction is between arm’s length parties and constitutes a “reverse takeover” of the Company, and it is anticipated that the Company will operate under the MTL Cannabis corporate name with shares trading on the CSE under a related ticker symbol following the closing of the Transaction (the “Closing”).**

**The deal also provides the group with the ability to build upon MTL’s current brand portfolio, and develop a diverse flower menu bringing premium, accessible products to cannabis consumers while maintaining existing supply agreements. Since its recreational market launch in October 2020, MTL Cannabis has emerged as one of Canada’s fastest-growing dried flower consumer brands, placing in the top five in dried flower sales in most provinces. MTL Cannabis will continue to focus on its long-term CPG portfolio strategy for current and upcoming brands, supporting both the adult-use and medical markets. The transaction will provide MTL Cannabis with immediate access to additional licensed cultivation space, more than doubling the company’s current 57,000 sq. ft. footprint and annual production capacity of 13,000 kilograms of high-quality dried flower, to 120,000 sq. ft. and 30,000 kilograms of annual production. MTL Cannabis has further expansion capabilities with an additional 58,000 sq. ft. of cultivation and production space through a second building situated at MTL’s Pointe-Claire location. Following the Closing, MTL Cannabis’ wholly owned subsidiaries will hold cultivation, processing, and sales licences for plants/seeds, flower, oil, concentrate, topical and edible products and will have existing supply agreements with nine Canadian provinces including British Columbia, Alberta, Ontario, and Québec.**

**Dried flower continues to dominate in the Veteran medical cannabis segment, accounting for over 60% of sales according to Canada House’s sales data. As the Canadian medical cannabis market matures, coverage programs will help to ensure long-term sales growth for this segment. Through the patient care teams in place across CHC and Abba Medix; MTL Cannabis will continue to serve Veteran and non-Veteran medical patients by providing a robust dried flower menu, along with other formats through third-party partners and suppliers.**

**Transaction Highlights:**

* **Significant combined sales: MTL has already achieved profitability via its ability to meet consumer’s needs at an affordable price. Based on recent results, MTL Cannabis and Canada House generate annualized aggregate sales of over $24 Million, with additional upside stemming from MTL’s ability to leverage existing sales licences and distribution of Abba Medix and increased production from IsoCanMed’s facility.**
* **Enhanced cultivation and distribution capabilities: Leveraging low-cost-per-gram production rates enhanced by the province’s operational advantages, MTL Cannabis will expand their total cultivation capacity to 120,000 sq. ft. providing approx. 30,000 kilograms of dried flower annually. Additionally, MTL will leverage the packaging and distribution capabilities of Abba Medix’s fully licensed 20,000 sq. ft. facility located in Pickering, ON.**
* **Builds on an already strong management team: Canada House’s management team brings extensive medical, clinic, financial and strong industry relationships to complement MTL’s strengths in operations, cultivation, brand development, marketing, retail, and sales. Following Closing, Canada House’s executive management team will join MTL’s executive management team with current Canada House CEO Chris Churchill-Smith continuing in the CEO role of MTL Cannabis.**
* **Leverage proven medical cannabis expertise and distribution: CHC has operated medical cannabis clinics for over 7 years, and Abba Medix has quickly built a significant medical business. CHC clients purchase over $30 M of legal medical cannabis each year.**

**The Transaction solidifies the relationship established by an exclusive medical distribution agreement entered between the Companies in June 2021.**

* **Advancement of brand portfolio: By ensuring consistency, quality, and maintaining its commitment to the craft, MTL will continue to deliver high-quality cannabis for current and future product offerings. This Transaction will increase MTL’s retail footprint by combining brand portfolios under both MTL Cannabis and Canada House, and through the development of new commercially viable genetics and brands.**

**Terms of the Transaction:**

**The Transaction is conditional upon the Company completing the consolidation of the Company’s issued and outstanding Common Shares on the basis of thirty pre-consolidation shares for one post consolidation share (the “Share Consolidation”). Upon Closing, the vendors of MTL Cannabis (the “Vendors”), collectively, will be issued shares (the “Consideration Shares”) amounting to approximately 80% of the issued and outstanding common shares of Canada House immediately post Closing, assuming the conversion of the principal and accrued interest of the Company’s $6.5 million convertible debenture issued on August 5, 2020, but no other convertible securities of the Company. The Consideration Shares will be subject to lock-up agreements pursuant to which the Vendors will covenant not to sell, transfer, or otherwise dispose of the Consideration Shares prior to the 6-month anniversary of the Closing. On the 6-month anniversary of the Closing, 25% of the Consideration Shares will be released from lock-up, with the remaining Consideration Shares released in three equal tranches every six months following the first release, subject to customary resale restrictions under applicable law.**

**The purchase price also includes a performance-based cash earnout payment of $5 million, conditional upon MTL Cannabis achieving certain agreed upon milestones.**

**The acquisition is expected to close in the fourth quarter of calendar 2021 and is subject to a number of conditions customary for a transaction of this nature, including but not limited to (i) approval by the shareholders of Canada House of the acquisition at a special meeting to be called for these purposes, (ii) the completion of the Share Consolidation, (iii) there being no material adverse change in the business of Canada House or MTL Cannabis (as applicable) prior to Closing, and (iv) receipt of applicable third party and regulatory approvals including the approval of the CSE.**

**On the Closing of the Transaction, the Company will pay a finder’s fee of $100,000 and issue approximately 14,285,715 common shares (the “Finder’s Fee Shares”) to certain arms’-length third parties who assisted in introducing the Transaction to the Company. The Finder’s Fee Shares will be subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws.**

**The Company will prepare and file with the CSE a CSE Form 2A listing statement providing comprehensive disclosure on MTL Cannabis and the Transaction in order to seek the continued listing of Company common shares following the closing of the Transaction.**

**Fairness Opinion and Shareholder Meeting on the Transaction:**

**Canada House’s board of directors has unanimously approved the Agreement and the Transaction and determined that the Transaction is in the best interests of Canada House and its shareholders. Cormark Securities Inc. provided a fairness opinion to the board of directors of Canada House on August 8,**

 **2021, stating that, based upon and subject to the assumptions, qualifications and limitations contained in its fairness opinion, the consideration to be paid by Canada House to MTL Cannabis shareholders pursuant to the Transaction is fair, from a financial point of view to Canada House shareholders.**

**The Company will be calling a special meeting of its shareholders, to be held virtually via an electronic meeting platform, in order to seek approval of the Transaction and related proposals. Materials for the meeting will be mailed to shareholders of the Company and posted under the Company's SEDAR profile at www.sedar.com.**

**Trading Halt: The Transaction constitutes a "fundamental change" within the meaning of CSE policies, and therefore, the shares of Canada House have been halted from trading and will remain halted until the resumption of trading is approved by the CSE, which is not expected to occur until completion of the Transaction.**

**Advisors: Haywood Securities Inc. served as financial advisor, and Caravel Law Professional Corporation acted as legal counsel to Canada House on the entering into of the Agreement. Spiegel Sohmer Inc. acted as legal counsel to MTL Cannabis on the entering into of the Agreement.**

**On August 30, 2021, Canada House reported its financial results for the year ended**

**April 30, 2021. All amounts are stated in thousands of Canadian dollars. Complete details may be found at www.sedar.com.**

**Compared to the 12 months ending April 30, 2020:**

**• Revenue was $10,560, an increase of $5,250 or 99%, compared to $5,310 during the same period in the prior year.**

**• Cash flow used in operating activities was $3,355, a decrease of $1,924 or 36%, compared to $5,279 during the same period in 2020.**

**• Net cash provided by financing activities was $4,087 compared to $4,366 during the same period in 2020.**

**• Loss and Comprehensive Loss for the year was $11,365, an increase of $1,845 or 19% compared to a loss of $9,520 during the same period in 2020. Loss and Comprehensive Loss for the year ended April 30, 2021 included a one-time inventory impairment of $2,266**

**• Shareholder's equity was a surplus of $6,873 compared to $5,074 as of April 30, 2020.**

**Comparison of three months ending April 30, 2021, and April 30, 2020:**

**• Revenue of $2,898, an increase of $1,511 or 109%, compared to $1,387 in the same quarter of last year.**

**• Loss and Comprehensive Loss of $6,156, an increase of $439 or 8%, compared to $5,717 in the same quarter of last year. Loss and Comprehensive Loss for the three months ended April 30, 2021, included the one-time inventory impairment of $1,834.**

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

# See responses to questions #1 and 10.

1. 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.

# N/A

1. 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 discontinued

1. 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.

# See responses to questions #1

1. 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.

# No expired or terminated contracts or agreements.

1. 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.

# The Company’s wholly-owned subsidiary, Canada House Clinics, received a $700 credit for leasehold improvements, had $2,100 of additions to leasehold improvements on its Edmonton office.

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

# Abba Medix Corp’s medical patients increased by 7% during the month.

# CHC medical patients increased by 1% during the month.

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

# The Company’s wholly-owned subsidiary, Abba Medix Corp., had $12,700 of additions to its website development.

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

# One new hire and one termination at Abba

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

# N/A

1. 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.

# No new legal proceedings during the month.

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

# N/A

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

# N/A

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| --- | --- | --- | --- |
| **Security** | **Number Issued/ (returned to treasury)** | **Details of Issuance** | **Use of Proceeds(1)** |
|  |  |  |  |
|  |  |  |  |

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Nature of loan** | **Receivable** | **Payable** | **Status** |
| **Shareholders or shareholders in common****Non-interest bearing, unsecured, and have no specific terms of repayment.** | **-** | **$3,048** |  |
| **Shareholders or shareholders in common****Interest is payable annually at a rate of eight percent (8%) per annum. unsecured, and have no specific terms of repayment.** | **-** | **$68,345** |  |
| **Shareholders or shareholders in common****Interest is payable annually at a rate of five percent (5%) per annum. The notes are secured by a General Security Agreement over the assets of ICM.** | **-** | **$12,500,000** | **Promissory notes were issued upon closing of the acquisition of the shares of ICM by Canada House on June 12, 2020.** |

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

# None

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

# Canada House regularly examines and adjusts its strategy as it pursues a path to profitability, in response to market conditions and new opportunities.

 **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 7, 2021

Peili Miao Name of Director or Senior Officer

*Signed Peili Miao*

Signature

Interim Chief Financial Officer Official Capacity

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| ***Issuer Details*** | For Month | Date of Report |
| Name of Issuer |  Ending |  |
| Canada House Wellness Group Inc. | August 31, | September 7, 2021 |
|  |  2021 |  |
| Issuer Address 1773 Bayly Street |
| City/Province/Postal Code | Issuer Fax No. | Issuer Telephone No. |
| Pickering, ON L1W 2Y7 | (905) 492-8420 | (844) 696-3349 |
| Contact Name Peil Miao | Contact Position Interim CFO | Contact Telephone No. (647) 688-6066 |
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