

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: Chemistree Technology Inc. (the "Issuer").

Trading Symbol: CHM

Number of Outstanding Listed Securities: 28,652,976

Date: as of June 30, 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.

*Management refocused on Washington state where a reset in the cannabis industry is underway due to overcrowding in the marketplace and certain brand uncertainties. Economic pressures in Washington are forcing certain brand*

owners to reevaluate their market positioning and this may yield opportunities for the Company's suite of services.

Further to its news releases of May 11, and June 1, 2018, the Company announced that it had entered into agreements with arm's-length parties to acquire, through a wholly owned subsidiary, a suite of Washington-based assets used in cannabis cultivation, production, distribution and branding. The acquisition was subject to completion of the required financing, and all shareholder and regulatory approvals, including approval of the Canadian Securities Exchange (CSE).

Effective June 25, 2018 the Issuer closed the first tranche of the non-brokered private placement as announced May 11, 2018, and as amended June 22, 2018, in the amount of \$2,559,820. The first tranche comprised 7,313,771 units, issued at \$0.35 per unit, for gross proceeds of \$2,559,820. Each unit consists of one common share and one common share purchase warrant; each warrant will entitle the holder to acquire one additional common share for \$0.50 for a period of 24 months after closing of the private placement. The warrants are subject to an acceleration provision, whereby if the closing market price of the common shares of the Company on the Canadian Securities Exchange is greater than \$0.60 per common share for a period of 10 consecutive trading days, then the Company may deliver a notice to the holders of warrants notifying the holders that the warrants must be exercised within 30 calendar days from the date of the acceleration notice; otherwise the warrants will expire at 4 p.m. PT on the 30th calendar day after the date of the acceleration notice. The net proceeds of the private placement will be added to general working capital, some of which are expected to be deployed to close the Washington asset acquisition. However, the closing of the private placement is not conditional upon the completion of the Washington asset acquisition, and the company will have discretion to use the proceeds differently if it believes it is in its best interests to do so.

The Company also issued 438,464 finder's warrants in connection with the placement and the warrants will have the same terms as the common share purchase warrants included in the placement units. Securities issued under the placement are subject to a four-month hold period, which will expire four months from the date of closing.

On June 27, 2018, the CSE granted conditional approval of the Issuer's Washington acquisition and the change of the Company's business.

On June 29, 2018, the Company closed the Washington asset acquisition pursuant to the May 31, 2018 definitive agreement with Elite Holdings Inc. Chemistree Washington acquired certain assets, including, but not limited to, all inventory, leases, software, furniture, systems, equipment and lighting from the Washington vendor. The acquisition does not include any receivables, payables, warranties, employee or tax liabilities of the Washington vendor.

Consideration for the Washington assets was \$1-million (U.S.) payable in cash; \$800,000 (U.S.) payable upon closing of the Washington acquisition; and four instalments of \$50,000 (U.S.) each will be payable at the end of each of the four

calendar months following closing, commencing on the last day of the first full month after closing. Notwithstanding the foregoing, at least \$540,000 (U.S.) of the consideration payable upon closing was placed into escrow and used to satisfy certain liabilities of the Washington vendor relating to its accounts payable.

Following closing of the Washington acquisition and receipt of approval from the Washington State Liquor and Cannabis Board (WSLCB), Chemistree Washington expects to enter into agreements with a strategic partner, which is an arm's-length party to and unaffiliated with Chemistree, whereby the strategic partner subleases and licenses the Washington assets from Chemistree Washington, in order for the strategic partner to operate the "Sugarleaf" brand of retail cannabis products in Washington State. It is expected that the strategic partner will operate under the Washington State Tier 3 production and processing Licence No. 423406 acquired from Sugarleaf Farm LLC, along with any and all related brands, trademarks, websites, URLs, packaging, goods in process, and social media accounts. The Sugarleaf brand is an established cannabis brand within Washington State, and is currently sold in approximately 125 retail locations. In addition to the licence and sublease arrangements, the relationship with the new licence holder may also provide opportunities for Chemistree's social media marketing business.

Management anticipates that, in the coming months, the strategic partner may expand operations to include a cannabis laboratory and testing facility, as well as potentially a processing facility to provide for a larger suite of products to be produced. Chemistree does not have agreements in place with the strategic partner at this time, and there can be no assurance that any expansion of its operations will occur. The Washington assets that Chemistree is purchasing may require normal course upgrades and management, given its extensive experience in the supply and sale of cannabis and hydroponic, greenhouse and outdoor cultivation and processing equipment, is current on the changes in the industry vis-a-vis the technological and process advancements.

The Company, through Chemistree Washington Ltd., also expects that it will invest in and develop real estate in the Washington State for the purpose of serving licensed I-502 production and processing businesses.

The Company wishes to inform shareholders that there are significant legal restrictions and regulations that govern the cannabis industry in both Canada and the United States.

Cannabis-related practices or activities are illegal under U.S. federal laws

The concepts of "medical cannabis" and "recreational cannabis" do not exist under U.S. federal law. The Federal Controlled Substances Act classifies "marihuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither

absolve the company of liability under U.S. federal law, nor will it provide a defence to any federal proceeding which may be brought against the company. Enforcement of U.S. federal laws will be a significant risk to the business of the company following the completion of the acquisitions, and any such proceedings brought against the company, may adversely affect the company's operations and financial performance.

Further information regarding the legal status of cannabis-related activities and associated risk factors, including, but not limited to, risk of enforcement actions, risks that third party service providers, such as banking or financial institutions, cease providing services to the company, and the risk that company may not be able to distribute profits, if any, from U.S. operations up to the company, will be included in the Form 2A listing statement to be filed with the CSE. The Company is comfortable with its near-term cash position and it is confident that the broad acceptance of cannabis-focused companies as exciting investment opportunities in Canada will expand to include companies like Chemistree focused on the far larger market available in those individual American states where cannabis is medically and/or recreationally legal. The Company's investigation into these opportunities continues, and, should any one of these opportunities mature, Chemistree may be required to make certain filings and changes to the company's listing disclosure under the requirements of Canadian Securities Exchange Policy 8.

Management continued to follow-up on the prospective opportunities identified in southern California in December; and has made strides in Washington State to advance discussions with marketing and branding entities that could benefit from the Company's suite of services.

2. Provide a general overview and discussion of the activities of management.  
See 1 above
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.  
See 1 above
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 to report
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.  
See 1 above

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 to report within the period.

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.

See 1 above

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

See 1 above

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.

None to report

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

None to report

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

None to report

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.

None to report

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

None to report.

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

<b>Security</b>	<b>Number</b>	<b>Details of Issuance</b>	<b>Use of Proceeds<sup>(1)</sup></b>
<i>Common shares</i>	<i>7,313,771</i>	<i>Tranche 1 of non-brokered private placement of Units, closed June 25, 2018</i>	<i>General working capital</i>

Warrants each exercisable for 24-months into one common share at \$0.50 per share	7,313,771	As above	N/A
Finders' warrants each exercisable for 24-months into one common share at \$0.50 per share	438,464	Issued to finders in consideration of Tranche 1 as described above	N/A
Options granted to a consultant, each exercisable for five years into one common share at \$0.41 per share	150,000	Granted to a consultant June 25, 2018	N/A

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

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

None to report

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

None to report.

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

As announced, the Company sees the cannabis industry as a source of focus. The reason for this is simply that marketing of cannabis companies, their products as well as information about the industry itself is in its infancy. Initially, the Pacific Northwest will be the Company's main target geography, but this is expected to expand from British Columbia and Washington state into Oregon and eventually California.

The Company wishes to inform shareholders that there are significant legal restrictions and regulations that govern the cannabis industry in both Canada and the United States. Chemistree will at all times abide by and respect these laws and regulations in all its future potential business engagements.

Cannabis-related Practices or Activities are Illegal Under U.S. Federal Laws

The concepts of "medical cannabis" and "retail cannabis" do not exist under U.S. federal law. The Federal Controlled Substances Act classifies "marihuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. As such, cannabis related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S.

federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

## 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 July 5, 2018.

Douglas E. Ford  
Name of Director or Senior  
Officer

"signed"  
Signature  
CFO  
Official Capacity

<b>Issuer Details</b> Name of Issuer  <i>Chemistree Technology Inc.</i>	<b>For Month End</b>  <i>June 2018</i>	<b>Date of Report</b> YY/MM/D  <i>18/07/05</i>
<b>Issuer Address</b>  <i>Suite 810 – 609 Granville Street</i>		
<b>City/Province/Postal Code</b>  <i>Vancouver, BC V7Y 1G5</i>	<b>Issuer Fax No.</b>  <i>(604)689-7442</i>	<b>Issuer Telephone No.</b>  <i>(604)689-7422</i>
<b>Contact Name</b>  <i>Douglas Ford</i>	<b>Contact Position</b>  <i>CFO</i>	<b>Contact Telephone No.</b>  <i>604-973-2200</i>
<b>Contact Email Address</b>  <i>doug@chemistree.ca</i>	<b>Web Site Address</b>  <a href="http://www.chemistree.ca">www.chemistree.ca</a>	