

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: Flower One Holdings Inc. (“Flower One”, the “Issuer” or the “Company”).

Trading Symbol: FONE

Number of Outstanding Listed Securities: 399,296,999

Date: May 4, 2021

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.

#### **Debt Restructure**

**On April 19, 2021, the Company announced that (1): it had completed its restructuring transaction (the “Debt Restructure”) with its 9.5% unsecured debentures due March 28, 2022 (the “March Debentures”)**

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and 9.5% unsecured convertible debentures due November 15, 2022 (the “November Debentures”, and together with the March Debentures, the “Debentures”), both of which will now reflect a maturity date of January 31, 2024, and (2) in connection with this Debt Restructure, signed a second loan modification agreement with the term lender to the Company and its affiliates.

The completion of these transactions has allowed for: (i) a right-sizing of the Company’s capital structure by reducing the debt service burdens on the business and improving cash flow, (ii) new investment being made into the Company, and (iii) providing the Company with the runway it requires to maximize value to its stakeholders.

The Debentures were delisted from the Canadian Securities Exchange (“CSE”) in order to implement the amendments to the Debentures contemplated by the restructuring transaction (the “Debenture Amendments”). The relisting of the amended debentures on the CSE occurred on April 20, 2021.

In connection with the Debt Restructure, the Company issued an aggregate of approximately 91,260,762 units, with each unit comprised of one common share in the capital of the Company (each, a “Common Share”) and 5/6 of a warrant of the Company (each, a “Warrant”), to holders of Debentures, totaling approximately 91,260,762 Common Shares and approximately 76,050,635 Warrants. Correspondingly, the total principal amount of March Debentures outstanding has been reduced from CAD\$42,471,000 to CAD\$16,988,400; and, the total principal amount of the November Debentures outstanding has been reduced from CAD\$9,276,000 to CAD\$3,710,400.

### Audit Filing Delay

On April 16, 2021, the Company announced that it anticipated a delay in the filing of its financial statements for the financial year ended December 31, 2020, the accompanying management’s discussion and analysis, and certificates of its CEO and CFO (collectively, the “Annual Filings”) until after the April 30, 2021 deadline and that the Company would apply for a customary management cease trade order from the Ontario Securities Commission. The Company noted in that announcement that: “Our financial team is working closely with our auditors, and we look forward to completing the audit and related filings,” said Richard Groberg, Flower One’s Interim CFO. “Following the completion of our 2020 filing, we will then shift our focus to reporting our Q1 2021 results as quickly as possible. Our team has made tremendous progress over a very short period of time making it possible for Flower One to ramp up to meet rapidly-accelerating

demand in Nevada, as the state has already reported all-time record highs for January 2021.”

The additional time is required to permit the Company’s auditors, MNP LLP, to complete its review and enquiries in connection with the audit of the Company’s annual financial statements. The delay is also in part attributable to (i) logistical challenges related to the COVID-19 pandemic in the 2020 calendar year, which prevented the Company’s former CEO and CFO from working at the Company’s Las Vegas office for most of 2020, (ii) recent changes to the Company’s executive management group and board of directors, and (iii) significant subsequent event reporting related to Company’s recent financing and debt restructuring initiatives. The Company and its auditors are working diligently, and the Company intends to make the Annual Filings as soon as possible and it expects to make these filings by no later than May 28, 2021.

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

**The Company continues to operate its facilities in North Las Vegas amidst the continuing, but dissipating rapidly, COVID 19-related partial shutdowns. The Company’s customers (licensed dispensaries in Nevada) continue to operate and respond to tourism’s partial rebound which has begun to accelerate.**

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.

**N/A – none noted**

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.

**N/A – none noted**

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.

**N/A – none noted**

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.

**N/A – none noted**

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.

**N/A – none noted**

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

**N/A – none noted**

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.

**N/A – none noted**

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

**N/A – none noted**

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

**N/A – none noted**

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.

**On September 6, 2019, certain Plaintiffs filed a complaint against the Nevada Department of Taxation (“NDOT”) regarding the dispensary licensing decisions issued in December 2018. The complaint is against the NDOT; however, the Plaintiffs are asking for a judicial review of the process undertaken by the NDOT in the making of decisions regarding the granting of dispensary licenses in December 2018, and the Plaintiffs are therefore required to include the names of all entities who applied for a dispensary license in connection with the decision issued in December 2018 in order to preserve jurisdiction to bring such claim. The Company had applied for, and was denied, a dispensary license pursuant to the December 2018 decision and has therefore been named as a defendant/respondent. The Company has filed a notice of non-participation and request for dismissal with NDOT.**

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

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

<b>Security</b>	<b>Number Issued</b>	<b>Details of Issuance</b>	<b>Use of Proceeds<sup>(1)</sup></b>
Common shares	93,257,505	<ul style="list-style-type: none"> <li>• 88,709,143 issued in connection with bonds converted in connection with the Debt Restructure, and</li> <li>• 2,551,620 issued in connection with payment of interest due on bonds converted in connection with the debt restructure; and</li> <li>• 1,996,742 issued to loan participants in connection with loan modification agreement.</li> </ul>	N/A
Warrants	77,133,737	<ul style="list-style-type: none"> <li>• 76,050,635 issued to bond holders in connection with the debt restructure; and</li> <li>• 300,000 issued to one of the Company's lenders in connection with a 2<sup>nd</sup> modification of the loan agreement between the Company and that lender.</li> </ul>	N/A

Options	0	0	N/A

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

Provide details of any loans to or by Related Persons.

**N/A – none noted**

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

**N/A – none noted**

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

**Details and discussions on trends can be found in the Company’s Interim Financial Statements and Interim MD&A for the Financial Period Ended September 30, 2020, which were filed on November 30, 2020. The documents can be found on SEDAR.**

## 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 May 4, 2021.

Name of Director or Senior Officer

Richard Groberg

(Signed) "R.S. Groberg"

Signature

*R.S. Groberg*

Acting Chief Financial Officer  
Official Capacity

<b>Issuer Details</b> Name of Issuer <b>Flower One Holdings Inc.</b>	For Month End <b>April 2021</b>	Date of Report YY/MM/DD <b>21/05/04</b>
Issuer Address <b>Suite 600 – 20 Richmond St. East</b>		
City/Province/Postal Code <b>Toronto, ON, M5C 2R9</b>	Issuer Fax No. <b>(416) 840-5528</b>	Issuer Telephone No. <b>(416) 913-9642</b>
Contact Name <b>Richard Groberg</b>	Contact Position <b>Acting CFO</b>	Contact Telephone No. <b>(702) 827-6831</b>

Contact Email Address <a href="mailto:rgroberg@flowerone.com">rgroberg@flowerone.com</a>	Web Site Address <a href="http://www.flowerone.com">www.flowerone.com</a>
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