

FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: Cannex Capital Holdings Inc. (the "Issuer").

Trading Symbol: CNNX

Number of Outstanding Listed Securities: 87,192,204 (Common)

Date: March 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.

The Issuer, through its wholly-owned subsidiaries, delivers comprehensive solutions for developing, operating, branding, and supplying licensed cannabis cultivators and producers throughout the United States. The Issuer expects to generate returns from

any or all of the following revenue sources: (i) dividend income (or other profit distributions) and capital appreciation from equity investments; (ii) operating support, consulting, licensing, and advisory fees from service contracts with certain license holders; and (iii) leasing facilities and equipment to certain licensed cannabis entities.

The Issuer has acquired BrightLeaf Development LLC (“BrightLeaf”), a limited liability company that, through its subsidiaries, holds real estate assets, property leases, brands and intellectual property, and material supply agreements with Northwest Cannabis Solutions (NWCS). NWCS is Washington State’s and the Pacific Northwest’s largest full-line cannabis producer/processor.

The Issuer listed on the CSE on March 14, 2018, and has been focusing on growing its pipeline of cannabis industry investments in order to maximize value for its shareholders

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

Management focused on ensuring a smooth transition to being a CSE issuer.

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.

As the Issuer identifies additional opportunities, it will consider whether such opportunities meet its investment criteria and will either redeploy revenue into future projects or seek to raise additional capital, through equity financings or otherwise, to make such investments.

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.

Not applicable.

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.

The Issuer intends to spend their available funds on the BrightLeaf investment, identifying new projects and for general corporate purposes.

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.

Not applicable.

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.

Not applicable.

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

Not applicable.

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.

Not applicable.

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

Not applicable.

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

Not applicable.

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.

Not applicable.

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

Not applicable.

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

Security	Number Issued	Details of Issuance	Use of Proceeds ^(*)
Common Shares	36,972,329	(1)	N/A
Common Shares	2,000,003	(2)	N/A
Common Shares	48,219,872	(3)	N/A
Class A Shares ¹	96,521,734	(4)	N/A
Warrants	24,109,933	(4)	N/A

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Agent Options	2,893,192	(5)	N/A
Options	11,650,000	(6)	N/A

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

¹The Class A Shares Convertible Restricted Voting Shares (the “Class A Shares”) are not listed for trading on the CSE.

Capitalized terms used and not otherwise defined herein have the meanings ascribed thereto in the Issuer’s CSE Form 2A Listing Statement dated March 12, 2018.

- (1) Issued to certain Cannex Shareholders pursuant to the RTO Amalgamation.
- (2) Issued to certain Arco Shareholders pursuant to the RTO Amalgamation.
- (3) Issued upon conversion of the Subscription Receipts sold pursuant to the Cannex Private Placement. Each Subscription Receipt was issued by Cannex at a price of \$1.00 each and each entitling the holder thereof to acquire, upon satisfaction of the Cannex Private Placement Escrow Conditions, one Issuer Common Share and one-half of one Issuer Warrant, with each such whole Issuer Warrant exercisable to purchase one Issuer Common Share for \$1.50 for a period of 24 months (subject to the Warrant Acceleration) following the satisfaction of the Cannex Private Placement Escrow Release Conditions.
- (4) Issued to certain U.S. Cannex Shareholders pursuant to the RTO Amalgamation. Each Issuer Class A Share is convertible into Issuer Common Shares on a 1:1 basis, without payment of additional consideration, at the option of the holder or Arco, if such conversion would not cause Arco to become a Domestic Issuer as defined in Rule 902(e) of Regulation S of US Securities Act.
- (5) Issued upon conversion of the Subscription Receipts sold pursuant to the Cannex Private Placement. Each Cannex Agent Option is exercisable for one Issuer Common Shares at an exercise price of \$1.00 for 24 months from the satisfaction of the Cannex Private Placement Escrow Release Conditions.
- (6) Issued under the Cannex Option Plan. Includes 3,700,000 Issuer Options exercisable into 3,700,000 Issuer Class A Shares, which are in turn convertible to Issuer Common Shares on a 1:1 basis, without payment of additional consideration, at the option of the holder or the Issuer, if such conversion would not cause the Issuer to become a Domestic Issuer (as defined in Rule 902(e) of Regulation S of the U.S. Securities Act.

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

Not applicable.

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

Not applicable.

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

Market Information, Trends, Commitments, Events and Uncertainties

The most significant trends and uncertainties which management expects could impact its business and financial condition are (i) the changing legal and regulatory regime which regulates the production and sale of cannabis and cannabis related product; (ii) the ability of companies who may receive funds from the sale of cannabis and cannabis related products to adequately track and legally transfer such funds; and (iii) the ability of companies to raise adequate capital to carry out their business objectives. See Section 17 – Risk Factors in the Company's CSE Form 2A Listing Statement dated March 12, 2018.

Legal and Regulatory Trends

The Issuer's flagship investments are in Washington State and currently management expects the legal and regulatory regimes in the United States (on a federal level), Washington State, and Canada to be the most relevant to its business.

United States

In the United States, twenty-nine states and Washington D.C. have legalized medical marijuana, while eight states and Washington, D.C. have also legalized recreational marijuana. Although cannabis currently remains a Schedule I drug under federal law, the U.S. Department of Justice issued a memorandum, known as the "Cole Memorandum", on August 29, 2013 to the U.S. Attorneys' offices (federal prosecutors) directing that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs should not be a prosecutorial priority for violations of federal law. This federal policy was reinforced by passage of a 2015 federal budget bill amendment (passed in 2014) known as the Rohrabacher-Farr Amendment that prohibits the use of federal funds to interfere in the implementation of state medical marijuana laws. This bill targets Department of Justice funding, which encompasses the Drug Enforcement Agency and Offices of the United States Attorneys. This bill shows the development of bi-partisan support in the U.S. Congress for legalizing the use of cannabis. It is anticipated that the federal government will eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco. On January 4, 2018, the U.S. Department of Justice rescinded the Cole Memorandum. Given that the Cole Memorandum was never legally binding, the U.S. Department of Justice continues to have discretion to enforce federal drug laws.

Under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or the sale of any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Treasury Department issued a memorandum in February of 2014 outlining

the pathways for financial institutions to bank marijuana businesses in compliance with federal law. Under these guidelines, financial institutions must submit a “suspicious activity report” (SAR) as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution’s belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated. In the U.S., a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all. In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape.

Political and regulatory risks also exist due to the presidential administration of Donald Trump and his appointment of Sen. Jeff Sessions to the post of Attorney General. President Trump’s positions regarding marijuana are difficult to discern; however, AG Sessions has been a consistent opponent of marijuana legalization efforts throughout his political career. It remains unclear what stance the U.S. Department of Justice under the new administration might take toward legalization efforts in U.S. states, but federal enforcement of the CSA and other applicable laws is possible. In July of 2017, AG Sessions sent letters to the Governors of Colorado, Washington, Alaska, and Oregon responding to their April 2017 request to retain the Cole Memorandum and engage with the Governors before embarking on any changes to regulatory and enforcement systems. In these response letters, Attorney General Sessions noted that the Cole Memorandum does not prevent federal investigations or prosecutions of cannabis businesses acting in compliance with state law and cited law enforcement data sources to cast doubt on the effectiveness of state regulation to prevent unauthorized sales, black market activity, and negative public health outcomes. The Governors of Alaska and Washington have since then publicly pushed back on Attorney General Sessions’ claims stating that the data sources used in his letter are outdated and incomplete.¹ On January 4, 2018, the U.S. Department of Justice rescinded the Cole Memorandum.

Despite the legal, regulatory, and political obstacles the marijuana industry currently faces, the industry has continued to grow.

Washington State

On October 16, 2017, the Canadian Securities Administrators published Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* (“**Staff Notice 51-352**”) which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state’s regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

As a result of the Issuer’s investments in certain United States entities, the Issuer is subject to Staff Notice 51-352

¹ <http://www.spokesman.com/stories/2017/aug/16/governors-of-2-pot-states-push-back-on-trump-admin/>

18. 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 April 3, 2018.

D. Barry Lee
Name of Director or Senior Officer

/s/ D. Barry Lee
Signature

Chief Financial Officer
Official Capacity

<i>Issuer Details:</i> Name of Issuer Cannex Capital Holdings Inc.	For Month End March 2018	Date of Report YY/MM/DD 18/04/03
Issuer Address: 1241 Alberni Street		
City/Province/Postal Code Vancouver, BC V6E 4R4	Issuer Fax No. (888) 691-0529	Issuer Telephone No. (604) 689-8336
Contact Name Barry Lee	Contact Position Chief Financial Officer	Contact Telephone No. (604) 689-8336
Contact Email Address dblee@cannexcapital.com	Web Site Address www.cannexcapital.com	

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