

FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: **Bhang Inc.** (the "Issuer").

Trading Symbol: **BHNG**

Number of Outstanding Listed Securities: **49,112,627**

Date: **August 5, 2019**

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, headquartered in Miami, is a cannabis brand with a portfolio of over 100 cannabis, hemp-derived CBD and terpene products (which are sold through its licensees and/or by Bhang directly) including, without

limitation, chocolates, pre-rolls, vapes, gums, beverages, gummies and mouth sprays.

In the previous month, the Issuer completed its reverse take-over transaction (the “Transaction”) with Bhang Corporation (“Bhang US”) on July 9, 2019 and began trading its subordinate voting shares through the facilities of the Canadian Securities Exchange under the symbol “BHNG” on July 11, 2019.

As part of the Transaction, the Issuer (i) changed its name from “Pele Mountain Resources Inc.” to “Bhang Inc.”, (ii) consolidated its existing common shares on the basis of one common share for each 10 existing common shares, (iii) redesignated its common shares as subordinate voting shares, and (iv) created a new class of multiple voting shares. The shareholders of Bhang US exchanged their shares to the Issuer for shares of the Issuer. As a result, a total of 135,866 shares of Bhang US were exchanged for 33,365,916 subordinate voting shares of the Issuer at a deemed price of CAD\$0.50 per share and 56,334.128 multiple voting shares of the Issuer at a deemed price of CAD\$500 per share.

The Transaction resulted in the Issuer becoming the owner all of the issued and outstanding shares of Bhang US. In connection with the Transaction, the Issuer raised approximately \$5.2 million of net proceeds through brokered private placements.

For further details regarding the Transaction and related financings, please refer to the Issuer’s Listing Statement filed on SEDAR on July 10, 2019 (the “Listing Statement”).

On July 12, 2019, the Issuer announced the grant of 9,957,500 options to purchase subordinate voting shares of the Issuer to certain officers, employees, directors and consultants. The options are exercisable at a price of \$0.52 per share. 7,775,000 of the stock options expire on July 11, 2024, 75,000 stock options expire on July 11, 2023, 1,822,500 stock options expire on July 11, 2022 and 285,000 stock options expire on July 11, 2020. All options were granted in accordance with the Issuer’s stock option plan. The Issuer’s directors and officers have agreed to a voluntary lock-up where they each committed not to sell, contract to sell or otherwise dispose any subordinate voting shares issued upon the exercise of such options until July 11, 2021. The lock-up covers 8,430,000 options of the total of 9,957,500 options granted.

On July 15, 2019, the Issuer announced a joint venture with Oceana Coffee, a leading organic coffee house specializing in single origin coffees from around the world. Under the terms of the joint venture, the Issuer, which owns 51% of the joint venture, will control the production of CBD coffee products produced under the Issuer’s new brand “Röst”, as well as terpene coffee products branded as “Cosmic Terp.” The Issuer’s Röst and Cosmic

Terp branded products will be available in the third quarter of 2019 for purchase in Oceana Coffee stores and will be distributed across the U.S. in jurisdictions where such products can be legally sold.

On July 22, 2019, the Issuer announced that its full line of award-winning hemp-derived CBD products are available at the *Cannabis Now* flagship store in Beverly Hills, California. Cannabis Now, a digital and print publisher of cannabis news and culture, opened a flagship Los Angeles store on May 3, 2019.

On July 25, 2019, the Issuer announced that it retained Boom Capital Market Inc. ("Boom") and Hybrid Financial Ltd. ("Hybrid") as consultants to provide investor relations services on behalf of the Issuer. These consultants are investor relations specialists with a focus on introducing Canadian companies of merit to broader institutional and retail investors. The Issuer will pay a total fee of \$5,000 per month and granted Boom 250,000 options to purchase subordinate voting shares of the Issuer. The options are exercisable at a price of \$0.55 and expire on July 24, 2021. The Issuer will pay Hybrid a monthly fee of \$29,166.67. Hybrid will provide services for an initial term of six months and the agreement shall automatically renew for successive three-month terms thereafter until written notice of termination is provided to Hybrid on 15 days advance notice.

On July 25, 2019, the Issuer announced that it issued 1,500,000 subordinate voting shares to certain consultants for services rendered and 179,243 subordinate voting shares pursuant to a debt settlement arrangement. The subordinate voting shares were issued at a price of \$0.55 per share.

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

Management was focused on completing the Transaction and the matters described 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 above relating to the joint venture with Oceana Coffee.

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

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 above relating to the joint venture with Oceana Coffee.

See above relating to *Cannabis Now*.

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

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

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.

N/A

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

N/A

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

N/A

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.

N/A

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

N/A

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

See Section 1 above and Sections 3 and 4 in the Listing Statement.

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

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

N/A

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

Effective as of July 9, 2019, the directors of the Issuer resigned and were replaced with Scott J. Van Rixel, Jamie L. Pearson, William J. Waggoner, Stephen Gledhill and Daniel Nauth. The following individuals were appointed as the officers of the Issuer: Scott J. Van Rixel (Chairman and Chief Executive Officer), Thomas Stein (President), Jamie L. Pearson (Chief Operating Officer and Corporate Secretary), Stephen Gledhill (Chief Financial Officer), Jeremy Applen (Chief Science Officer), Samantha Ford Collins (Chief Marketing Officer) and Heather Vigil (Vice President – Sales). As of July 9, 2019, the Audit Committee of the Issuer consists of Jamie L. Pearson, William J. Waggoner and Daniel Nauth. The Compensation Committee consists of Stephen Gledhill, William J. Waggoner and Daniel Nauth.

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

Trends and risks which may impact the Issuer are detailed in Section 17 – Risk Factors - in the Listing Statement.

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 August 5, 2019

Scott J. Van Rixel
Name of Director or Senior
Officer

"Scott J. Van Rixel"

Signature

Chief Executive Officer
Official Capacity

Issuer Details Name of Issuer Bhang Inc.	For Month End July 2019	Date of Report YY/MM/D 19/08/05
Issuer Address 7251 NE 2nd Avenue, Suite 201		
City/Province/Postal Code Miami, FL 33138	Issuer Fax No. N/A	Issuer Telephone No. 786-953-4281
Contact Name Jamie L. Pearson	Contact Position Chief Operating Officer and Corporate Secretary	Contact Telephone No. 786-953-4281
Contact Email Address j.pearson@bhangcorporation.com	Web Site Address https://www.bhangnation.com/	