

## FORM 7

### MONTHLY PROGRESS REPORT

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

Trading Symbol: **BHNG**

Number of Outstanding Listed Securities: **93,223,756**

Date: **August 10, 2020**

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.

**On July 13, 2020, the Issuer completed the filing of its consolidated interim financial statements and accompanying Management's Discussion and Analysis for the three months ended March 31, 2020.**

On July 20, 2020, the Issuer announced that it entered into a settlement agreement with Cannabis Growth Opportunity Corporation (“CGOC”) (the “Settlement Agreement”), pursuant to which the Issuer and CGOC have settled two convertible promissory notes in the aggregate principal amount of CAD \$600,000 (collectively, the “Notes”) by the Issuer issuing to CGOC a total of 6,666,667 subordinate voting shares (“Shares”), at a deemed price of \$0.09 per share. Furthermore, CGOC has settled and released all other rights and remedies available under its forbearance agreement with the Issuer entered into on April 22, 2020 and prior financings in exchange for a lump sum payment of \$1,152,857 which was satisfied by the Issuer with (i) the issuance of 12,809,524 Shares, at a deemed price of \$0.09 per share, and (ii) the issuance of warrants for the purchase of 5,261,905 Shares, exercisable for a period of 24 months from the date of issuance at an exercise price of \$0.15 per share.

The Issuer and CGOC also entered into an operating credit facility (the “Credit Facility”) whereby CGOC shall provide up to the aggregate principal amount of CAD \$1,000,000 to the Issuer for general working capital purposes. The Credit Facility bears an interest rate of 8% per year and will mature 36 months from the date of entry. The Credit Facility is secured by a charge on all of the current and future assets of the Issuer and its subsidiaries pursuant to general security agreements. All advances and accrued interest on the Credit Facility are convertible into Shares at a price of \$0.15 per share. In connection with the Credit Facility, the Issuer issued to CGOC warrants for the purchase of 6,666,667 Shares, exercisable for a period of 24 months from the date of issuance at an exercise price of \$0.15 per share. As of July 20, 2020, CGOC has advanced a total of \$256,087, of which, \$197,435 was advanced as cash and \$58,652 of accrued interest on the Notes was rolled into the Credit Facility. The Credit Facility replaced the funding obligations of CGOC as set out in the subscription agreement with the Company dated February 10, 2020.

CGOC is an insider of the Company as it owns greater than 10% of the subordinate voting shares of the Company. Accordingly, the above mentioned transactions together represented a “related party transaction” under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). The Company relied on an exemption from the formal valuation requirements of MI 61-101 available on the basis of the securities of the Company not being listed on specified markets, including the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ or certain overseas stock exchanges. The Company also relied on the exemption from minority shareholder approval requirements under MI 61-101 as neither the fair market value of the transaction, nor the consideration paid, exceeded 25% of the Company’s “market capitalization” (as defined in MI 61-101).

Due to the fact that the transactions described above was a “related party transaction”, the Board of Directors of the Company formed a Special Committee of its directors, composed entirely of directors independent of

CGOC (the “Special Committee”) to review the merits of the transaction and alternatives for the discharge of the debt owed to CGOC and the Credit Facility. The Special Committee unanimously determined that the debt settlement and Credit Facility with CGOC was the best option for the Company to eliminate its debt and liabilities owed to CGOC and to secure funding for its business objectives, and overall was in the best interests of the Company.

On July 21, 2020, the Issuer announced that, through its operating subsidiary Bhang Corporation, it has entered into an amended license agreement (the “License Agreement”) with Indiva Limited, and has relinquished its interest in the joint venture agreement that was previously entered into with Indiva Limited on April 17, 2018. Accordingly, the joint venture with Indiva Limited has been terminated. Under the terms of the License Agreement, Indiva Limited has the exclusive right to manufacture and distribute selected Bhang THC-infused chocolate products in Canada and the non-exclusive right to export those products internationally. In exchange, the Issuer will receive a royalty on net sales revenue. Prior amounts advanced by Indiva Limited to Bhang Corporation have been converted into an upfront licensing fee.

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

**The Issuer was focused on developing new products, expanding its brand through new licensees and seeking strategic opportunities.**

**Management was also focused on the matters described in Item 1 and the completion of its interim financial statements and related management's discussion and analysis for the interim period ended March 31, 2020.**

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**

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.

**Please see Item 1.**

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.

**Please see Item 1.**

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.

**Please see Item 1.**

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.

**Please see Item 1.**

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.

**Please see Item 1 in respect of the Settlement Agreement and Credit Agreement with CGOC.**

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

**Please see Item 1 in respect of the issuance of Shares and warrants in connection with the Settlement Agreement and Credit Agreement with CGOC.**

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

**Please see the Credit Agreement described under Item 1 for details regarding a loan from CGOC to the Issuer.**

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

**N/A**

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 its Management's Discussion and Analysis for the three months ended March 31, 2020 and in the Issuer's Listing Statement in Section 17 – Risk Factors.**

## 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 10, 2020

Jamie L. Pearson  
Name of Director or Senior  
Officer

*"Jamie L. Pearson"*

\_\_\_\_\_  
Signature

Chief Executive Officer and  
President  
\_\_\_\_\_  
Official Capacity

<b>Issuer Details</b> Name of Issuer  Bhang Inc.	For Month End July 2020	Date of Report YY/MM/D 20/08/10
Issuer Address  6815 Biscayne Blvd., Suite 103		
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 President, Chief Executive Officer, Chief Operating Officer and Corporate Secretary	Contact Telephone No. 786-953-4281

Contact Email Address	Web Site Address
<a href="mailto:j.pearson@bhangcorporation.com">j.pearson@bhangcorporation.com</a>	<a href="https://www.bhangnation.com/">https://www.bhangnation.com/</a>