



## FORM 7

### MONTHLY PROGRESS REPORT

Name of Listed Issuer: Inner Spirit Holdings Ltd. (the "Issuer").

Trading Symbol: ISH, ISH.WT, ISH.DB

Number of Outstanding Listed Securities: 206,236,295 common shares,  
20,000,000 warrants,  
10,000 convertible debentures

Date: As of August 30, 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.

### **Retail Cannabis Division**

The Issuer has been actively developing its retail and franchise strategy which includes building and opening new Spiritleaf corporate retail cannabis stores through its wholly-owned subsidiary, Spirit Leaf Corporate Inc. ("Spirit Leaf Corporate") and Spiritleaf franchise retail cannabis stores, through its wholly-owned subsidiary, Spirit Leaf Inc. ("Spirit Leaf"), while simultaneously exploring strategic opportunities to support potential future growth.

As at August 30, 2019, a total of 26 (vs. 12 in July 2019) Spiritleaf-branded retail cannabis stores are open and operating across Canada.

#### **Alberta:**

As of August 30, 2019, Spirit Leaf's franchise partners operated 14 Spiritleaf franchise retail cannabis stores in Alberta. During the month, locations opened in Grand Prairie, Beaumont, Calgary (Bow Trail), Edmonton (Ironstone), Edmonton (Heritage Links), Lac La Biche, Medicine Hat and Sherwood Park. Spirit Leaf franchise partners received 9 additional licences from Alberta Gaming, Liquor and Cannabis (the "AGLC") for retail cannabis stores in the Province to be open in the coming weeks.

During the month of August, Spirit Leaf Corporate Inc. ("Spirit Leaf Corporate"), a wholly-owned subsidiary of the Issuer, operated its two corporate owned retail cannabis stores in Edmonton's Old Strathcona neighborhood and Calgary's Beltline neighborhood for the entire month. Spirit Leaf Corporate received four additional retail cannabis store licences from the AGLC for corporate owned retail cannabis stores and opened in the commercial center of Jasper National Park, Calgary (17<sup>th</sup> Avenue), Canmore and Edmonton (Parsons Place). Spirit Leaf Corporate is anticipated to open 1 additional location in Canmore in September and is nearing completion of its locations in Fort McMurray and Edmonton (University District).

Spirit Leaf Macleod Inc. ("Spirit Leaf Macleod"), a non-wholly owned subsidiary of the Issuer, received a retail cannabis store licence for the Issuer's flagship location that also operates as Spiritleaf's in-store training and development centre. The flagship location began selling cannabis products on August 6<sup>th</sup>.

Spirit Leaf Corporate and franchise partners of Spirit Leaf continue to work with the AGLC on final approvals of their municipally approved Alberta locations that are in various stages of development. Spirit Leaf Corporate, Spirit Leaf Macleod and Spirit Leaf's franchise partners now have an aggregate of 50 municipal development permits for 10 locations held by Spirit Leaf Corporate, 1 location held by Spirit Leaf Macleod, and 39 locations held by franchisees of Spirit Leaf.

**British Columbia:**

Franchise partners operated 4 Spiritleaf locations in British Columbia. The Vernon location was the first retail cannabis store to receive a license issued by the British Columbia Liquor and Cannabis Regulation Branch and to begin operating in the Okanagan region. An additional cannabis retail store licence was received for a franchise store located in Penticton and the store opened on August 10<sup>th</sup> and another location opened in Maple Ridge on August 23<sup>rd</sup> while the Castelgar location operated for the full month. It is anticipated that a store will open in Kelowna in the coming weeks when the final license is received and the location in West Kelowna is now under construction.

**Saskatchewan:**

Spirit Leaf's franchise partner continued to operate the Issuer's flagship Saskatchewan Spiritleaf-branded retail cannabis store in Moose Jaw and are in final stages of completing their e-commerce website to be able to sell cannabis throughout the entire Province.

**Ontario:**

Spirit Leaf's Ontario partner continued to operate a Spiritleaf licensed retail cannabis store in Kingston. In addition, 26 Spirit Leaf franchise partners submitted expressions of interest applications for additional store locations in the August 20, 2019 lottery being conducted by the Alcohol and Gaming Commission of Ontario (the "AGCO"), but none of the Spirit Leaf franchise partners were chosen in the lottery.

The Issuer entered into Exclusivity Agreements with two individuals that have been selected to apply for licences to operate cannabis retail stores as a result of the AGCO lottery conducted on August 20, 2019. The issuance of licenses to operate cannabis stores subject to the Exclusivity Agreements remain subject to approval by AGCO.

The Issuer continues to explore other opportunities to work with Lottery Winners and continues to evaluate and develop potential opportunities to participate in the Ontario market in accordance with provincial regulations and the requirements of the Alcohol and Gaming Commission of Ontario.

The build-out of the Issuer's anticipated flagship Spiritleaf-branded retail cannabis store on Bloor Street, Toronto is complete.

**Manitoba:**

The Issuer has no present operations in Manitoba.

**General:**

The Issuer has developed its infrastructure to support retail and franchise operations. Investments were made in marketing, human resources, point of sale systems, accounting systems, design, a customized cannabis menu app, a cannabis online order and pickup platform in partnership with Leafly Canada and an online Spirit Hub to allow employees to continue to learn, grow and collaborate across the organizational chain.

## **Watch It! Retail Division**

Watch It! Consolidated Ltd. ("Watch It! Consolidated"), a wholly-owned subsidiary of the Issuer continued to operate the Issuer's corporate and franchise watch, sunglasses, and related accessory business. The company has provided control letters to landlords for certain locations so that the spaces can be leased to other retailers before their natural lease expiries with the six wholly owned corporate store leases ending between January 15, 2020 – March 31, 2022.

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

Management was focused on several key initiatives:

- (a) Preparing and opening Spiritleaf-branded corporate and franchise retail cannabis stores across various provincial jurisdictions;
  - (b) Preparing and supporting Spirit Leaf's franchise partners in all aspects of opening and operating a successful Spiritleaf-branded retail cannabis store, including providing support in the areas of design, construction, staff hiring and training, effective operations, point of sales systems, merchandising, and product assortment;
  - (c) Ongoing management of the Issuer's Watch It! division through Watch It! Consolidated, which includes 12 retail Watch It! stores (6 corporate and 6 licensed stores) and two e-commerce sites ([www.watchit.ca](http://www.watchit.ca) and [www.mediumwatches.com](http://www.mediumwatches.com));
  - (d) Various investment relations activities, including working with investor relations consultants, contacting investment advisors and analysts, conducting interviews and meetings; and
  - (e) Working with the AGLC and other provincial regulators and local municipalities to satisfy licensing and permit requirements.
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.

The Issuer continues to work on the development of proprietary cannabis brands with a focus on Spiritleaf cannabis, Spirit Joint vaporizer products and Spirit edibles.

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.

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.

None.

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

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.

None.

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

During the month of August, the company served 74,254 Spiritleaf customers

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.

The Issuer received its Canadian trademarks for "Spirit Leaf", "Spirit Joints" and "Prairie Flower"

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

The Issuer has been hiring employees to staff the corporate owned retail cannabis stores that opened in August and that are anticipated to open in the coming months.

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

There have been no labour disputes.

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.

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

None.

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

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
n/a	n/a	n/a	n/a

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

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

None.

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

None.

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

The AGLC continued to issue recreational cannabis licences to approved applicants at a rate of approximately 10 per week.

The AGCO indicated that it plans to issue 42 additional retail cannabis store licenses in Ontario to those parties that were successful in the August 20 lottery.

### 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 September 9, 2019.

Darren Bondar  
Name of Director or Senior Officer

"Darren Bondar"  
Signature

President, CEO and Director  
Official Capacity

<b>Issuer Details</b> Name of Issuer <i>Inner Spirit Holdings Ltd.</i>	For Month End <i>August 2019</i>	Date of Report YY/MM/DD <i>19/09/09</i>
Issuer Address <i>#102, 5740 – 2<sup>nd</sup> Street SW</i>		
City/Province/Postal Code <i>Calgary/Alberta/T2H 1Y6</i>	Issuer Fax No. <i>N/A</i>	Issuer Telephone No. <i>(403) 930-9300</i>
Contact Name <i>Darren Bondar</i>	Contact Position CEO	Contact Telephone No. <i>403-930-9300 (ext. 503)</i>
Contact Email Address <a href="mailto:darren.bondar@spiritleaf.ca">darren.bondar@spiritleaf.ca</a>	Web Site Address <a href="http://www.innerspiritholdings.com">www.innerspiritholdings.com</a>	