



**FORM 7**  
**MONTHLY PROGRESS REPORT**

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

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

Number of Outstanding Listed Securities: 229,090,837 common shares,

10,000 convertible debentures,

20,000,000 warrants

Date: As of July 31, 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.

The Issuer has been actively developing its retail and franchise strategy which included securing locations for, building and opening new Spiritleaf corporate retail cannabis stores and operating existing Spiritleaf corporate retail cannabis stores through its two wholly-owned subsidiaries, Spirit Leaf Corporate Inc. ("**Spirit Leaf Corporate**") and Spirit Leaf Ontario Inc. ("**Spirit Leaf Ontario**"), and included supporting the opening and operating of 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.

The Issuer continued to develop its corporate and business infrastructure to support retail and franchise operations. Investments were made to continue developing and supporting marketing operations, human resources operations, point of sale systems, accounting systems, design activities and operations, the Issuer's customized cannabis menu app, the Issuer's cannabis online order and pickup platform, and the Issuer's online Spirit Hub which allows employees to continue to learn, grow and collaborate across the organizational chain.

As at July 31, 2020, an aggregate of 58 (vs. 53 in June) corporate and franchise Spiritleaf retail cannabis stores were open and operating across Canada. The Spiritleaf retail cannabis store network includes locations in Alberta, British Columbia, Saskatchewan, Ontario and Newfoundland and Labrador.

### ***British Columbia:***

Franchise partners operated 6 (vs. 6 in June) Spiritleaf locations in British Columbia, in Vernon, Penticton, Maple Ridge, Castlegar, Kelowna, and West Kelowna, during the month of July.

A new location planned for Langley, British Columbia by an existing British Columbia franchise partner, which has been conditionally approved by the Liquor & Cannabis Regulation Branch and for which a municipal development permit application has been submitted to the City of Langley, continued to wait for its municipal development permit.

The Issuer continues to seek one additional corporate or franchise opportunity in British Columbia to achieve the regulatory maximum of 8 cannabis retail stores licenses per group of related persons (which includes the Spiritleaf brand) through the end of 2021.

### ***Alberta:***

During the month of July, the Spiritleaf brand remained the top retail cannabis store licence holder in Alberta with an aggregate of 42 licences held by corporate and franchise Spiritleaf retail cannabis stores.

Spirit Leaf Corporate operated 8 corporate Spiritleaf retail cannabis stores during the month of July. These stores are located in Edmonton's Old Strathcona neighborhood on Whyte Avenue, Calgary's Beltline neighborhood on 10th Avenue SW, Canmore Road, 17th Ave SW (Calgary), Edmonton (Parsons Place), Jasper National Park, Fort McMurray and Edmonton (Garneau). During the month of July Spirit Leaf Corporate also permanently closed its corporate Spiritleaf retail cannabis store on Canmore's Main Street.

Spirit Leaf Macleod Inc., a non-wholly owned subsidiary of the Issuer, continued to operate the Issuer's flagship Spiritleaf retail cannabis store on Macleod Trail in Calgary, Alberta. The store, which is located near CF Chinook Centre, Calgary's largest mall, also functions as Spirit Leaf's in-store training and development centre.

During the month of July, Spirit Leaf's franchise partners operated 32 Spiritleaf franchise retail cannabis stores in Alberta, including two locations that opened in July in Brick Plaza (Calgary) and Gasoline Alley (Red Deer). Spirit Leaf franchise partners continue to work with Alberta Gaming, Liquor and Cannabis ("**AGLC**") on final approvals of their municipally approved Alberta locations that are in various stages of development.

***Saskatchewan:***

Spirit Leaf's franchise partner continued to operate the Issuer's flagship Saskatchewan Spiritleaf retail cannabis store in Moose Jaw and the e-commerce website ([www.sk.spiritleaf.ca](http://www.sk.spiritleaf.ca)) that sells cannabis throughout the entire province.

Spirit Leaf Corporate has previously conditionally secured two potential locations in Saskatoon and one potential location in Regina. Spirit Leaf Corporate plans to submit permit applications to the Saskatchewan Liquor and Gaming Authority (the "**SLGA**") for these locations in September 2020 when the SLGA is anticipated to begin accepting permit applications for stores in all communities in the province of Saskatchewan.

***Manitoba:***

An application previously submitted by Spirit Leaf Corporate for an Age-Restricted License with Manitoba Liquor & Lotteries ("**MLL**") to operate a stand-alone corporate store in Winnipeg continued to be reviewed by MLL during the month of July.

Spirit Leaf continued its franchise sales activities in the province for both Spiritleaf stand-alone stores and store-in-store operations under the controlled-access licence category.

***Ontario:***

A corporate Spiritleaf location on Robertson Road in Nepean, Ottawa opened in July, while three previously submitted applications for Retail Store Authorizations continued to be reviewed by the Alcohol and Gaming Commission of Ontario (the "**AGCO**").

During the month of July, franchise partners opened two Spiritleaf retail cannabis stores in Stitsville and London.

As at July 31 there were a total of 9 Spiritleaf retail cannabis stores operating in Ontario, which included 2 corporate and 7 franchise locations. A total of 24 Spiritleaf locations (5 corporate and 19 franchise) have been posted on the AGCO website with their Retail Store Authorizations application status reported. Additional applications for Retail Store Authorizations have been submitted and continue to be processed.

***Newfoundland and Labrador:***

During the month of July, Spirit Leaf's franchisee in Newfoundland and Labrador, a wholly owned subsidiary of Atlantic Cultivation Limited, operated a Spiritleaf retail cannabis store in 673 Topsail Road, St. John's. Additional stores that are under construction and being prepared for opening in the province in late 2020 and 2021 include two in St. John's, one in Gander and one in Grand Falls-Windsor.

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

Management was focused on several key initiatives:

- a) Preparing and opening Spiritleaf corporate and franchise retail cannabis stores across various provincial jurisdictions;
  - b) Selling franchises across Canada and securing additional real-estate for potential locations;
  - c) Preparing and supporting Spirit Leaf's franchise partners in all aspects of opening and operating a successful Spiritleaf retail cannabis store, including providing support in the areas of design, construction, staff hiring and training, effective operations, accounting, point of sales systems, merchandising, and product assortment;
  - d) Various investment relations activities, including working with investor relations consultants, contacting investment advisors and analysts, and conducting interviews;
  - e) Maintaining operations during the current COVID19 pandemic. With the majority of Spiritleaf cannabis retail stores open during the pandemic, and to ensure the safety of employees and customers, management focused on increasing and maintaining health and safety protocols and working with new customer service processes such as Spiritleaf Select & Collect; and
  - f) Working with AGLC, the AGCO and other provincial regulators and local municipalities to satisfy ongoing operational, 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.

New cannabis 2.0 products were made available for sale in Spiritleaf retail cannabis stores. These products included new types and brands of beverages, edibles, concentrates, tinctures and vaporizer products.

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.

The Issuer entered into four new franchise agreement with non-Related Persons for potential Spiritleaf retail cannabis stores in British Columbia (1), Ontario (2) and Alberta (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.

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 July, a total of 205,873 customers were served across the Spiritleaf retail cannabis store network (vs. 164,023 in June).

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks.

None.

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

Staffing levels remained normalized in July.

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>
Options	800,000	Issued to new director pursuant to the Issuer's stock option plan	Nil

(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.

In July, Frank Rochon joined the Issuer's board of directors. Mr. Rochon was previously Vice Chairman and Managing Partner with Deloitte. In addition, he was a member of Deloitte's executive leadership team for over 20 years in various capacities including Regional Managing Partner roles and as Deloitte Canada M&A Executive Leader. Mr. Rochon was also a member of Deloitte's Global Executive leadership for over 8 years. During his 30-year professional career, he served many of Canada's most iconic and emerging companies and was widely sought for his trusted counsel and experience. Mr. Rochon is recognized for his strong financial expertise, governance, market and operational executive leadership. He has been extensively involved in board leadership capacities for numerous large national not-for-profit organizations and foundations.

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

**COVID-19 Preparedness:**

The Issuer is closely monitoring the latest developments regarding COVID-19 and will continue to follow the direction of federal, provincial and municipal governments, and public health authorities. The Issuer is taking steps to protect its staff and customers which include the adoption of vigorous cleaning standards, implementation of plexi-barriers at the till, the implementation of Select & Collect so customers can order in advance, remote work practices for some support centre employees, active social distancing, and enhanced health and safety protocols across its entire operating environment.

**Regulatory Trends:**

The number of retail cannabis licences issued to a single group of persons (which includes the Spiritleaf brand) in Alberta is limited by AGLC to a maximum of 45 licenses until October 17, 2020. As of July 31, 2020, a total of 45 retail cannabis licenses have either been obtained or applied for existing and proposed Spiritleaf retail cannabis stores. Accordingly, until such time as the maximum number of retail cannabis licenses is increased by AGLC, the Issuer and its franchise partners are prevented from obtaining additional retail cannabis licences (assuming current applications are accepted and retail cannabis licences are issued to such franchise partners).

In April 2020 the province of Saskatchewan moved forward with a phased-in open market system for allocating cannabis retail permits. The SLGA began accepting applications for cannabis retail permits in communities with populations less than 2,500 in April and will begin accepting permit applications for stores in all communities in the province in September 2020. Proponents will be able to apply for permits in communities that were previously identified as eligible for permits but did not proceed. As well, communities will be able to opt out of having cannabis retail stores in their community.

The Government of Ontario took steps to move to an open market for retail cannabis stores beginning in January 2020. The AGCO began accepting Retail Operator License applications from prospective retailers on January 6, 2020, followed by Retail Store Authorization applications on March 2, 2020. Retail Store Authorizations from this open application process are being issued at an initial rate of approximately 20 per month. Until August 31, 2020, retail operators may own a maximum of 10 cannabis stores, increasing to 30 in September 2020 and 75 in September 2021.

The Manitoba Government opened its cannabis retail application process to all prospective retailers on June 1, 2020.

**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 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

Darren Bondar  
 Name of Director or Senior Officer  
"Darren Bondar"  
 Signature  
President, CEO and Director  
 Official Capacity

<b>Issuer Details</b>		For Month End	Date of Report
Name of Issuer <i>Inner Spirit Holdings Ltd.</i>		<i>July 2020</i>	YY/MM/DD <i>20/08/10</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 <i>CEO</i>	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>		