



FORM 7

MONTHLY PROGRESS REPORT

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

Trading Symbol: ISH

Number of Outstanding Listed Securities: 193,469,996 common shares, 18,540,000 warrants and \$9,270,000 principal amount of convertible debentures.

Date: As of May 31, 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 has been actively developing its retail and franchise strategy, while simultaneously exploring strategic capital opportunities to support potential future growth.

Capital Update

On May 24, 2019, the Issuer closed a short form prospectus offering (the "**Offering**") of debenture units of the Issuer (the "**Debenture Units**") for aggregate gross proceeds of \$9,270,000. Each Debenture Unit consisted of (i) one 12% senior secured convertible debenture of the Issuer (each, a "**Convertible Debenture**") in the principal amount of \$1,000 with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2020, and maturing on June 30, 2022, and (ii) 2,000 common share purchase warrants of the Issuer (each, a "**Unit Warrant**"), each entitling the holder thereof to purchase one common share in the capital of the Issuer at an exercise price equal to \$0.25 until November 24, 2019. The Offering was made through a syndicate of agents (the "**Agents**"), co-led by Acumen Capital Finance Partners Limited, as sole bookrunner, and Canaccord Genuity Corp. In connection with the Offering, the Issuer issued the Agents 2,088,400 non-transferrable compensation options (the "**Compensation Options**"), each entitling the holder thereof to acquire one common share of the Issuer at an exercise price of \$0.25 per share until November 24, 2020. Please see the Issuer's press releases dated May 8, 2019, May 15, 2019 and May 24, 2019 for further information.

Operations Update

BC: Franchise partners of Spirit Leaf Inc. ("**Spirit Leaf**"), a wholly-owned subsidiary of the Issuer, have received municipal approvals for potential cannabis retail stores in Castlegar and Maple Ridge, British Columbia, and are currently waiting for final approvals and the issuance of cannabis retail store licences by the British Columbia Liquor and Cannabis Regulation Branch. Four other potential cannabis retail store locations secured by franchisees of Spirit Leaf continue to progress through the due diligence process of the Liquor and Cannabis Regulation Branch. Please see the Issuer's press release dated May 30, 2019 for further information.

Alberta: Spirit Leaf's franchise partners continued to operate the five Spiritleaf-branded franchise retail cannabis stores that are open in Alberta.

Spirit Leaf Corporate Inc. ("**Spirit Leaf Corporate**"), a wholly-owned subsidiary of the Issuer that anticipates opening corporate wholly-owned Spiritleaf-branded retail cannabis stores, and franchise partners of Spirit Leaf continue to work with the Alberta Gaming, Liquor and Cannabis Commission (the "**AGLC**") on final approvals of their municipally approved Alberta locations that are in various stages of development. Spirit Leaf Corporate, Spirit Leaf Macleod Inc., a subsidiary of the Issuer, 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 Inc., and 39 locations held by franchisees of Spirit Leaf.

During the month, Spirit Leaf Corporate received a retail cannabis store licence from the AGLC for its first corporate wholly-owned Spiritleaf-branded retail cannabis store located in the heart of Calgary's Beltline district, which is expected to open in June 2019. Please see the Issuer's press release dated May 30, 2019 for further information.

Saskatchewan: Spirit Leaf's franchise partner continued to operate the Issuer's flagship Saskatchewan Spiritleaf-branded location in Moose Jaw, Saskatchewan.

Manitoba: The Issuer has no present operations in Manitoba.

Ontario: Spirit Leaf's Ontario partner continued to operate a Spiritleaf-branded retail cannabis store in Kingston, Ontario.

The Issuer continued 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-retail store on Bloor Street, Toronto was completed during the month. It has secured an additional 15 locations in Ontario and is working on assigning those to franchise partners in anticipation of the next round of licensing.

General

The Issuer continued to develop 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, and an online Spirit Hub to allow employees to continue to learn, grow and collaborate across the organizational chain.

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

Management was focused on several key initiatives:

- (a) Completing the Offering and raising funds to strengthen the Issuer's balance sheet;
- (b) Preparing potential Spiritleaf-branded retail cannabis stores for opening;
- (c) 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;
- (d) Ongoing management of the Issuer's Watch It! division through its wholly-owned subsidiary, Watch It! Consolidated Ltd., which includes 13 retail Watch It! stores (6 corporate and 7 franchise) and two e-commerce sites (www.watchit.ca and www.mediumwatches.com);
- (e) Various investment relations activities, including working with investor relations consultants, contacting investment advisors and analysts, conducting interviews and meetings; and

- (f) 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.
- None.
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.
- None.
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.
- None
10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

The Issuer hired a new accounting employee for its support centre.

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.

The Issuer closed the Offering on May 24, 2019, incurring indebtedness in the aggregate amount of \$9,270,000. Please see "Capital Update" herein and the Issuer's press releases dated May 8, 2019, May 15, 2019 and May 24, 2019 for further information.

The Issuer used a portion of the proceeds of the Offering to fully repay the \$1.5 million short term loan (plus accrued interest) owing by the Issuer to Tilray, Inc. (the "**Tilray Loan**").

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

Security	Number Issued	Details of Issuance	Use of Proceeds ⁽¹⁾
Common Shares	75,000	Exercise of options	\$7,500 added to working capital
Convertible Debentures	9,270	Issued pursuant to the Offering	\$9,270,000, to be used to build out and provide inventory for additional wholly-owned corporate Spiritleaf retail cannabis stores in Alberta, to maintain real estate leases in Ontario, to design and produce Spiritleaf custom inventory for Spiritleaf franchise partners, and for working capital purposes. A portion of the proceeds was used to repay the Tilray Loan.
Unit Warrants	18,540,000	Issued pursuant to the Offering	
Compensation Options	2,088,400	Issued pursuant to the Offering	No cash proceeds.

(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.

On May 30, 2019, the AGLC announced the lifting of its moratorium on accepting new retail cannabis licence applications and issuing new retail cannabis licences due to a steady increase in the AGLC's cannabis supply. The AGLC further announced that it will be issuing five retail cannabis licences on a weekly basis.

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 June 5, 2019.

Darren Bondar
Name of Director or Senior Officer

"Darren Bondar"
Signature

President, CEO and Director
Official Capacity

Issuer Details Name of Issuer	For Month End	Date of Report YY/MM/DD
<i>Inner Spirit Holdings Ltd.</i>	<i>May 2019</i>	<i>19/06/07</i>
Issuer Address		
<i>#102, 5740 – 2nd Street SW</i>		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
<i>Calgary/Alberta/T2H 1Y6</i>	<i>N/A</i>	<i>(403) 930-9300</i>
Contact Name	Contact Position	Contact Telephone No.
<i>Darren Bondar</i>	<i>CEO</i>	<i>403-930-9300 (ext. 503)</i>
Contact Email Address	Web Site Address	
darren.bondar@spiritleaf.ca	www.innerspiritholdings.com	