

# FORM 7

## **MONTHLY PROGRESS REPORT**

Name of CNSX Issuer: Wildflower Brands Inc. (the “Issuer”).

Trading Symbol: SUN

Number of Outstanding Listed Securities: 141,606,153

Date: August 5, 2020

### **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 31, 2020, the Company announced the resignation of Mr. Nash Meghji from the Board of Directors of the Company after more than 16 years of service to the Company for personal reasons.

On June 18, 2020, the Company announced the closing of a previously announced financing of units at a price of \$0.15 per Unit for aggregate gross proceeds of \$274,995. Each Unit consists of one common share and one share purchase warrant exercisable for a period of one year from closing at a price of \$0.30.

On June 1, 2020, the Company provided its Covid-19 update. The Company has been monitoring the COVID-19 outbreak and its impact on its business. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. These impacts could include an impact on our ability to maintain operations, to obtain debt and equity financing, access to necessary supplies, credit risk associated with our accounts receivable, impairments in the value of our long-lived assets, or potential future decreases in revenue or the profitability of our ongoing operations. The Company continues to work diligently to ensure operations continue while continuing to emphasize the safety of our employees and customers.

Company-wide protocols have been developed to enforce increased hygiene measures such as hand washing, social distancing, and COVID-19 symptom scanning. In the current environment, the Company has prioritized risk-mitigation and business continuity planning for the safety of the team, community and maintenance of on-going operations.

The current COVID-19 situation has created an unprecedented operating environment for many businesses, including Wildflower. Cannabis retail has been deemed an essential service and allowable business in British Columbia and City Cannabis stores remain open with reduced operating hours and a limited number of customers in a store at any given time. Although operations have not been materially disrupted, Wildflower follows a general practice of continually pursuing optimization strategies and is collaborating with landlords and investigating government sponsored assistance programs that would further solidify corporate stability. Trust has always been one of the Company’s core business values and now, in the face of the COVID19 pandemic, trust is prioritized more than ever. Wildflower cares deeply about the safety

and well-being of its employees, customers, and partners, and has put measures in place to ensure stores are clean and safe.

The COVID-19 outbreak has also resulted in legislative change to how City Cannabis can sell. The Company is now permitted to have an online ordering system by way of click-and-collect. The Company immediately launched its own click-and-collect platform which allows consumers the convenience of ordering their products online and quickly go into a store and collect their purchase. This allows for fewer and quicker interactions between consumers and staff.

Wildflower's US operations have been curtailed due to the closure of so many retail locations the Company's products are sold at. Manufacturing and sales activities have been scaled back to align our resources with the current business environment. The Company is also investigating government sponsored assistance programs to support our employees and their families.

Supply chains have been evaluated for input ingredients and packaging as well as transportation logistics. 3 month supplies have been secured. While we believe we will not have any supply disruptions, our suppliers have all warned things can change quickly and there are no assurances in the current marketplace.

On April 13, 2020, the Company announced that the Chief Operating Officer position will be filled from within with the President of City Cannabis, Myron Van Snick stepping in following the resignation of Alfred Kee. Prior to City Cannabis Myron was Vice-President of Corporate and Franchise Development at a for a retail food chain of stores, he directly controlled corporate and franchised operations for a multi-store chain, developed a franchise model in British Columbia and Alberta that included the Franchise/Licensing/Area Development Agreements, and provided Project Leadership with direct control over all research and development of core products and services.

On March 2, 2020, the Company announced a private placement of units at a price of \$0.15 per unit for aggregate gross proceeds of up to \$530,000. Each unit consists of one common share and one share purchase warrant exercisable for a period of one year at a price of \$0.30. The proceeds will be used for working capital and to commence design and permitting work for the Company's two Ontario stores it currently has under lease.

On December 20, 2019, the Company announced more than \$6.3M in revenues in its first quarter, compared to \$1.0M in the previous year's first quarter. Revenues from all sources were up, and the largest contributor of the record-breaking revenues was City Cannabis Corp., which was acquired by the Company in June 2019.

On December 18, 2019, the Company announced revenue for the year ending June 30, 2019 of \$7.1M – a 400% increase over sales of \$1.4M in 2018. The Company began aggressively marketing its CBD Wellness products during the fiscal year, culminating with the launch of its products in June 2019 in Dillard's, an American department retail chain with approximately 290 stores in 29 states.

On October 28, 2019, the Company announced that it will be unable to file its annual financial statements and management's discussion and analysis for the year ended June 30, 2019, together with the related certifications on or before the prescribed filing deadline of October 28,

2019 as required by National Instrument 51-102, *Continuous Disclosure Obligations*, and NI 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, respectively. The Company has filed an application with the British Columbia Securities Commission requesting that they issue a management cease trade order against the Company's Chief Executive Officer and Chief Financial Officer instead of a cease trade order against the Company and all its securityholders. The reason for the default is a significant increase in the Company's operations. As a result, it is taking longer than anticipated for both the Company's internal accounting team and the auditing team to complete the audit. The Company's revenue in 2018 was \$1.4M, whereas in 2019, Q3 alone had revenues of \$2.5M and that was prior to the acquisition of a four-store retail chain which had revenues of \$7.7M in 2018. The Company is working with its auditors to complete the audit of its financial statements.

On August 12, 2019, the Company announced that BC's Liquor and Cannabis Regulation Branch has issued a Cannabis Retail Store license to City Cannabis Co's 2317 Cambie Street location and their Comox Valley location on Vancouver Island. Wildflower recently acquired City Cannabis Co and with their third and fourth locations in B.C. City Cannabis is at the forefront of the BC retail cannabis market.

On August 2, 2019, the Company announced it has received subscriptions for a convertible debenture financing in the amount of \$1,325,000. The debentures will have a maturity date of two years from the closing date of the Offering (the "**Maturity Date**") and will bear interest from the date of closing at 10% per annum, payable monthly. The Convertible Debentures will be convertible, at the option of the holder, into units of the Company at any time prior to the close of business on the last business day immediately preceding the Maturity Date at a conversion price of \$0.65 per unit (the "**Conversion Price**"). Each unit will be comprised of one common share and one half of one share purchase warrant with each whole warrant entitling the holder to purchase one common share at a price of \$1.00 for a period of 2 years from the date of issue of the Convertible Debentures. The Company may force the conversion of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not less than 30 days' notice should the daily volume weighted average trading price of the common shares be greater than \$1.10 for any 10 consecutive trading days.

On June 30, 2019, the Company announced the closing of its acquisition of City Cannabis Corp. ("**City Cannabis**"), pursuant to which the Company acquired all of the issued and outstanding shares of City Cannabis in exchange for 60 million common shares of the Company (the "**Consideration Shares**") at a deemed price of \$0.75 per Consideration Share for aggregate consideration of \$45 million (the "**Acquisition**"). The Acquisition was previously announced by the Company on April 9, 2019, May 28, 2019 and June 18, 2019, respectively. 98% of the Consideration Shares will be entered into a voluntary lock as most of the shareholders are existing Wildflower shareholders. 10% of the Consideration Shares shall be available as of June 28, 2019 and 15% of the Consideration Shares will be released every six months thereafter for three years.

As part of the acquisition, the Company completed two previously announced concurrent private placement financings (the "Offerings"). A total of \$4,612,466 was raised through the issuance of a combination of 3,561,202 subscription receipts ("Subscription Receipts") and 3,534,898 units of the Company. Equity markets have been presenting challenging conditions for cannabis

related businesses recently but the successful raise of the funds will allow the Company to:

- Complete the acquisition of City Cannabis Corp. (“City Cannabis”) which has two operating retail cannabis stores.
- Complete City Cannabis renovations to open two new retail cannabis stores in July 2019. With combined revenues in excess of \$1.5 Million in the last month, Wildflower expects to have a solid cash flow base for continued expansion following the closing.
- Complete the buildout of its Washington manufacturing facilities for Wildflower Wellness hemp CBD infused products in order to expand production more than tenfold.
- Target additional major retail chains following the Company’s successful launch at Dillard’s department store chain this month.
- Continue European and other international expansion.

The Offerings were comprised of a brokered offering of Subscription Receipts (the “Brokered Offering”), which was led by Industrial Alliance Securities Inc. (the “Lead Agent”) and Sprott Capital Partners LP by its general partner, Sprott Capital Partners GP (together, the “Agents”), and a non-brokered offering (the “Non-Brokered Offering”) of units (each, a “Non-Brokered Unit”). The Subscription Receipts were issued pursuant to a subscription receipt agreement dated June 25, 2019 (the “Subscription Receipt Agreement”) between the Company, the Lead Agent and Odyssey Trust Company (“Odyssey”). Each Subscription Receipt is convertible, without additional consideration, into a unit of the Company (each, a “Subscription Unit”) upon completion of the Company’s proposed acquisition of City Cannabis and the satisfaction of the other escrow release conditions (the “Escrow Release Conditions”) set out in the Subscription Receipt Agreement. Each Subscription Unit and Non-Brokered Unit (together, the “Units”) consists of one common share and one warrant (each, a “Warrant”). Each Warrant entitles the holder to purchase one common share in the capital of Wildflower at a price of \$0.65 per common share until 24 months after the satisfaction of the Escrow Release Conditions, subject to rights of adjustment and mandatory exercise in certain events, as set out in the warrant indenture governing the Warrants issued under the Brokered Offering and the warrant certificates governing the Warrants issued under the Non-Brokered Offering.

The net proceeds raised in connection with the Brokered Offering, after fees and expenses incurred, and less 50% of the Agents’ Fee (as defined below), have been deposited with Odyssey, as subscription receipt agent. The escrowed proceeds will be held by Odyssey until the Escrow Release Conditions have been satisfied.

In connection with the Offering, the Agents are entitled to receive (i) a cash commission equal to 7% of the aggregate proceeds of the portion of the Brokered Offering sold to subscribers sourced by the Agents, (ii) a cash commission equal to 3% of the aggregate proceeds from subscribers participating in the Non-Brokered Offering (together, the “Agents’ Fee”). The Agents have also received an aggregate number of compensation options (the “Compensation Options”) equal to 7% of the number of Subscription Units issued to subscribers sourced by the Agents, and an aggregate number of Compensation Options equal to 3% of the number of the Non-Brokered Units issued to subscribers participating in the Non-Brokered Offering. Each Compensation Option entitles the holder to one unit (an “Agents’ Unit”), at an exercise price of \$0.65 per Agents’ Unit for a period of 24 months following the date of the satisfaction of the Escrow Release Conditions. Each Agents’ Unit shall be comprised of one common share of the Corporation and one warrant (each, an “Agents’ Warrant”) entitling such holder to purchase one common share in the capital of the Corporation (each, an “Agents’ Warrant Share”), exercisable for a period of 24 months following the date of the satisfaction of the Escrow Release Conditions, at an exercise price of \$1.00 per Agents’ Warrant, subject to adjustments in certain

circumstances. Upon closing of the Offering, 50% of the Agents' Fee was paid to the Agents with the remainder to be paid upon satisfaction of the Escrow Release Conditions.

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

Please see item 1 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.**

Please see item 1 above.

**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.**

Not applicable.

**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 above.

**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.**

Not applicable.

**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 above.

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

Please see item 1 above.

**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 above.

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

Please see item 1 above.

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

None.

**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.**

Not applicable.

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

During the past month, the Issuer did not borrow any funds. However, the Issuer in its normal course of business activities, may accumulate indebtedness from time to time in the form of fees for services and management fees, as is regularly reported in the Issuer's financial statements. The indebtedness created by the accumulation of service and management fees or any type of indebtedness can be settled with the completion of a financing, loan, or with the benefits of a successful business transaction.

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

<b>Security</b>	<b>Number Issued</b>	<b>Details of Issuance</b>	<b>Use of Proceeds<sup>(1)</sup></b>
Common Shares	442,900	Private placement at a price of \$1.2285	Working capital
Share Purchase Warrants	2,680,000	\$2.735	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.**

No changes.

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

The Issuer is not aware of any trends that manifested themselves in the past month and have an impact on its business or markets, other than general market volatility and political trends as they relate to the regulation of cannabis.

**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 CNSX 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 CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: August 5, 2020.

William MacLean  
Name of Director or Senior Officer

"William MacLean"  
Signature  
Director

<b>Issuer Details</b> Name of Issuer Wildflower Brands Inc.	<b>For Month End</b> July 31, 2020	<b>Date of Report</b> YY/MM/DD 20/08/05
<b>Issuer Address:</b> 302- 1505 West 2 <sup>nd</sup> Avenue		
<b>City/Province/Postal Code</b> Vancouver, British Columbia, V6B 1N2	<b>Issuer Fax No.</b>	<b>Issuer Telephone No.</b> (604) 559-0420
<b>Contact Name</b> William MacLean	<b>Contact Position</b> CEO	<b>Contact Telephone No.</b> (604) 559-0420
<b>Contact Email Address</b> william@wildflowerbrands.co	<b>Web Site Address</b> www.wildflowerbrands.co	