



Q2 2018 PRESIDENT'S LETTER

A MESSAGE FROM CRAIG KOLOCHUK, SUGARBUD'S PRESIDENT & CHIEF EXECUTIVE OFFICER

As SugarBud's President and Chief Executive Officer I am pleased to discuss our impactful activities during the past several months.

President's Letter

2018 has been transformational for Relentless Resources Ltd. ("**Relentless**"). During the first quarter of 2018, Relentless successfully executed on a recapitalization financing for proceeds of \$8.25 million in order to explore investment opportunities in the cannabis space.

SugarBud is now an emerging Alberta based publicly traded cannabis company focused on growing hand crafted, select batch, ultra-premium bud. In addition to our cannabis focused strategy, SugarBud is a high netback, cashflow oil and gas company. This cash flow significantly reduces our "cash burn" every month compared to most pre-cultivation license cannabis companies. Perhaps even more importantly, our oil and gas assets provide additional security to providers of non-dilutive capital. As previously announced, we are in advanced negotiations with two large Canadian financial institutions regarding a credit facility of approximately \$20 million.

We are continually seeking to differentiate ourselves from our competitors. We are firm believers that using aeroponic cultivation technology, combined with prudent quality management systems, top-tier genetics, and small isolated growing environments, will allow us to cultivate a premium product and maintain margins in a highly competitive environment.

During Q2 2018 we made numerous steps in executing on our business plan. The first step was to appoint a team with the experience required to successfully execute on our hybrid cannabis and oil and gas business model. Mission accomplished! Our team has a strong mix of cannabis, oil and gas, start-up, transaction, business, public company and regulatory experience. To say that the new team has been busy would be an understatement!

The second order of business was to change our name from Relentless to SugarBud. This was approved by our shareholders on June 5, 2018, although we are still trading under the name Relentless Resources Ltd. (and the stock symbol RRL) until we receive approval of change of business from the TSX-V. Upon this approval, we will begin trading under the name SugarBud Craft Growers Corp., and the stock symbol SUGR.

Grunewahl Transaction

Shortly after appointing our team, we announced our intent to acquire a late stage Health Canada applicant under the Access to Cannabis for Medical Purposes Regulations ("**ACMPR**"). In this regard, SugarBud executed an amalgamation agreement dated May 31, 2018 with Grunewahl Organics Inc. ("**Grunewahl**") and SugarBud's wholly owned subsidiary, 2114152 Alberta Ltd., to acquire all of the issued and outstanding shares of Grunewahl (the "**Transaction**").

Grunewahl submitted its ACMPR application in 2014. Grunewahl is also the owner of approximately four acres of undeveloped land on Highway 2 at Stavely, Alberta (the “**Stavely Lands**”). Grunewahl has received municipal approval to cultivate cannabis on the Stavely Lands upon the receipt of its ACMPR cultivation license.

Grunewahl will call a special meeting of the Grunewahl shareholders to seek approval of the Transaction from at least 66 2/3% of the Grunewahl shareholders. Once Grunewahl receives shareholder approval, and SugarBud receives approval of change of business from the TSX-V, the we will proceed to close the Transaction. SugarBud does not anticipate any issues with obtaining the 66 2/3% approval from Grunewahl’s shareholders, as it is a private corporation with several large shareholders who are already supportive of the Transaction.

Stavely Facility

At the time that the Transaction was announced, SugarBud also announced its plans to construct a 29,800 square foot aeroponic cannabis cultivation facility at Stavely, Alberta, with Phase 1 estimated to be capable of 8,000 kgs of dried cannabis flower production per year. Please see **Exhibit 1** for the renderings of Phase 1.

Exhibit 1 – Stavely Phase 1



The Facility will employ a layered/vertical approach to growing, with Phase 1 consisting of three layers of flowering canopy. This is another differentiating factor for SugarBud, as this methodology maximizes the utilization of space within the Facility. Combined with the quality and yield that can be accomplished with aeroponics, our layered growing approach is anticipated to provide competitive advantage to our shareholders.

We have made great progress with respect to the construction of the Stavely Facility. The site has been prepped, the footings have been poured, and the walls of the facility are currently being erected. SugarBud is working towards the goal of achieving cultivation license in Q4, 2018.

Inner Spirit Holdings Ltd. Investment

Subsequent to Q2 2018, we entered into an investment agreement (“**Investment Agreement**”) with Inner Spirit Holdings Ltd. (“**ISH**”) providing for a strategic investment by the parties in one another’s securities, as well as a strategic alliance agreement that will govern the on-going business relationship of the parties (collectively, the “**Inner Spirit Transaction**”).

ISH has closed its Initial Public Offering and is now trading on the Canadian Securities Exchange under the symbol “ISH”. SugarBud currently holds 7,500,000 common shares and 3,750,000 warrants of ISH (the “**First Investment**”), with the warrants entitling SugarBud to acquire one ISH common share at a price of \$0.30 per ISH Share (the “**Warrants**”).

At the closing ISH market price of \$0.27 on August 8, 2018, the market value of the First Investment was \$2,025,000, representing a pre-tax gain of 80% compared to the purchase price of \$1,125,000.

Under the terms of an investment agreement between SugarBud and ISH, ISH has agreed to issue to SugarBud an additional 7,500,000 units at \$0.15 per unit (“Units”) (the “**Second Investment**”). In exchange for the additional Units, the Company will provide ISH with: (i) 8,108,108 Common Shares, each with an issue price of \$0.13875; and (ii) 1,125,000 Common Share purchase warrants (“**SugarBud Warrants**”) exercisable at \$0.30 per Common Share for a period of 24 months from the date of issuance. The SugarBud Warrants are subject to vesting conditions related to ISH achieving certain operational milestones based on the number of Spiritleaf retail dispensaries opened over a period of time.

Upon closing of the Second Investment, SugarBud will hold an aggregate of 15,000,000 ISH common shares, representing approximately 9% of ISH’s issued and outstanding common shares and 7,500,000 Warrants (the “**Total ISH Investment**”). At the closing ISH market price on August 8, 2018 of \$0.27, the Total ISH Investment would have a market value of \$4,050,000.

The Second Investment is expected to close, and the Strategic Alliance Agreement is expected to be executed, upon all of the conditions contained in the Investment Agreement being satisfied or waived and upon receipt of all required approvals, including the approval of the TSX-V of change of business pursuant to the policies of the TSX-V.

SugarBud and ISH will also enter into a strategic alliance agreement (“**Strategic Alliance Agreement**”) which will provide for the following principal terms: (i) SugarBud will have the right, but not the obligation, to supply the retail locations of Spirit Leaf Inc. (“**Spiritleaf**”), a subsidiary of ISH, with SugarBud’s cannabis products in an amount equal to 10% of the required product supply in respect of each Spiritleaf retail location; (ii) SugarBud will have the exclusive right to supply ISH with the cannabis inputs in respect of ISH’s premium Prairie Flower Alberta craft cannabis brand, in an amount equal to 10% of the required cannabis product supply in respect of each Spiritleaf retail location; (iii) ISH shall provide free advertising and promotion regarding SugarBud’s cannabis products and ISH’s Prairie Flower brand in accordance with applicable regulations; and (iv) the parties will agree to collaborate and explore other opportunities to further their respective and mutual business objectives.

Mr. Darren Bondar, the President and Chief Executive Officer of ISH, will be nominated to join SugarBud's board of directors upon receipt of TSX-V approval of the change of business. Mr. Bondar has been the President and Chief Executive Officer of ISH and its predecessor since March 16, 2017. Mr. Bondar was the President and Chief Executive Officer of Watch It! Incorporated and Comfortable Image Inc., consumer retail and franchising businesses, from 2004 to 2017 and 1999 to 2017, respectively.

ISH has extensive franchise, marketing, real-estate and retail experience. To date, Spiritleaf is the only Canadian retail cannabis company to be granted membership into the Canadian Franchise Association. ISH has currently executed over 100 franchise agreements in Canada for proposed Spiritleaf retail locations.

Overall, we believe that we have provided a significant value proposition to our shareholders, and we are currently executing on our previously announced rights offering ("**Rights Offering**"). Please see SugarBud's press release dated May 31, 2018 for further details regarding the Rights Offering, which will close on September 12, 2018. The rights offering notice has been mailed to shareholders in connection with the Rights Offering.

SugarBud is expecting strong Rights Offering participation from its board of directors, officers and other key shareholders (the "**Insider Group**"), amounting to expected proceeds from the Insider Group of approximately \$1.5 million. The maximum proceeds of the Rights Offering is approximately \$7.4 million. Subsequent to closing the Rights Offering, if fully subscribed for, insiders of SugarBud are expected to own approximately 20% of SugarBud's then issued and outstanding common shares of the Company.

Final Words

Q2 2018 was a productive quarter for SugarBud. We have been working very hard, and I believe that credit must be given where credit is due. I would like to thank our board of directors for their guidance and support, and I would also like to thank Sony Gill, Corporate Secretary, and his team at McCarthy Tetrault LLP for their strategic thinking, hard work and execution on the various mandates and deals that we have pursued over the last few months. I would also like to thank our team for their incredible talents and work ethic.

We are currently working diligently to achieve approval of change of business from the TSX-V, to close the Grunewahl Transaction, close the ISH Second Investment, execute the ISH Strategic Alliance Agreement, and appoint Darren Bondar to our board of directors. We are focusing on building the Stavely Facility on time and on budget, implementing our comprehensive quality management system, and we are exploring numerous branding and distribution mandates.

We have a joke in our office that goes something like this: "I have been working at SugarBud for five months, or five years in normal company time". When you look at what we have accomplished in five months, you must wonder what we will accomplish in the next five months. We have a high-impact business plan, we have very supportive shareholders who believe in our vision, and we have the team in place to execute. While nobody can predict the future, one thing is for certain – the next five months will be as exciting as the last!

Sincerely,

Signed: Craig Kolochuk