

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: VODIS PHARMACEUTICALS INC. (the "Issuer").

Trading Symbol: VP

Number of Outstanding Listed Securities: 77,068,168

Date: June 30, 2016

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 is engaged in the application stage for a license to produce medical marijuana at its facility located in Delta, British Columbia through the new *Marihuana for Medical Purpose*

*Regulation* (“MMPR”) program. The Issuer continued to wait for an inspection at its facility from Health Canada.

The Issuer continues to develop turnkey indoor production facilities for approved marijuana license holders in the State of Washington. While the Issuer cannot have any interest whatsoever in any proceeds as a result of production, processing or retail activities in the United States, it can license its brand, production and consulting services to approved State of Washington license holders to ensure that all products produced under the Issuer’s program and/or associated under the brand meet or exceed the Issuer’s brand quality standards. Dependent on additional financing, the Issuer intends to continue to acquire or lease real estate, retrofit buildings and provide production ready facilities to qualified I-502 cannabis tier 1, 2 or 3 production and processing license holders.

The Issuer entered into a sublease agreement with Our Church International LLC (“OCI”), a licensed Tier 2 tenant, to sublet the Bellingham, Washington property leased by the Issuer. The lease with OCI expires on the earlier of one day prior to the termination of the Issuer’s lease if the Issuer does not exercise the option to purchase the investment property or April 30, 2035. The Issuer continued to work on the second phase build-out of the Issuer’s facility located in Bellingham, State of Washington to improve the production capacity for the Issuer’s tenant, OCI.

In addition to providing specialized facilities to I-502 producers and processors, the Issuer intends to license its growing techniques, standard operating procedures and innovative manufacturing practices to further assist license holders with their production and processing operations.

The Issuer continues to work towards designing, developing and leasing to an additional qualified I-502 cannabis production and processing license holder.

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

- During the month ended June 30, 2016, the Issuer appointed Mr. Ivan Miliovski as the new Interim Chief Executive Officer on the resignation of Mr. Sean Côté. Mr. Miliovski is one of the Issuer’s founders, Chief Operating Officer and a director. Mr. Miliovski has brought a wealth of experience and knowledge about the growth and production of medical grade marijuana. He was the Chief Operation Officer at Canadian Cannabis Research and Technologies and the Chief Executive Officer and co-founder at Vancouver Independent Producers (now Vodus Innovative Pharmaceuticals). He has introduced improved methods and processes that are now standards within the industry.
- During the month ended June 30, 2016, the issuer appointed Mr. Plaman Ovagemov as a director on the resignation of Mr. Clive Bolton. Mr. Ovagemov has a Bachelor in Economics and Marketing and has extensive experience as an operations executive serving as CEO and Executive Director of multiple national and international European companies. Mr. Ovagemov served eight years as CEO and Chairman of the Board to Ponsstroy Engineering EAD, an international full service commercial development company. During his eight years as CEO with Ponsstroy Engineering EAD, Mr. Ovagemov grew the company’s revenue over 1,000% with revenues exceeding \$100,000,000 annually. Additionally he brokered national and international European deals, worked with local government and agencies on European Union funded projects and has received multiple European awards of excellence in business.
- During the month ended June 30, 2016, Mr. Ivan Miliovski and another lender loaned \$200,000 to the Issuer. The term of the loan will be six months from the date of advance and will accrue at the rate of 8% per annum. The Company will grant the lenders a security interest against the Company’s assets in its Delta, B.C.

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.

Hiring of the CEO. Please see Section 2.

The Issuer laid off 4 employees in the Delta, B.C facility for a period of up to 13 months depending on whether the Issuer receives receipt of licensing.

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.

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

None

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

Ivan Miliovski, the COO and a director of the Issuer, loaned the Issuer funds during the month ended June 30, 2016. See Section 2.

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

The Issuer appointed Mr. Ivan Miliovski as interim CEO and Mr. Plamen Ovagemov as a director. See Section 2.

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 has applied for a license from Health Canada to become a Licensed Producer ("License") under the MMPR. In order to satisfy the requirements for the final grant of the License, the Issuer must complete certain milestones to the satisfaction of Health Canada. The completion of these milestones may take longer than planned and cost more than the amount the Issuer has budgeted. In addition, there is no assurance that the Issuer will be granted the License and this would materially adversely affect the Issuer's operations and the Issuer would need to revise its business plan accordingly.

The Issuer submitted an application to Health Canada in the required form and on January 15, 2014 received a letter from Health Canada indicating compliance of the Vodis application with the Producer requirements upon the implementation of the planned cultivation, storage, security and security systems proposals and verification of the receipt of the required security clearances.

In November 2012, the WSLCB passed Initiative 502 (I-502), pursuant to a vote by the people of the State of Washington. I-502 authorized the WSLCB to regulate and tax recreational marijuana products for persons over 21 years of age and thereby created a new industry for the growing, processing and selling of recreational marijuana products regulated by the State of Washington. In the State of Washington, a Marijuana Producer Tier I is allowed to grow up to two thousand square feet of canopy space. Whereas a Marijuana Producer Tier II is allowed to grow up to ten thousand square feet of plant canopy. A recent WSLCB-commissioned report by the Rand

organization suggests that there are currently up to 700,000 recreational marijuana users in the State of Washington worth approximately US\$1.25 billion to US\$1.5 billion in annual sales.

While Issuer cannot have any interest whatsoever in any proceeds as a result of production, processing or retail activities in the United States, it can license its brand, production and consulting services to approved State of Washington license holders to ensure that all products produced under the Issuer's program and/or associated under the brand meet or exceed the Issuer's brand quality standards.

Demand for the Issuer's medical marijuana products and turnkey indoor production facilities is dependent on a number of social, political and economic factors that are beyond its control. While the Issuer believes that demand for the Issuer's products and facilities will continue to grow, there is no assurance that such demand will exist or that the Issuer's products and facilities will be purchased to satisfy such demand.

The Issuer has no operating history under the new License regime and its business model is still evolving. The Issuer's ability to continue as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations but the Issuer has no proven history of performance, earnings or success. There can be no assurance that the Issuer will achieve profitability or obtain future financing.

During the last few years, worldwide securities markets, particularly those in North America, have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced unprecedented fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of companies.

As a consequence, despite the Issuer's past success in securing equity financing, market forces may render it difficult or impossible for the Issuer to secure investors to purchase new share issues or issue new shares at a price which will not lead to severe dilution to existing shareholders, or at all. Therefore, there can be no assurance that significant fluctuations in the trading price of the Issuer's common shares will not occur, or that such fluctuations will not materially adversely impact on the Issuer's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

In addition, broad fluctuations in the financial markets as well as economic conditions may adversely affect the market price of the Issuer's common shares, which may affect its shareholders' ability to sell the Issuer's common shares.

Investment properties are generally subject to numerous factors and risks, including changes in general economic conditions, local economic conditions, the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

The property in the State of Washington is subject to a lease with the Issuer as lessee. There is a risk that the lease may be terminated by D&B or that the Issuer does not exercise its option to purchase the Property.

Investment properties are capital intensive. The Issuer will require access to capital to maintain the property, as well as to fund the Issuer's growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms. Failure to access required capital could adversely impact the Issuer's future operating results.

A high level of indebtedness increases the risk that the Issuer may default on the Issuer's debt obligations. The Issuer's ability to make scheduled payments of the principal of, or interest on,

and to otherwise satisfy the Issuer's debt obligations depends on additional financing and future performance, which is subject to the financial performance of the property, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond the Issuer's control.

## 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: July 22, 2016.

Ivan Miliovski  
Name of Director or Senior Officer

"Ivan Miliovski"  
Signature  
Interim CEO, COO and Director  
Official Capacity

<b>Issuer Details</b> Name of Issuer <b>VODIS PHARMACEUTICALS INC.</b>	For Month End <b>June 30, 2016</b>	Date of Report YY/MM/D <b>16/07/20</b>
Issuer Address <b>8788 River Road</b>		
City/Province/Postal Code <b>Delta, BC V4G 1B4</b>	Issuer Fax No. <b>604 648-9568</b>	Issuer Telephone No. <b>1-866-210-1420</b>
Contact Name <b>Ivan Miliovski</b>	Contact Position <b>Interim CEO &amp; COO</b>	Contact Telephone No. <b>1-866-210-1420</b>
Contact Email Address <b>Ivan.miliovski@vodis.ca</b>	Web Site Address <b>http://vodis.ca/</b>	