

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: Harvest Health & Recreation Inc. (the "Issuer").

Trading Symbol: HARV

Number of Outstanding Listed Securities: 210,980,503 subordinate voting shares

Date: November 5, 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.

During the month the Issuer remained committed to executing on its business plan and remains focused on returning to profitability in its operations. The Issuer

continues to operate in its existing markets with minimal disruption from the Covid-19 pandemic and remains vigilant with its safety precautions by continuously reviewing, revising, and implementing appropriate protections and procedures related to its operations during the pandemic on a case by case basis.

During the month, Issuer opened its seven and eighth Harvest-affiliated medical dispensary in Pennsylvania located at 3401 Hartzdale Dr., Camp Hill, Pennsylvania and 826 W. Dekalb Pike, King of Prussia, Pennsylvania, respectively.

On October 28, 2020, the Issuer completed a bought deal offering in Canada, pursuant to which it sold an aggregate of 20,354,080 units (the "2020 Units") at a price of C\$2.26 per 2020 Unit (the "Issue Price") for aggregate gross proceeds to the Issuer of C\$46,000,221 (the "Offering"). The Offering included the underwriter's exercise of an Over-Allotment Option to purchase 2,654,880 2020 Units for market stabilization purposes and to cover over-allotments. Each 2020 Unit consists of one Subordinate Voting Share (each, a "Unit Share") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "2020 Warrant"). Each 2020 Warrant is exercisable into one Subordinate Voting Share at an exercise price of C\$3.05 per share for a period of 30 months from the closing date (the "Warrant Shares" or together with the Unit Shares, "Shares"). If the daily volume weighted average trading price of the Subordinate Voting Shares as quoted on the Canadian Securities Exchange (the "CSE") for any 10 consecutive days equals or exceeds C\$4.97, the Issuer may, upon providing written notice to the holders of the 2020 Warrants, accelerate the expiry date of the 2020 Warrants to the date that is 30 days following the date of such written notice.

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

The Issuer continues to execute on its core goals which include:

- Scaling Issuer's operating team and general operations to return to profitability.
- Expanding Issuer's retail and wholesale footprint across its target key markets in the US.
- Building, acquiring and expanding brands and distributing them across its footprint and key markets in the U.S.
- Continued efforts to seek regulatory approval for planned acquisitions.
- Rationalization of resources following completion of acquisition(s).

Continuing to operate in a disciplined way, evaluating all opportunities on ROIC.

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.

On October 2, 2020, the Issuer terminated its purchase agreement with Hightimes Holding Corp., a Delaware corporation ("Hightimes"), with respect to the sale by the Issuer to Hightimes of Harvest of Merced, LLC and Harvest of Riverside, LLC.

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.

On October 30, 2020, the Issuer settled the civil action it filed against Devine Hunter, Inc. and certain of its affiliates ("Devine") whereby the Issuer acquired from Devine three vertical medical cannabis licenses in Arizona and a right of first refusal to acquire four additional vertical medical cannabis licenses in Arizona for consideration which includes the repayment by Devine of an outstanding \$10.45 million receivable owed to the Issuer concurrently with the license acquisition.

On October 30, 2020, the Issuer by and through an indirect wholly owned subsidiary acquired substantially all of the assets of THChocolate, LLC, a Colorado limited liability company, including its Colorado cannabis and cannabis product manufacturing licenses.

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.

Hirings: 89 employees; 84 hourly, non-exempt and 5 salary, exempt.

Terminations: 44 terminations

Lay-offs: 0 permanent layoffs

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.

During the month Issuer made regularly scheduled debt repayments of \$299,111.88

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

<b>Security</b>	<b>Number Issued/Granted</b>	<b>Details of Issuance</b>	<b>Use of Proceeds<sup>(1)</sup></b>
<p>Units ("Units"), with each Unit consisting of one subordinate voting share of Issuer and one-half of one share purchase warrant ("Warrant"). Each Warrant is exercisable into one Subordinate Voting Share at an exercise price of C\$3.05 per share for a period of 30 months from the closing date. If the daily volume weighted average trading price of the Issuer's Subordinate Voting Shares as quoted on the Canadian Securities Exchange (the "CSE") for any 10 consecutive days equals or exceeds C\$4.97, the Issuer may, upon providing written notice to the holders of the Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice.</p>	<p>20,354,080 Units</p>	<p>On October 28, 2020, the Issuer completed a bought deal offering in Canada, pursuant to which it sold the Units at a price of C\$2.26 Unit.</p>	<p>C\$46,000,221 for Issuer's working capital and general corporate purposes.</p>
<p>Restricted Stock Units</p>	<p>173,450</p>	<p>100% of the granted RSUs shall vest on December 31, 2020</p>	<p>RSUs issued in relation to compensation award to certain board</p>

			members of Issuer's Board of Directors.
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*(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.

COVID-19 Update

As of the end of October, all Harvest states have been able to enhance the patient & customer experience by fully opening the retail floor to our patients and customers, as state and local officials continue to assess public safety orders.

Numerous states have extended their temporary emergency orders for essential businesses, such as cannabis operators, to continue allowing curbside service, telehealth, and other measures aimed at protecting patients, customers and employees during this pandemic.

Harvest continues to work with the Federal government to advocate for inclusion of cannabis businesses in Federal relief packages in response to the COVID-19 crisis.

Federal Update

The Marijuana Opportunity Reinvestment and Expungement (MORE) Act vote in the U.S. House of Representatives has been postponed until after the November election. The industry is still hopeful that a vote will take place prior to the end of the year, setting the tone for cannabis reform at the federal level.

The U.S. House has again included the Secure and Fair Enforcement (SAFE) Banking Act in its latest COVID-19 relief package. The Act, which was passed as a standalone bill in the fall of 2019, will substantially increase state-legal cannabis businesses access to banking and financial services, once passed by both the House and Senate.

Changes/Updates to State Laws

**Arizona**

Legalization supporters have outraised opponents 11-to-1 in 2020, a stark contrast to 2016, when the groups raised about \$6 million each, a trend seen across the country where cannabis legalization is on the ballot. As of the end of October, The Smart and Safe Arizona Campaign had raised more than \$5 million, while the opposition had raised only \$459,000. Arizona voters have already cast a record 2.3 million as of October 30<sup>th</sup>.

## **California**

California Governor Newsom signed AB 1525 into law in October, revising banking and advertising laws in favor of the legal cannabis industry. Most notably, AB 1525 removes state penalties against banks that work with cannabis clients.

## **Colorado**

Colorado Governor Polis signed an executive order in October, officially pardoning 2,732 marijuana-related convictions in the state. Those eligible stand to benefit from the first sweeping forgiveness of marijuana convictions at the state level since Coloradans voted to legalize recreational cannabis in 2012. Pardons are available for those with possession charges of 1 ounce or less, previously heard in state court.

**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: November 5, 2020

Nicole Stanton  
Name of Director or Senior Officer

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Signature

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Secretary  
Official Capacity

<b>Issuer Details</b>		For Month End	Date of Report
Name of Issuer		October	11/5/2020
Harvest Health & Recreation Inc.			
Issuer Address			
1155 W. Rio Salado Parkway, Suite 201			
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.	
Tempe, Arizona 85281	( )	(480) 494-2261	
Contact Name	Contact Position	Contact Telephone No.	
Nicole Stanton	Secretary	(480) 493-2571	
Contact Email Address	Web Site Address		
Nstanton@harvestinc.com	Harvesthoc.com		