

FORM 7

MONTHLY PROGRESS REPORT

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

Trading Symbol: HARV

Number of Outstanding Listed Securities: 217,436,628 subordinate voting shares

Date: December 4, 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.

On November 3, 2020 the state of Arizona passed Arizona Prop 207 Adult Use Cannabis Initiative. The adult use initiative legalizes the sale, possession and consumption of one ounce of cannabis for adults at least 21 years old. The Arizona Department of Health Services oversees the testing, inspection, and sale of cannabis products. Existing medical market operators in good standing can submit applications for adult use sales as soon as January 19, 2021 with department review required within 60 days of submittal. It is expected that the total Arizona cannabis market will reach \$2 billion at maturity. Issuer currently operates 15 medical dispensaries supported by cultivation facilities in Camp Verde, El Mirage, Phoenix, and Willcox and processing facilities in Flagstaff and Phoenix. Issuer expects to apply for regulatory approvals to serve the recreational market as soon as permissible.

On November 13, 2020, the Issuer, by and through one or more of Issuer's subsidiaries, and together with other unrelated owners of Natural State Wellness Dispensary, LLC and Natural State Wellness Enterprises, LLC (collectively, "Natural State Wellness Entities"), which owned and operated a medical dispensary and cultivation facility, sold 100% of their ownership interests in these entities to unrelated third parties. The purchase price paid by the buyer was \$25 million in cash. Following repayment of approximately \$1.9 Million in loans owed by the Issuer, the portion of net proceeds received by the Issuer for its ownership interests in the Natural State Wellness Entities totaled approximately \$12.9 million. The Issuer retained ownership of the real estate where the dispensary and cultivation facilities are located and leased this property to the Natural State Wellness Entities.

On November 20, 2020 Issuer announced the settlement of its previously disclosed ongoing litigation with a small group of previous owners of Interurban Capital Group ("ICG"). Issuer previously completed a merger with Interurban Capital Group, LLC for approximately US\$85.8 million payable by issuance of 309,452 of Issuer's Multiple Voting Shares, assumption of approximately \$19.1 million of debt convertible into 205,594 Multiple Voting Shares and payment of an additional \$9.3 million upon exercise of a call option agreement to acquire controlling interests in five Washington cannabis dispensaries (Boyden Investment Group, LLC; Tierra Real Estate Group, LLC; Have A Heart Compassion Care, Inc.; Phat Sacks Corp.; and Green Outfitters, LLC (collectively, the "Washington Entities")) or alternatively \$12.4 million to acquire substantially all of the assets of these dispensaries. On April 3, 2020, Issuer commenced litigation proceedings against the Washington Entities and a small group of the previous owners of ICG to enforce terms of service agreements and the call option agreements. Settlement talks resulted in a mutually agreeable resolution for all parties. In accordance with the terms of a binding settlement agreement, Issuer will cancel a total of 42,378.4 Multiple Voting Shares issued to the small group of previous owners of ICG

(equivalent to 4,237,840 Subordinate Voting Shares on an as-converted basis). Issuer will also receive a \$12 million secured promissory note with 7.5% interest and five-year maturity. The settlement includes cancellation of the service agreements and call option agreements applicable to the Washington Entities for the Washington retail locations. The settlement agreement is subject to the parties entering into definitive agreements as set forth in the settlement agreement and applicable state regulatory approval.

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.

As previously referenced under section 1, Issuer settled its previously disclosed ongoing litigation with a small group of previous owners of Interurban Capital Group ("ICG"). Issuer previously completed a merger with Interurban Capital Group, LLC for approximately US\$85.8 million payable by issuance of 309,452 of Issuer's Multiple Voting Shares, assumption of approximately \$19.1 million of debt convertible into 205,594 Multiple Voting Shares and payment of an additional \$9.3 million upon exercise of a call option agreement to acquire controlling interests in five Washington cannabis dispensaries (Boyden Investment Group, LLC; Tierra Real Estate Group, LLC; Have A Heart Compassion Care, Inc.; Phat Sacks Corp.; and Green Outfitters, LLC (collectively, the "Washington Entities")) or alternatively \$12.4 million to acquire substantially all of the assets of these dispensaries. On April 3, 2020, Issuer commenced litigation proceedings against the Washington Entities and a small group of the previous owners of ICG to enforce terms of service agreements and the call option agreements. Settlement talks resulted in a mutually agreeable resolution for all parties. In accordance with the terms of a binding settlement agreement, Issuer will cancel a total of 42,378.4 Multiple Voting Shares issued to the small group of previous owners of ICG (equivalent to 4,237,840 Subordinate Voting Shares on an as-converted basis). Issuer will also receive a \$12 million secured promissory note with 7.5% interest and five-year maturity. The settlement includes cancellation of the service agreements and call option agreements applicable to the Washington Entities for the Washington retail locations. The settlement agreement is subject to the parties entering into definitive agreements as set forth in the settlement agreement and applicable state regulatory approval.

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.

See description of the Washington settlement agreement in section 6 above.

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by the Issuer, the portion of net proceeds received by the Issuer for its ownership interests in the Natural State Wellness Entities totaled approximately \$12.9 million. The Issuer retained ownership of the real estate where the dispensary and cultivation facilities are located and leased this property to the Natural State Wellness Entities.

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: 90 employees; 82 hourly, non-exempt and 8 salary, exempt.

Terminations: 82 terminations.

Lay-offs: 2 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.

As previously referenced under sections 1 and 6, Issuer settled its previously disclosed ongoing litigation with a small group of previous owners of Interurban Capital Group ("ICG"). Issuer previously completed a merger with Interurban Capital Group, LLC for approximately US\$85.8 million payable by issuance of 309,452 of Issuer's Multiple Voting Shares, assumption of approximately \$19.1 million of debt convertible into 205,594 Multiple Voting Shares and payment of an additional \$9.3 million upon exercise of a call option agreement to acquire controlling interests in five Washington cannabis dispensaries (Boyden Investment Group, LLC; Tierra Real Estate Group, LLC; Have A Heart Compassion Care, Inc.; Phat Sacks Corp.; and Green Outfitters, LLC (collectively, the "Washington Entities")) or alternatively \$12.4 million to acquire substantially all of the assets of

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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 \$285,778.55

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

Security	Number Issued/Granted	Details of Issuance	Use of Proceeds ⁽¹⁾
Stock options to purchase Subordinated Voting Shares	106,000 stock options	Granted to various employees of Issuer on 11/17/2020, vesting in 25% increments over a 4-year period at an exercise price of CAD \$2.44.	Not applicable.

(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.
There were no changes in directors, officers or committee members effective during the month of November.
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 November, all Issuer's operations in various states have been able to enhance the patient & customer experience by maintaining full retail operations as state and local officials continue to assess public safety orders. Despite increased business limitations in many states, Issuer's dispensaries continue to hold their essential service provider status.

Issuer 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.

Cannabis Measures 2020- Election Recap

Five states legalized cannabis, in some form, on November 3rd. This gives the industry solid momentum that will potentially help drive more bipartisan conversations at the Federal level.

Arizona – Proposition 207 passed with an impressive 60% of Arizona voters supporting the initiative, which legalizes adult-use cannabis for people 21 years of age or older. The Department of Health Services, the current regulatory agency that oversees Arizona's medical program, will oversee the recreational program. Recreational sales are anticipated to begin in late March or early April 2021.

Montana – Two initiatives were on the November 3rd: Ballot Initiative 190, "Legalize Marijuana with sales starting in January 2022" and Constitutional Initiative 118, "Set legal age for marijuana at 21."

- Initiative 190, which earned 57% voter approval, legalizes the possession and use of 1 ounce or less of marijuana or 8 grams or less of marijuana concentrate by persons over the age of 21 in Montana. A lawsuit has been filed challenging the constitutionality of Initiative 190, asking the court to void it in its entirety.

- Constitutional Initiative 118, earning 58% voter approval, limits marijuana use to those age 21 or older.

Mississippi – Two Medical Marijuana initiatives appeared on the Mississippi ballot: One citizen-initiated constitutional amendment, and a second, more restrictive, competing measure placed on the ballot by the legislature.

- Initiative 65, the medical marijuana citizen initiative, passed with 74.1% of the vote. This will allow physicians to recommend medical marijuana for patients with any of 22 qualifying conditions such as cancer, multiple sclerosis and post-traumatic stress disorder. The constitutional amendment will establish a regulatory program for businesses to grow and sell medical marijuana and for the products to be taxed at a 7% rate.

New Jersey – Adult Use: Public Question No. 1. This amendment, which passed with 67% voter approval, legalizes adult-use cannabis for people at least 21 years of age. The Cannabis Regulatory Commission will oversee the new adult cannabis market. Recreational sales are anticipated to begin towards the end of 2021.

South Dakota was the first state to pass both medical and recreational marijuana at the same time via ballot initiative.

- Amendment A, passing with 54.2% voter approval, allows for the legalization of recreational marijuana. A recently filed lawsuit, backed by Governor Noem, challenges the constitutionality of this amendment.

- Measure 26, passing with 69.9% voter approval, enables the state to establish a medical marijuana program allowing people with “debilitating medical conditions” to possess 3 oz. of marijuana.

Federal Update

During the first week of December, The U.S. House of Representatives is expected vote on the MORE Act to decriminalize cannabis and expunge convictions for non-violent cannabis offenses, which have prevented many Americans from getting jobs, applying for credit and loans, and accessing opportunities that make it possible to get ahead in our economy.

Changes/Updates to State Laws

Arizona

On November 30, 2020, Prop 207, the citizens’-initiated ballot measure legalizing the recreational cannabis market in Arizona, took effect following the certification of the 2020 election results by the Arizona Secretary of State.

Former astronaut Mark Kelly (D) claimed victory over Senator Martha McSally (R), who was appointed by Governor Ducey to fill the seat formerly held by John McCain. Kelly has voiced support for legalizing marijuana in his home state, leading the industry to believe he will provide another supportive voice to cannabis legalization measures at the federal level.

California

In mid-November, Fresno County Superior Court Judge Rosemary McGuire dismissed the counties’ lawsuit, 18 months after it was filed, agreeing with attorneys for the Bureau of Cannabis Control who argued that cities and counties have no standing to dispute state regulations that apply only to state-licensed businesses. The judge also stated, however, that local jurisdictions are free to impose regulations that are more restrictive on cannabis activity than state law. Accordingly, while deliveries can continue to be made under the 2019 regulation

in counties that have banned cannabis-related activity, counties are free to enforce their own restrictions against companies who make such deliveries within their jurisdictions. They will simply need to do so without the aid of state-level law enforcement.

Bureau of Cannabis Control Chief Lori Ajax announced her retirement after nearly 27 years of state service. To ensure continuity, Assistant Chief Counsel Tamara Colson has been appointed to serve as Acting Bureau Chief beginning December 3, 2020. Colson has served as Assistant Chief Counsel for the Bureau of Cannabis Control since May of 2016.

Colorado

Former Governor John Hickenlooper (D) succeeded in his pursuit of Cory Gardner's Senate seat, earning 54% of the vote. Hickenlooper oversaw the rollout of recreational cannabis in Colorado in 2014 and is expected to be a supporter of federal cannabis reform in the Senate.

Florida

In the 1st Congressional District in Florida, the swing state that the Associated Press called in favor of Donald Trump, pro-cannabis Representative Matt Gaetz (R) won reelection. Gaetz has long been supportive of cannabis reform during his time in congress and his support demonstrates positive movement towards achieving more balanced, bipartisan support of cannabis at the federal level.

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: December 4, 2020

Nicole Stanton
Name of Director or Senior
Officer

/s/ Nicole Stanton
Signature

Secretary
Official Capacity

<i>Issuer Details</i> Name of Issuer Harvest Health & Recreation Inc.	For Month End November	Date of Report 12/04/2020
Issuer Address 1155 W. Rio Salado Parkway, Suite 201		
City/Province/Postal Code Tempe, Arizona 85281	Issuer Fax No. ()	Issuer Telephone No. (480) 494-2261
Contact Name Nicole Stanton	Contact Position Secretary	Contact Telephone No. (480) 493-2571
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