

FORM 7

MONTHLY PROGRESS REPORT

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

Trading Symbol: HARV

Number of Outstanding Listed Securities: 110,345,387 subordinate voting shares

Date: May 6, 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 continued to execute on its business plan and remains focused on returning to profitability in its operations. The Issuer announced on April 28th that it will be divesting 13 California dispensaries to Hightimes Holding Corp.

The announced transaction includes Issuer receiving \$5 million in cash, a \$7.5 million promissory note, and \$67.5 million worth of preferred stock.

On April 7th the issuer held its fourth quarter earnings call in which it announced, amongst other financial results, that total revenue in the fourth quarter was \$37.8 million, an increase of 123% from \$16.9 million in the fourth quarter of 2018 and up 14%, compared to \$33.2 million in the third quarter of 2019. Full year revenue increased 149% to \$116.8 million in 2019 compared to \$47.0 million in 2018. Issuer also announced that gross profit excluding biological adjustments in the fourth quarter was \$16.0 million, compared to \$11.6 million in the third quarter of 2019, and gross profit excluding biological adjustments for the full year was \$42.2 million compared to \$24.6 million in 2018.

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

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

- Scaling Issuer's operating team.
- Expanding Issuer's retail and wholesale footprint across the US.
- Building, acquiring and expanding brands and distributing them across its footprint.
- 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.

Issuer continues working in collaboration with various local governmental bodies and regulators to address the impact of the COVID-19 pandemic on Issuer's operations in its existing markets.

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.

See Paragraph 13 below regarding Issuer's repayment of a promissory note owing under a previously announced acquisition by Issuer.

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.

The Issuer announced on April 28th that it will be divesting 13 California dispensaries to Hightimes Holding Corp. The announced transaction includes Issuer receiving \$5 million in cash, a \$7.5 million promissory note, and \$67.5 million worth of preferred stock. The transaction is expected to close by June 30, 2020 subject to various closing conditions and contingencies including regulatory approvals and availability of capital consideration. Issuer will retain select retail dispensaries and licenses for potential retail locations in California following completion of this transaction. Assets may be excluded from the transaction if required approvals are not obtained resulting in an adjustment to the total consideration.

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: 21 hires: 13 hourly, non-exempt; 8 salary, exempt

Terminations: 38

Layoffs: 26 permanent layoffs due to role eliminations, store closings and reorganization.

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.

Washington Entities Litigation

Arbitration Proceedings

On April 3, 2020, the Issuer filed a Notice of Intention to Arbitrate before the Judicial Dispute Resolution, LLC in Seattle, Washington against Boyden Investment Group, LLC; Tierra Real Estate Group, LLC; Have A Heart Compassion Care, Inc.; Phat Sacks Corp.; Green Outfitters, LLC (collectively, the "Washington Entities") and Ryan Kunkel ("Kunkel", together with the Washington Entities, the "Respondents") to compel mandatory arbitration for breach of contract, engaging in unfair or deceptive acts or practices in the conduct of the Respondents trade or commerce and affects the public interest, tortious interference with contractual relationships, and awards of damages, treble damages, and fees and costs (the "Arbitration"). Ryan Kunkel ("Kunkel") is a former officer, director and shareholder of Interurban Capital Group, Inc. a Delaware corporation and wholly owned subsidiary of Issuer ("ICG") and manager and an equity holder in the Washington Entities. The Arbitration relates to Amended and Restated Services Agreements entered into between ICG and the Washington Entities pursuant to which they agreed to pay ICG fees for services it provides to them (the "Service Agreements").

Temporary Restraining Order Action

On April 2, 2020, the Respondents filed a motion for temporary restraining order in the Superior Court for the State of Washington, in and for the County of King (Case No. 20-2-07480-2 SEA), seeking access to certain records and accounts related to the operation of the Washington Entities' business (the "TRO Action").

On April 7, 2020, the court denied the motion in the TRO Action and found, among other things, that the Respondents failed to show (i) they were likely to prevail on their claim that ICG breached the Service Agreements, (ii) a clear legal or equitable right to the relief sought, (iii) an invasion of their rights, and (iv) they would suffer an actual and substantial injury (the “TRO Order”). On April 8, 2020, the Respondents filed a motion for dismissal of the TRO Action which was granted on April 13, 2020.

On April 8, 2020, ICG filed a Motion for Prejudgment Writ of Attachment against the Respondents. This motion was later dismissed as a result of the Respondents’ voluntary dismissal of the TRO Action and the filing of similar claims in the Provisional Remedies Action discussed below. The dismissal of this claim in the TRO Action did not preclude ICG from continuing to seek prejudgment relief in any other pending or future case.

On April 15, 2020, ICG filed a motion for attorneys’ fee against the Respondents on the basis that ICG was the prevailing party stemming from the Respondents voluntarily dismissal of the TRO Action after the court twice denied their motion for temporary restraining order.

Provisional Remedies Action

On April 9, 2020, in separate lawsuits filed in the Superior Court for the State of Washington, in and for the County of King (Consolidated Case No. 20-2-07665-1 SEA), ICG filed petitions for provisional remedies in aid of arbitration against each of the Washington Entities seeking provisional remedies in aid of the Arbitration, including prejudgment writs of attachment as a result of the Respondents’ conduct related to the termination of the Service Agreements (the “Provisional Remedies Action”). On April 9, 2020, as part of the Provisional Remedies Action, ICG filed petitions for appointment of a custodial receiver against each of the Washington Entities seeking appointment of a receiver to take control of their assets as a result of conduct related to the termination of the Service Agreements (the “Receiver Action”).

The Arbitration and the Provisional Remedies Action are in the pleading stage of litigation, no discovery has commenced and no substantive rulings have been made other than the orders discussed above.

The Issuer intends to vigorously prosecute its claims in the Arbitration and the Provisional Remedies Action.

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

On or about April 9, 2020, the Issuer’s wholly owned indirect subsidiary prepaid in full a promissory note owing under a previously announced acquisition by Issuer. The amount of this payment was \$2,102,000.51 and resulted in the release of collateral secured by the note, including deeds of trust on real property and

pledges of equity interest in acquired subsidiaries related to Issuer's previously announced acquisition.

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

Security	Number Issued/Granted	Details of Issuance	Use of Proceeds ⁽¹⁾
Warrants of Multiple Voting Shares granted in connection with the acquisition of real property located in Pennsylvania	55,350 warrants, of which 41,000 expire one year from date of issuance and 14,350 expire three years from date of issuance	Issued April 23, 2020 with an exercise price of CDN\$131.60 per warrant	Issuer acquired real property located in Pennsylvania pursuant to a real estate and asset purchase agreement between the Issuer, an affiliate of the Issuer and Cumberland Property Leasing, LLC, a Pennsylvania limited liability company, for a non-material amount of cash and 55,350 warrants
Non-Qualified Stock Options	100,000 NQSOs	Issued April 9, 2020 with an Exercise Price of CAD \$7.96 pursuant to contractual obligations under a consulting services agreement between Issuer and Hybrid Financial LTD.	N/A
Restricted Stock Units	98,765 Restricted Stock Units (RSUs). Each vested RSU is redeemable for one subordinate	Issued April 6, 2020 in relation to an employee's compensation package in which beginning on 5/6/2020 8,230 RSUs shall vest	N/A

	voting share of Issuer	each month on the sixth day of such month until 4/6/2021 when all such remaining unvested RSUs shall vest.	
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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 Regulation Changes

In light of the COVID-19 crisis, many lawmakers have made rapid changes to operations affecting cannabis sales. As of the end of April, the following Harvest states have deemed cannabis to be essential with strict precautions in place to protect both employees and customers: California, Colorado, Maryland, Ohio, Pennsylvania, Washington. Additionally, the following Harvest states have implied that cannabis sales continue to be allowable as ‘essential services’ based on regulatory agency guidance and/or failure to expressly exclude cannabis from non-essential business: Arizona, Arkansas, Florida, Iowa, North Dakota.

Harvest and cannabis industry groups are working with the Federal government to advocate for inclusion of cannabis businesses in Federal relief packages in response to the COVID-19 crisis.

Legislation in all Harvest states has been temporarily suspended due to the outbreak of COVID-19. Additional state legislative activity will be updated in the coming months as legislators resume normal business.

Changes/Updates to State Laws

Arizona

Arizona adult use legalization campaigns are on track, despite the COVID-19 outbreak. The “Smart and Safe Arizona” initiative has collected nearly 320,000 signatures. 237,645 are required in order to be added to the November 2020 ballot. Two campaigns not affiliated with the Smart and Safe Arizona initiative are working through the courts asking a federal judge to allow for electronic signature collection amid COVID-19, which is currently prohibited for ballot initiatives. A decision is anticipated in early May.

California

The California Bureau of Cannabis Control and The Governor’s Office of Business and Economic Development announced a \$30 million grant fund for cannabis entrepreneurs from communities disproportionately impacted by the drug war. The program will empower businesses through offering benefits such as technical assistance, assistance in recruiting, training, retaining a diverse, qualified workforce, and business resilience such as emergency preparedness.

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: May 6, 2020

Nicole Stanton

Name of Director or Senior
Officer



Signature

Secretary
Official Capacity

Issuer Details	For Month End	Date of Report
Name of Issuer	April	05/06/2020
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	Harvestinc.com	