

FORM 7

MONTHLY PROGRESS REPORT

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

Trading Symbol: HARV

Number of Outstanding Listed Securities: 106,451,227 subordinate voting shares as of December 31, 2019.

Date: January 23, 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. On December 10, 2019 Issuer Harvest recently announced the availability of a series of advanced, high-quality vaporizers at Issuer's stores and select retailers in Arizona, Colorado and Maryland. The product line, from its award-winning brand Evolab includes Chroma™, Alchemy™ and Delta 8, all of which utilize a distillation process resulting in an extract that is 100% cannabis-derived, free from cutting agents using instrument grade CO2 — considered a clean extraction method.

On December 19, 2019 Issuer signed a state-approved management services agreement with Maryland dispensary AmediCanna Dispensary, LLC ("AmediCanna"), located in Halethorpe, Maryland. The agreement provides the Issuer with the right to operate the retail location and the option to acquire the license in the future upon state approval. This agreement advances Issuer's goal to efficiently scale while also bringing trusted cannabis experiences to customers nationwide. The agreement has been approved by the Maryland Medical Cannabis Commission ("MMCC").

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

- 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.

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.

On December 31, 2019, a wholly owned indirect subsidiary of the Issuer entered into a definitive agreement to acquire GreenMart of Nevada, LLC ("GreenMart"), a wholly owned, indirect subsidiary of MJardin Group, Inc. to acquire 100% of the membership interests of GreenMart. GreenMart owns a State of Nevada Medical Marijuana Cultivation Establishment Certificate and a State of Nevada Marijuana Cultivation Facility License and a lease for a 32,000 sq. ft. production and cultivation facility located in Cheyenne, Nevada, a Las Vegas suburb.

In addition, upon Nevada regulatory approval, the Issuer, through a subsidiary, will enter into a management services agreement (an "MSA") with GreenMart whereby Issuer will manage all aspects of GreenMart's business including the ramp up of cannabis cultivation and production. Pursuant to the proposed MSA, Issuer will be entitled to all revenues of GreenMart's operations and will fund operational expense during the period of time it manages the facility. The MSA terminates upon the closing of the purchase of GreenMart.

The purchase price for the transaction is \$35 million and is being financed by an existing lender of Issuer. The amount of \$30 million was funded on December 31, 2019 and the balance of \$5 million is due upon the closing of the acquisition. The completion of the acquisition is subject to, among other things, the receipt of regulatory approvals and the satisfaction or waiver of closing conditions customary for a transaction of this nature.

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 December 20, 2019, the Issuer's existing secured lenders rolled over the indebtedness outstanding under their existing credit facility for new senior secured notes issued pursuant to a private placement offering described in more detail in Item 13 below.

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.

56 new hires; 47 hourly, 9 salary
22 terminations

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.

No material proceedings.

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

On December 20, 2019, the Issuer closed the first tranche of an offering on a private placement basis of senior secured notes and units. The first tranche closing resulted in the private placement of, (a) approximately US\$73 million 15% senior secured notes due 2022 (the "Coupon Notes"), and (b) approximately 21,000 units (the "Units"), with each Unit being comprised of (i) US\$1,000 aggregate principal amount of 9.25% senior secured notes due 2022 and (ii) 109

subordinate voting share purchase warrants. The closing of the first tranche included (a) a full rollover by Harvest's existing secured lenders in the amount of approximately US\$84 million, US\$63 million of which was used to purchase Coupon Notes, and US\$21 million was used to purchase Units, and (b) US\$10 million from a new investor purchasing Coupon Notes.

On December 31, 2019, the Issuer (a) closed a second tranche of 15% senior secured notes due 2022 in the amount of US\$20 million from one of the rollover lenders, and (b) issued a 9% secured convertible promissory note to the rollover lender, and the proceeds of each were used to fund an acquisition. The convertible note matures on December 31, 2022 and is convertible prior to maturity at a per share conversion price equal to CAD\$3.6692

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

Security	Number Issued/Granted	Details of Issuance	Use of Proceeds ⁽¹⁾
Multiple Voting Stock	A non-material undisclosed amount of stock.	An affiliate of the Issuer closed a transaction pursuant to a definitive agreement whereby such affiliate has acquired all the leasehold interest held by a Maryland limited liability company in certain real property in the state of Maryland.	N/A
Multiple Voting Stock	A non-material undisclosed amount of stock.	Issuer settled an ongoing dispute concerning Issuer's initial going public transaction on 11/14/2018, in which Issuer issued certain business interests during the rollup transaction.	N/A
Warrants	2,300,772	The Warrants were issued as part of a unit (a "Unit"), each Unit comprised of US\$1,000	The Issuer intends to apply the net proceeds of the offering on the redemption of certain

		9.25% senior secured notes due 2022 and 109 warrants (the "Warrants"). Each full Warrant entitles the holder thereof to acquire one Subordinate Voting Share at an exercise price of \$3.66. The Unit offering is part of a larger offering of senior secured notes, with investors choosing the Unit or 15% senior secured notes.	existing debt, M&A activity, planned capital expenditures, working capital, and on the fees and expenses associated with the offering.
Convertible Promissory Note	USD \$10,000,000	Maturity date 12/31/2021 @ 9% per annum with conversion price equal to USD \$3.6692	Funding of Issuer's merger and acquisition activities
Employee Stock Option Grant	150,000 options	Grant date 12/19/2019 vesting in equal shares over 4-year term. Expiration 12/19/2019.	N/A

(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.

Issuer added two additions to the senior leadership team. Scott Atkison, a seasoned business and cannabis operator, joins Issuer as Co-Executive Chairman in a non-board capacity. Daniel Reiner, a seasoned business leader and serial investor joins Issuer as a special advisor to Issuer's board.

Kevin George, Chief Marketing Officer, is no longer employed with Issuer.

John Cochran, Chief Operating Officer, is no longer employed with Issuer.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

Changes/Updates to Federal Laws

The U.S. Food and Drug Administration (FDA) published a revised Consumer Update titled "What You Need to Know (And What We're Working to Find Out) About Products Containing Cannabis or Cannabis-derived Compounds, Including CBD," clarifying the legality of marketing CBD products. The FDA highlights that CBD that is marketed as a dietary supplement, added to food or labeled as any sort of cure or treatment for an ailment is illegal. The FDA reached out to 15 companies in late November for illegally selling CBD products that violated the Federal Food, Drug and Cosmetic Act. Many of these companies now have disclosures on the bottom of their web pages that explain the products "were not evaluated by the FDA and are not intended to diagnose, treat, cure or prevent any disease."

Changes/Updates to State Laws

California

Early in December, an independent California state agency (the State Legislative Analysts' Office) issued a report about the state's cannabis tax system, recommending an overhaul to simplify and possibly reduce the state cannabis tax rates. Recommendations include: eliminating the state's weight-based cultivation tax; replacing the current excise tax with one based on tiered percentages of product sale prices or based on product potency; simplifying the tax collection process so that all taxes are collected by retailers at the point of sale.

The Bureau of Cannabis Control (BCC) launched a campaign encouraging all licensed dispensaries to display a QR code at the front of the retail location. Customers and patients can scan the code to verify, with the BCC licensing system, that the storefront is a licensed retailer. All four Harvest dispensaries quickly implemented the QR code display on December 20, 2019.

Georgia

The newly-formed Georgia Access to Medical Cannabis Commission held its first meeting on December 18th to begin discussions regarding distribution of medical cannabis oil in the state. Patients have been allowed to possess low-THC cannabis oil (containing less than 5% THC) since 2015, however, there was no regulated system for in-state production, processing nor sale of the oil. In April 2019, Governor Kemp signed a bill allowing for the growth and sale of the oil.

The commission consists of three doctors, a police chief, a health policy professor, the president of the Georgia Board of Pharmacy and a small business owner. The chairman of the commission is Dr. Christopher Edwards whom is the principal surgeon for the Atlanta Neurological & Spine Institute. Six companies will ultimately be licensed to cultivate medical cannabis. The commission plans to hire a director, create a website and host monthly public meetings.

Illinois

After a heated debate about pushing adult-use sales to July 2020 to allow for further discussion on creating more social equity opportunities, Chicago City Council voted to move forward with sales beginning January 1, 2020. Governor J.B. Pritzker's office pledged to award two of the five remaining medical cannabis licenses to owners "with strong minority ownership numbers" in two Chicago neighborhoods. It is believed that those medical cannabis businesses may have an easier time transitioning to adult-use licenses in the near future.

Indiana

Indiana lawmakers filed legislation that addresses decriminalization and smokable hemp ahead of the 2020 legislative session. Senator Karen Tallian filed three bills as part of a cannabis reform package. One proposal would legalize smokable hemp, one would create a commission to oversee regulation and licensing of CBD products, and the third bill would decriminalize the possession of less than one ounce of cannabis. Tallian's decriminalization bill is on Senate Democrats' 2020 priority list, but Governor Eric Holcomb is against legalization in Indiana until federal prohibition is lifted. Democratic candidate running for governor, Senator Eddie Melton, plans to co-author Tallian's bill as he also supports legalization.

Kentucky

Kentucky Representative Cluster Howard proposed a cannabis legalization bill with plans to use tax revenue to fund the state's retirement system. The legislation would legalize personal cannabis use for adults 21 and older. Seventy-five percent of the license and wholesale tax fees will go to the Kentucky Employees Retirement System and the other 25% to the Kentucky Teachers Retirement System. The Alcoholic Beverage Control Board would oversee the program and licensing cannabis cultivators, processors, testing facilities and retailers. Additionally, the bill will create provisions that would decriminalize possession of less than one ounce of cannabis and expunge cannabis-related misdemeanors.

Missouri

Four petitions for adult-use legalization have been approved for circulation. The petition must gather signatures from at least 8% of the 2016 voting population from 6 of Missouri's 8 congressional districts, in order to be added to the 2020 ballot.

There are currently no bills filed with the legislature that address adult-use legalization.

New Jersey

New Jersey legislators placed an adult-use legalization question on 2020 ballot. The question will appear to voters as: "Do you approve amending the Constitution to legalize a controlled form of marijuana called 'cannabis'? Only adults at least 21 years of age could use cannabis. The State commission created to oversee the State's medical cannabis program would also oversee the new, personal use cannabis market. Cannabis products would be subject to the State sales tax. If authorized by the Legislature, a municipality may pass a local ordinance to charge a local tax on cannabis products."

Oklahoma

Two groups are competing to bring adult-use cannabis legalization initiatives to the November 2020 ballot. The original petition titled *State Question 806* was pulled after it was criticized by the medical cannabis community. The new petition, *State Question 807*, was signed by Michelle Tilley, an Oklahoma City political consultant, and Ryan Kiesel, a former state representative and the executive director of Oklahoma's American Civil Liberties Union affiliate. The proposal would legalize the possession of up to one ounce of cannabis and allow adults 21 and older to grow up to six mature cannabis plants and six seedlings at home for personal use. There would be a 15% sales tax on adult-use cannabis and would allow incarcerated individuals to have their records reduced or expunged. The competing adult-use cannabis petition, *State Question 808*, was filed by Tulsa's Paul Tay which leaves most taxation and regulation decisions to the state but requires that reparations be paid to individuals incarcerated on cannabis-related charges. The petitions are subject to a 10-day challenge period, and then supporters can start gathering the 178,000 required signatures to qualify for the ballot.

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: January 23, 2020

Nicole Stanton
Name of Director or Senior
Officer


Signature

Secretary
Official Capacity

Issuer Details		For Month End	Date of Report
Name of Issuer		December	01/23/2020
Harvest Health & Recreation, Inc.			
Issuer Address			
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City/Province/Postal Code		Issuer Fax No.	(480) 494-2261
Tempe, Arizona 85281		()	Contact Telephone No.
Contact Name		Contact Position	(480) 493-2571
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