

FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: North Bud Farms Inc. (the "Issuer").

Trading Symbol: NBUD

Number of Outstanding Listed Securities: 63,441,806

Date: February 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.

North Bud is focused on pharmaceutical-grade cannabis production as well as food grade cannabinoid infused inputs for both the international pharmaceutical market and the pending consumer goods and consumables

segment of the recreational cannabis market. The Company, through its wholly-owned subsidiary GrowPros MMP Inc., has applied to Health Canada to become a licensed producer.

Corporate Update

On January 9, 2020, the Company provided the following updates:

Cannabis Production Facility in Salinas, California

In late December we completed our first harvest at our Salinas, California cultivation facility. We harvested 2,687 plants that were included in the acquisition of the Qlora Group (“Qlora”). The Company has also completed an in-depth review and analysis of both the infrastructure and cultivation practices and will be implementing significant efficiencies over the course of the next four harvests. The Company anticipates continual harvests of 2,000-3,000 plants every 25 days, with quality and yield improving with each harvest. This product will be sold via wholesale agreements to existing Qlora clients in the interim as we prepare for the launch of NORTHBUD branded flower products in California in the third quarter of 2020.

Cannabis Production Facility in Reno, Nevada

The Company is pleased to announce the completion of the first harvest of approximately 175 indoor grown plants. Upon the completion of testing and processing, the product will be distributed as NORTHBUD flower, pre-rolls and infused pre-rolls into selected Nevada dispensaries. The launching of NORTHBUD branded products into Nevada marks a significant milestone for the Company.

Status of Cultivation Licence Application for Cannabis Production Facility in Low, Quebec

On September 18, 2019, the Company received a confirmation of receipt of the site evidence package submitted in late August 2019. On November 22, 2019, the Company received a request for information from Health Canada (the “Request”). The Request was received within the 60-business day service window for feedback provided by the regulator. The Company is pleased to report that the Request was responded to in full in advance of the December 8th deadline. The Request did not contain any notices of deficiencies in the Company’s cultivation licence application nor did it require the Company to make any modifications or changes to its facility. On December 19, 2019 the Company received a subsequent follow-up request for information consisting of two questions which were responded to that same day, and on December 20th, the Company received a request to clarify the roles of recently-hired employees in relation to

the requested cultivation licence. This request was responded to in full on January 3, 2020. The Company has received no further communication from Health Canada. The Company is confident that the approval process is on track and within comparable timelines experienced by other publicly-traded companies who have recently submitted evidence packages. At this time, the Company cannot predict when it will be granted a cultivation licence by Health Canada. The Company will update shareholders on any further progress on the application.

Staffing and Personnel

On January 9, 2020, the Company announced the hiring of Adam Shapero as General Counsel. Adam comes to NORTHBUD after serving as Director of Risk Management, Corporate Secretary and Senior Counsel at Origin House (CSE:OH)

Proposed Terms for the Second Tranche of its Non-Brokered Private Placement and Amendment to Securities Issued in First Tranche of the Offering

On January 27, 2020, the Company announced that it is arranging a closing for the second tranche (the "Second Tranche") of its non-brokered private placement of 10% secured convertible debenture units (the "Units") of the Company at a price of C\$1,000 for gross proceeds of up to C\$4,000,000, originally announced on November 6, 2019 (the "Offering"). The first tranche of the Offering closed on November 6, 2019, at which time the Company issued an aggregate of 1,264 Units for gross proceeds of \$1,264,000. Accordingly, the Company can issue up to an additional \$2,736,000 of Units under the Second Tranche. Each Unit issued in connection with the Second Tranche of the Offering will be comprised of one C\$1,000 principal amount of secured convertible debenture (a "Convertible Debenture") accruing interest at 10.0% per annum, payable semi-annually in arrears until maturity, and 5,556 common share purchase warrants of the Company (each, a "Warrant"). The Convertible Debentures will have a maturity date of 36 months from the date of issuance. In addition, under the Second Tranche, the Company has the right to prepay an amount equal to the 1st year of interest to be earned by issuing common shares at a deemed price of \$0.25 per common share (the "Prepaid Interest Shares") on the 15th day following the Closing Date should the holders of the Convertible Debentures not elect to receive their 1st year interest paid in cash. Each Convertible Debenture shall be convertible into common shares in the capital of the Company (each, a "Conversion Share") at a price of \$0.18 (the "Conversion Price") per Conversion Share. Each Warrant entitles the holder thereof to acquire one common share in the capital of the Company (each, a "Warrant Share") for an exercise price of \$0.30 per Warrant Share for a period of 36 months following the closing date.

The Convertible Debentures are direct secured obligations of the Company and rank pari passu in right of payment of principal and interest with all other Convertible Debentures issued under the Offering. Certain directors of the Company have indicated that they may participate in the private placement. Any such purchase would constitute a “related party transaction” within the meaning of Multilateral Instrument 61-101 –Protection of Minority Security Holders in Special Transactions (“MI 61-101”). The proposed issuance to directors of the Company would be exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as the fair market value of any Units issued to or the consideration paid by such insiders would not exceed 25% of the Company’s market capitalization. The Company may pay registered dealers (the "Finders") a cash commission equal to up to 8% of the aggregate gross proceeds from the sale of the Units sold pursuant to the Offering to eligible investors introduced to the Company by such Finders. In addition, the Company will grant warrants (the “Compensation Warrants”) exercisable at the Conversion Price for a period of 24 months from the Closing Date to acquire in aggregate the number of Common Shares equal to 8% of the gross proceeds under the Offering divided by the Conversion Price. The proceeds of the Second Tranche will be used by the Company for expansion of the Company’s facilities and for general corporate and working capital purposes. The Convertible Debentures, Warrants, Prepaid Interest Shares (if any), and any Compensation Warrants issued pursuant to the Second Tranche of the Offering and any common shares in the capital of the Company issued on conversion of the Convertible Debentures or exercise of the Warrants or Compensation Warrants will be subject to a statutory hold period in Canada of four months and one day following the closing date in accordance with applicable securities laws. Additional resale restrictions may be applicable under the laws of other jurisdictions, if any. The securities of the Company have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. Accordingly, the securities of the Company may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state securities laws or pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities of the Company in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Company further announced that, in order to ensure equitable treatment of holders, it has decided to amend the terms of the debentures (the "First Tranche Debentures") and warrants (the "First Tranche Warrants") issued under the first tranche of the Offering, which closed on November 6, 2019. The Company has amended the First Tranche Debentures to reduce the conversion price to \$0.18 per common share and has amended the terms of the First Tranche Warrants to: (a) increase the number of warrants issued per \$1000 of principal amount of debenture from 2,000 to 5,556; (b) increase

the exercise price from \$0.25 to \$0.30 per warrant; and (c) extend the expiry date of the warrants from 18 months following the closing date to 36 months following the closing date. The amendments are subject to the final approval of the Canadian Securities Exchange (CSE).

Update on cultivation license application

On January 27, 2020, the Company provided the following update regarding the status of its standard cultivation licence application with Health Canada under the Cannabis Act. In the context of a regular follow-up communication with Health Canada, representatives of the Company received verbal feedback that the application review is complete and the reviewers do not have any more questions. Subject to the re-submission of a required foreign police certificate related to one of the foreign directors of the Company, the Company will be in the final queue for receiving its licence. The Company is confident that it will be able to file the certificate promptly; however, there can be no assurance as to the exact timing of the issuance of the licence by Health Canada or whether the Company will receive any final request from Health Canada.

Issuance of shares

Further to the Company's announcement regarding its acquisition of certain California-based businesses on November 22, 2019, the Company issued 1,716,000 common shares, at an issue price of \$0.25 per share, to an arm's length advisor to the Company. The shares, which are subject to a statutory hold period as required by applicable securities laws, are based upon the \$429,000 cash value of the 3% M&A fee payable to such advisor in respect of the foregoing California acquisitions.

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

Management continues to build on and actively manage its current activities and to explore new opportunities and business relationships.

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 to report

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 to report

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 to report

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 to report

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 to report

8. Describe the acquisition of new customers or loss of customers.

None to report

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 to report

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

See response to item 1

11. Report on any labour disputes and resolutions of those disputes if applicable.

None to report

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 to report

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

None to report

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

See response to item 1

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

None to report

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

None to report

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

None to report

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 February 6, 2020.

Sean Homuth
Name of Director or Senior
Officer

(Signed) "Sean Homuth"
Signature

Chief Executive Officer
Official Capacity

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| Issuer Details | | For Month | Date of Report |
| Name of Issuer | | End | YY/MM/D |
| North Bud Farms Inc. | | January 2020 | February 6, 2020 |
| Issuer Address | | | |
| 38 Chemin Scott | | | |
| City/Province/Postal Code | | Issuer Fax No. | Issuer Telephone No. |
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