

# FORM 7

## MONTHLY PROGRESS REPORT

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

Trading Symbol: NBUD

Number of Outstanding Listed Securities: 66,653,005

Date: June 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.

**NORTHBUD farms through its subsidiaries is a consumer facing cannabis brand which owns and operates licensed cannabis cultivation and distribution businesses in Canada, California and Nevada.**

## **North Bud Farms Provides Update on U.S. and Quebec Subsidiaries**

On May 6, 2020, the Company announced the following corporate update:

### **Quebec Cultivation Facility**

#### **Easing of Covid-19 Restrictions**

The Quebec government recently announced that, effective May 11, 2020, it will begin easing its Covid-19 related restrictions on business operations in the province. Subject to the implementation of said easing measures, the Company intends to commence scaling its Quebec production accordingly, and has advised its suppliers that it will be ready to receive starting materials quickly upon implementation of the easing measures.

#### **Outdoor Cultivation Licence Application Status**

With respect to the Company's previously disclosed intention to apply for an amendment to its existing cultivation licence at its Quebec facility to allow for outdoor cultivation, the Company is pleased to announce that it has submitted to Health Canada all required materials and documentation for the aforementioned licence amendment, and it now awaits the issuance of a licence to allow for a proposed 1 million square feet of outdoor production.

To date the Company has signed a letter of intent to supply product to a licensed distributor, and is actively negotiating additional supply contracts with other parties. Securing these supply agreements is expected to provide the Company with further insight into revenue potential and operating capital required for its Quebec facility. While the Company has initiated operations at its Quebec facility, currently the Company does not have sufficient working capital and financial resources to commercialize the full capacity of its Quebec facility.

Furthermore, in light of current market conditions, the Company is exploring options to extend its cash runway to further operations, including with respect to staffing decisions.

### **U.S. Operations**

The Company also announced that it has signed a non-binding letter of intent to sell all the shares of its U.S. subsidiary, Bonfire Brands USA, Inc. ("BBUSA"), to an entity controlled by Mr. Justin Braune, the President of BBUSA. The proposed transaction is expected to close on or before May 15, 2020, and would constitute a related-party transaction as defined in Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The proposed transaction is exempt from

the formal valuation and minority shareholder approval requirements of MI 61-101 as the fair market value of the shares of BBUSA proposed to be sold to the acquiror does not exceed 25% of the Company's market capitalization. This determination is based upon the fact that the value of the net assets of BBUSA is negligible as the assets acquired were, and continue to be, highly leveraged. In light of the current market conditions, it is no longer economically viable for the Company to continue to try to sustain and develop these assets.

Under the terms of the proposed transaction, which remain subject to the negotiation of a definitive share purchase agreement and customary closing conditions and approvals, the acquiring party will become responsible for and guarantee all of BBUSA's past and future liabilities and capital requirements, including all of the outstanding intercompany debts owed to NORTHBUD. The acquiror will also retain rights to the name "Bonfire Brands" and the Company will no longer proceed with the change of name and symbol that was approved at the last shareholder meeting. Final terms of the proposed transaction will be announced upon the signing of the definitive agreement.

#### **North Bud Farms Announces Proposed Terms for Non-Brokered Private Placement of Units**

On May 19, 2020, the Company announced that it intends to complete a non-brokered private placement of units (each a "Unit") at a price of \$0.05 per Unit for gross proceeds of up to C\$2 million, subject to the Company's receipt of minimum gross proceeds of C\$1 million (the "Offering").

Each Unit will be comprised of one common share in the capital of the Company (a "Common Share") and one common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to acquire one Common Share (a "Warrant Share") for a period of 24 months following the Closing Date (as defined below) at an exercise price equal to: (i) \$0.075 if the Warrant is exercised within 12 months of the Closing Date, or (ii) \$0.10 if the Warrant is exercised at any other time prior to expiry.

The Company may pay a cash fee or issue compensation securities to certain eligible finders in connection with the proceeds received by the Company from the sale of Units to subscribers introduced to the Company by such eligible finders.

The proceeds of the Offering will be used by the Company to meet its 12-month corporate and working capital requirements, which the Company believes is vital to ensuring efficient and consistent operations. Management believes that securing a 12-month cash runway is the most prudent step in attempting to secure the long-term viability of the Company. Failure to meet

these capital requirements could force management to proceed with secondary options that may preserve less long-term value for shareholders. Subscription receipts will be held in escrow and released upon the filing of the Company's 2019 financial statements. The Offering is expected to close on or around June 1, 2020 (the "Closing Date").

The Offering is subject to certain conditions, including but not limited to, the receipt of all necessary regulatory and stock exchange approvals, including the approval of the Canadian Securities Exchange (the "CSE").

The Units will be offered: (i) on a private placement basis in all of the provinces and territories of Canada; (ii) in the United States on a private placement basis in reliance on Rule 506(b) of Regulation D or pursuant to other exemptions from the requirements of the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and in compliance with applicable United States federal securities laws and any "blue sky" laws or regulations of any state of the United States; and (iii) in such jurisdictions outside of Canada and the United States as determined by the Company on a private placement or equivalent basis.

Participation in the Offering will be open to anyone who qualifies under an accredited investor exemption and to existing shareholders (each an "Existing Shareholder") of the Company as of the close of business on May 19, 2020 (the "Record Date") who are eligible to participate in the Offering in reliance on the existing shareholder exemption under Canadian securities laws (the "Existing Shareholder Exemption").

The aggregate acquisition cost to an Existing Shareholder relying on the Existing Shareholder Exemption cannot exceed \$15,000 in any 12-month period, unless such Existing Shareholder has obtained advice regarding the suitability of the investment from a registered investment dealer in that Existing Shareholder's jurisdiction. Persons who become shareholders of the Company after the Record Date are not permitted to participate in the Offering using the Existing Shareholder Exemption, however other exemptions may still be available.

The Units and any Warrant Shares issued upon the exercise of the Warrants issued in connection with the Offering will be subject to a statutory hold period in Canada of four months and one day following the Closing Date. Additional resale restrictions may apply under the laws of other jurisdictions.

This news release does not constitute an offer to sell or the solicitation of an offer to buy any of the securities described herein, and these securities will not be offered or sold in any jurisdiction in which their offer or sale would be unlawful. The securities described herein have not been and will not be registered under the U.S. Securities Act, or any state securities laws of the United States. Accordingly, these securities will not be offered or sold to

persons within the United States unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available.

In addition, the Company has resolved to re-price the 26.9M of currently issued and outstanding common share purchase warrants with exercise prices between \$0.30/share and \$0.40/share and various expiry dates, to a new reduced exercise price equal to \$0.10 per share in order to align with the current proposed private placement and to encourage such warrant holders to exercise their warrants. This reduction of warrant exercise prices is subject to certain conditions, including but not limited to, the receipt of all necessary regulatory and stock exchange approvals, including the approval of the Canadian Securities Exchange (the "CSE").

#### **Additional Cost Cutting Measures:**

As of May 15, 2020, all members of senior management have been asked to agree to a 30% reduction in their cash-based compensation for the next four months, and to instead receive Common Shares in lieu.

The Company wishes to advise shareholders that it has successfully renegotiated approximately CDN\$1 million in current payables by its subsidiary into a 24-month payment obligation. The restructuring improves the Company's balance sheet and reduces monthly cash requirements moving forward. While this alleviates certain cash flow requirements, it does not affect the Company's need to raise a minimum of \$1 million of proceeds under the Offering.

#### **Management Cease Trade Order Update**

Additionally, the Company provides the following update on the previously announced management cease trade order (the "MCTO") issued by the Ontario Securities Commission on March 31, 2020.

The MCTO was issued in connection with the delay by the Company in filing its annual financial statements, management's discussion and analysis and related officer certifications for the financial year ended November 30, 2019 (collectively, the "Required Filings") before the prescribed deadline of March 30, 2020.

The Company continues to work closely with its auditor and expects to file the Required Filings before the end of May 2020.

The Company provided this status update in accordance with National Policy 12-203 Management Cease Trade Orders ("NP 12-203"). The Company intends to follow the provisions of the Alternative Information Guidelines set out in NP 12-203, including the issuance of bi-weekly default status reports in the form of news releases, for as long as the Company remains in default.

The Company confirms as of the date of this news release that there has been no material change in the information contained in the default announcement issued on March 13, 2020 and there is no other material information concerning the affairs of the Company that has not been generally disclosed.

#### **Issuance of Common Shares for Services Rendered**

The Company has proceeded with the issuance of 472,222 Common Shares, at an issue price of \$0.18 per share, to an arm's length advisor to the Company. The Common Shares, which are subject to a statutory hold period as required by applicable securities laws, are based upon the \$85,000 cash value of the services rendered to the Company by the advisor.

#### **North Bud Farms Provides Corporate Update**

On June 2, 2020, the Company announced the following corporate update:

##### **U.S. Operations**

The Company is pleased to announce that it has signed a definitive agreement to sell all the shares of its U.S. subsidiary, Bonfire Brands USA, Inc. ("BBUSA"), to an entity controlled by Mr. Justin Braune, the President of BBUSA. The transaction constitutes a related-party transaction as defined in Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The transaction is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as the fair market value of the shares of BBUSA sold to the acquiror does not exceed 25% of the Company's market capitalization. This determination is based upon the fact that the value of the net assets of BBUSA is negligible as the assets acquired were, and continue to be, highly leveraged. In light of the current market conditions, it is no longer economically viable for the Company to continue to try to sustain and develop these assets.

Under the terms of the transaction, the acquiring party is responsible for and guarantees all of BBUSA's past and future liabilities and capital requirements, including all of the outstanding intercompany debts owed to NORTHBUD up to a maximum of CDN\$2 million. The acquiror will retain rights to the name "Bonfire Brands" and the Company will no longer proceed with the change of name and symbol that was approved at the last shareholder meeting.

##### **Failure-to-File Cease Trade Order Issued**

The following is an update on the previously announced management cease trade order (the "MCTO") issued by the Ontario Securities Commission on

**March 31, 2020. The MCTO was issued in connection with the delay by the Company in filing its annual financial statements, management's discussion and analysis and related officer certifications for the financial year ended November 30, 2019 (collectively, the "Required Filings") before the prescribed deadline of March 30, 2020.**

### **Sequence of Events**

**As previously disclosed, the Company completed two material U.S.-based acquisitions in November 2019, weeks prior to its year-end, thus obliging the Company to include purchase price accounting and post-acquisition activity for both acquired companies into its consolidated financial statements for the financial year ended November 30, 2019.**

**The Company took decisive steps to augment its capabilities to manage and report on its expanded operations including the appointment of advisors, valuation and taxation experts to assist with the year-end reporting and audit requirements; the appointments of Sean Homuth as CEO in December 2019, Adam Shapero as General Counsel in January 2020, and Jeffrey Stoss as CFO in February 2020; and, the addition of Jennifer Ross-Carriere and Lisa Mayhew as Directors in December 2019 and February 2020 respectively. Unfortunately, Sean Homuth had to take a medical leave of absence from the Company on April 28, 2020, which resulted in some delays to the progress of the year-end audit as he was interim CFO for the Company around the time of the U.S. acquisitions.**

**Due primarily to the inability of management, and its advisors and auditors to travel to the U.S. to conduct onsite field work, and due to ongoing travel and work restrictions in both Canada and the U.S. imposed by the impact of COVID-19 and the additional audit and reporting work related to the Company's stated intention to divest of its U.S. operations as announced May 6, 2020, the Company could not complete and file the Required Filings for the year-ended November 30, 2019 and the quarter-ended February 29, 2020 before the end of the May 31, 2020 deadline contemplated by the MCTO. The Company, its advisors and its independent auditor, are continuing to work diligently to complete the necessary work and the Company intends to make the Required Filings as soon as possible.**

**In connection with this delay, on June 2, 2020 the Ontario Securities Commission ("OSC") issued a failure-to-file cease trade order ("FFCTO") against the Company.**

**The FFCTO will affect trading in all securities of the Company in Canada and will remain in effect until such time as the Company has made the Required Filings. This has resulted in a halt in trading of the Company's shares on the Canadian Securities Exchange (CSE). Once the Required Filings are made within 90 days of the date of the FFCTO, such filings will constitute the**

Company's application to have the FFCTO revoked. The Company will issue a further news release when the Required Filings have been made, and it is expected that the Company's stock will resume trading on the Canadian Securities Exchange at that time.

The FFCTO, among other things, (i) revokes the MCTO in respect of certain officers of the Company, which prohibited those officers from trading in the Company's securities until after the Company cured its disclosure defaults; and (ii) prohibits any person or company from trading, directly or indirectly, in any security of the Company in the Province of Ontario, and in every other province or territory of Canada in which the Company is a reporting issuer and in which Multilateral Instrument 11-103 - Failure-to-File Cease Trade Orders in Multiple Jurisdictions applies.

A copy of the FFCTO will be posted on the website of the Canadian Securities Administrators at [cto-iov.csa-acvm.ca](http://cto-iov.csa-acvm.ca). The Company will also post a copy of the FFCTO on the Company's website.

### **Private Placement Offering Suspended**

The Company also wishes to announce that it has voluntarily suspended the anticipated closing of the previously announced private placement offering of up to \$2,000,000 of \$0.05 Units until the FFCTO is revoked. The Company did not accept any of the subscriptions and did not issue any securities under the private placement. At this time, the Company continues to evaluate options to preserve shareholder value and provide the Company with the required financial and operational resources required for ongoing operations. During the FFCTO period the Company will continue to update shareholders on the progression of these initiatives.

### **Additional Management Update to Follow Shortly**

Management will be delivering a comprehensive business update to the Company's shareholders in the coming days, where it will provide further details regarding the Company's current position and outline plans for moving forward.

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.

**See response to item 1**

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.

**See response to item 1**

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.

**On April 28, 2020, the Company issued 472,222 shares to a consultant at \$0.17 per share for services rendered, as announced on May 19, 2020.**

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 June 5, 2020.

Ryan Brown  
Name of Director or Senior  
Officer

(Signed) "Ryan Brown"  
Signature

Chief Executive Officer  
Official Capacity

<b>Issuer Details</b> Name of Issuer	For Month End	Date of Report YY/MM/D
North Bud Farms Inc.	May 2020	June 5, 2020
Issuer Address 38 Chemin Scott		
City/Province/Postal Code	Issuer Fax No. ( )	Issuer Telephone No. 1 855 628-3420
Chelsea, Quebec, J9B 1R5		
Contact Name	Contact Position	Contact Telephone No.
Edward Miller	IR	1 855 628-3420 ext. 3
Contact Email Address investors@northbud.com	Web Site Address <a href="https://www.northbud.com">https://www.northbud.com</a>	