

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: December 5, 2019

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. The Company has submitted its Evidence of Readiness Package to Health Canada, but as of the date of this report the application is still under review.

Definitive Agreement to Acquire Nevada Botanical Science

On November 19, 2019, North Bud announced that Bonfire Brands USA, a wholly owned subsidiary of the Company, has signed a definitive asset purchase agreement to acquire all assets of Nevada Botanical Science, Inc. (“NBS”) (see June 25, 2019 press release) in a transaction valued at USD\$7.5 million.

NBS is located in Reno, Nevada. NBS holds Nevada State medical and adult use licenses for cultivation, extraction and distribution. NBS operates an integrated cannabis operation located on 3.2 acres of land within the Reno green zone industrial park. NBS currently operates a 5,000 sq. ft. indoor cultivation facility and has been approved for expansion of up to 60,000 sq. ft of greenhouse space. The property also includes an operating extraction facility and licensed and approved commercial kitchen. This infrastructure is capable of manufacturing and bottling beverages and edibles and is currently used by NBS for both white label and branded product manufacturing. Operated by healthcare professionals, NBS has been primarily focused on the Nevada State medical cannabis market. NBS currently manufactures and sells award winning (Jack Herer Cup 2018) topical pain creams, balms and lotions under the Trichomic medical brand.

This past year NBS launched a trial release of cannabis infused cocktails under the brand “Happiest Hour”. Collaborating with local craft beverage manufactures NBS released a variety of beverages including Margarita, Pina Colada, Bloody Mary, Long Island Ice Tea and Lemonade to select retailers in the state. To date retailer adoption and reordering has been 100% and based on customer feedback, NBS will increase production and distribution including additional retailers in Las Vegas in 2020. NBS has also finished a successful trial launch of its energy shot 1oz beverage containing 25mg of THC and 50mg of Caffeine. The Company plans to run a second branded trial in early 2020. Over the past three months NBS and NORTHBUD have been working together in preparation for the release of NORTHBUD branded dried flower products in Q4 2019 and a variety of infused and non-infused pre rolls.

The transaction (the “Transaction”) is structured as an asset purchase agreement whereby in exchange for the purchase of all of the securities and assets of NBS, NORTHBUD is paying a total of USD\$7,500,000 as follows:

- Cash payment of USD\$500,000 (paid in full);
- Approximately USD\$1 million in convertible shares of Bonfire Brands USA (6,500,000 “convertible shares”); and
- A USD\$6,000,000 interest bearing promissory note.

The convertible shares may be exchanged on a 1-1 basis with common shares of NBUD at the discretion of the shareholder. At the time of signing, the converted value of these securities was equal to USD\$1,000,000. All applicable U.S. and Canadian regulatory holds shall apply upon conversion. As per the terms of the agreement NBS will allocate pro rated ownership of assets in NBS and all associated licenses to Bonfire Brands USA throughout the re-payment period, subject to state approval. Bonfire Brands and NBS have agreed to an operations and management arrangement allowing Bonfire to assume operational control, begin integration and driving revenue immediately.

The Transaction is a significant acquisition but will not result in a “Fundamental Change” pursuant to the policies of the CSE. NORTHBUD will be preparing the necessary corporate and securities filings in order to secure the required approvals for the Transaction.

The parties have agreed to pay USD\$187,500 in broker/finder fees to arm’s length parties on a prorated basis connection with the closing of the Transaction. The closing of the Transaction is conditional on the receipt by the parties of applicable corporate and regulatory approvals, including that of the CSE.

Acquisition of Fully Licensed and Operational Cannabis Farm in Salinas, California

On November 22, 2019, North Bud announced that Bonfire Brands USA (“Bonfire”), a wholly owned subsidiary of the Company, has signed multiple definitive agreements related to its previously announced letters of intent with the Qlora Group and Monterey Holdings (see September 12, 2019 press release).

Bonfire Brands USA has finalized the acquisition of an 11-acre property located at 20180 Spence Road Salinas, California from Monterey Holdings Inc. The property currently consists of 300,000 sq. ft. of licensable greenhouse space with 60,000 sq. ft. actively cultivating cannabis and a 2,000 sq. ft. building licensed for distribution. The purchase price of the property is USD\$8,000,000 which represents the fair market value of the real

estate. The buyer and seller have entered into a seller carry back financing for the full purchase price.

Bonfire Brands USA has signed a definitive agreement with the Qlora Group for the acquisition of cultivation, processing and distribution licenses associated to the Spence Road property. As part of this acquisition Bonfire Brands USA also acquires all the Intellectual Property (IP) and assets related to the brands California Bud Co and Live For The Day (LFTD). The two brands combined for approximately USD\$6,500,000 in unaudited sales over the past 18 months. In consideration for this acquisition Bonfire has assumed a USD\$2,500,000 debt note from the Qlora Group. The debt will be settled over a 24-month period through a combination of cash and stock at the discretion of the note holder. Immediately upon signing of the definitive agreement Bonfire will have acquired 80% ownership of the licenses with the remaining 20% to be transferred after approval from the California Cannabis Control and Licensing Bureau.

The buyer will be taking possession of all biological assets including:

- ~ 6000 plants currently in the fifth week of flowering;
- ~ 5000 plants in various stages of vegetative growth;
- ~ 350 Lbs. of dried and harvested flower and trim; and
- 3000 filled vape cartridges of various strains.

This infrastructure will serve as the primary operation for Bonfire Brands USA within the state of California, which is considered to be the largest cannabis market in North America valued at USD\$3 billion dollars per year according to Arcview Market Research and BDS Analytics (August 2019).

The Transaction is a significant acquisition but will not result in a “Fundamental Change” pursuant to the policies of the CSE. NORTHBUD will be preparing the necessary corporate and securities filings in order to secure the required approvals for the Transaction.

NORTHBUD has agreed to pay up to 3% in finder fees to arm’s length parties in connection with the closing of the Transaction. The fee is payable in common shares of NORTHBUD. The closing of the Transaction is conditional on the receipt by the parties of applicable corporate and regulatory approvals including that of the CSE.

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.

See response to item 14

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.

None to report

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.

See response to item 14

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

On November 6, 2019, the Board of Directors authorized the issuance of up to 4,000 convertible debenture units (“Units”) of the Company at a price of \$1,000 per Unit for total gross proceeds of up to \$4,000,000. Based on this decision the Company will not be closing any additional tranches of the previously announced equity private placement.

Each Unit is comprised of one \$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 2,000 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.

Each Convertible Debenture shall be convertible into common shares in the capital of the Company (each, a “Conversion Share”) at a price of \$0.30 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 \$0.25 per Warrant Share for a period of 18 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.

On November 6, 2019, the Company announced the closing of an initial tranche of 1,264 Units for gross proceeds of \$1,264,000. These Units were purchased by one insider and existing shareholders. The Company intends to close the remaining Units in one or more tranches over the coming weeks.

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 December 5, 2019.

Sean Homuth
Name of Director or Senior
Officer

(Signed) "Sean Homuth"
Signature

Chief Financial Officer
Official Capacity

| | | | |
|---|--|---|--|
| Issuer Details | | For Month End | Date of Report YY/MM/D |
| Name of Issuer | | November 2019 | December 5, 2019 |
| North Bud Farms Inc. | | | |
| 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 https://www.northbud.com | |