



Heritage Cannabis Reports Second Quarter 2020 Financial Results

Toronto, ON, June 29, 2020 – [Heritage Cannabis Holdings Corp.](#) (CSE: CANN) (OTCQX: HERTF) (“**Heritage**” or the “**Company**”), today announced its financial results for the three and six month periods ended April 30, 2020 (“**Q2 2020**”). All figures are in Canadian dollars unless otherwise noted.

“We continued the advancement of our business strategy during the second quarter with Health Canada granting a sales license for Voyage and industrial hemp licenses for both CannaCure and Voyage, however revenue in the quarter was significantly impacted by decreased orders for existing contract manufacturing services, and as a result of the economic impacts of COVID-19 delayed the signing of new agreements.”, stated Clint Sharples, Chief Executive Officer of Heritage. “During this time, the Company took significant steps to ensure the continued strength of our balance sheet which we believe will support the Company through to actively launching our own branded products in July. Management is confident that this launch, as well as additional potential contract manufacturing agreements, will lead to significantly improved revenue numbers in the future.”

Selected financial highlights for the three and six month periods ended April 30, 2020 include the following:

<i>(in \$CDN)</i>	<u>Three months ended</u> <u>April 30, 2020</u>	<u>Three months ended</u> <u>April 30, 2019⁽¹⁾</u>	<u>Six months ended</u> <u>April 30, 2020</u>	<u>Six months ended</u> <u>April 30, 2019⁽¹⁾</u>
Gross Revenue	\$ 1,358,149	-	\$ 5,366,544	-
Net Revenue	\$ 884,830	-	\$ 4,516,412	-
Cost of Sales	\$ 950,615	-	\$ 3,086,313	-
Gross Profit (Loss) Before Fair Value Adjustments	\$ (65,785)	-	\$ 1,430,099	-
Gross Profit	\$ 84,200	-	\$ 1,580,084	-
General and Administrative Expenses	\$ 2,811,266	\$ 3,271,761	\$ 5,826,986	\$ 7,075,665
Net Loss	\$ (1,887,869)	\$ (5,216,718)	\$ (3,819,388)	\$ (9,005,739)

(1) As the Company was not generating revenue during the three and six months ended April 30, 2019, revenue, cost of sales and gross profit figures are nil.

Q2 2020 Financial Highlights

- Gross revenue of \$1.4 million in Q2 2020 compared to \$nil in the three-month period ended April 30, 2019 (“**Q2 2019**”). After adjusting for the impact of excise taxes, the Company reported net revenue of \$0.9 million in Q2 2020 compared to \$nil in Q2 2019. For the six month period ending April 30, 2020, the Company reported gross revenue of \$5.4 million, as compared to \$nil in the six month period ended April 30, 2019. After adjusting for the impact of excise taxes, the Company reported net revenue of \$4.5 million for the six months ended April 30, 2020 compared to \$nil in the same period in 2019.

- When adjusting gross margin to include the change in fair value of biological assets, gross margin on sales net of excise taxes was approximately 10%. The progression of the COVID-19 outbreak had an unfavourable impact on the Company's revenue and effected efficient production and operating metrics. For the six month period ended April 30, 2020, when adjusting gross margin to include the change in the fair value of biological assets, gross margin percentage on sales net of excise taxes was approximately 35%.
- Net loss of \$1.9 million or \$0.01 per common share in Q2 2020 compared to a net loss of \$5.2 million or \$0.02 per common share in Q2 2019. For the six month period ended April 30, 2020, the Company recorded a net loss of \$3.8 million or \$0.01 loss per share compared to a net loss of \$9.0 or \$0.02 loss per share for the six-month period ended April 30, 2019.
- As at the end of Q2 2020, the Company had cash and cash equivalents of \$5.3 million, and working capital of \$13.1 million compared to \$11.5 million in cash and cash equivalents and working capital of \$11.7 million at the end of fiscal year 2019.

Q2 2020 Growth, Operational, and Corporate Highlights

- On February 3, 2020, Heritage announced that it had entered into a term loan agreement with Trichome Financial Corp. for total proceeds of \$6.7 million. The term loan is advanceable in two tranches of \$4.9 million and \$1.8 million respectively and has a 24-month contractual term maturing January of 2022. The term loan bears interest at 9.5% per annum, with monthly interest-only payments, and all principal due on maturity. The term loan also bears an original issue discount of 4.5%.
- On March 5, 2020, the Company announced the advancement of its Joint Venture Partnership ("JV") with Empower Clinics Inc. ("Empower") at Empower's existing licensed hemp processing facility in order to perform hemp-based product manufacturing for proprietary formulations, tolling services, and third-party white labelling services for other distributors throughout the United States. Proprietary branded products will be distributed through Empower's corporately owned physician staffed health clinics in Oregon and Arizona and in upcoming new franchise locations which currently have access to over 165,000 patients.
- On March 18, 2020 Heritage announced that in response to the COVID-19 health threat in Canada and based on guidance provided by various public health authorities, the Company continued operations at its production facilities, however capacity was adjusted in order to ensure the health and safety of its employees, families and local communities. Heritage began focusing on the necessary production to complete customer shipments and temporarily adjusted to one shift per location per day until further notice. Employees implemented social distancing practices while at the facilities and continue to practice already stringent personal hygiene and cleaning policies. In order to preserve cash balances, Heritage's leadership team made the decision to temporarily take partial compensation in the form of equity of the Company, with the CEO taking 100% of his compensation as equity until further notice. Equity will be issued in the form of restricted stock units, utilizing a five-day volume weighted average price.
- On April 6, 2020, the Company announced that its subsidiary CannaCure Corporation ("CannaCure") was granted an industrial hemp license by Health Canada, effective April 3, 2020 to April 3, 2023. The industrial hemp license allows CannaCure to bulk store, as well as sell industrial hemp, flowering heads, leaves or branches to other license holders, and to import and export grain.



- On April 13, 2020 Heritage announced that its subsidiary Voyage Cannabis Corp. (“Voyage”) was granted a cannabis oil sales license by Health Canada, effective April 8, 2020. The sales license allows Voyage to begin selling cannabis products, including oil derivatives, to the Provincial cannabis boards as well as directly to patients in the medical market. The Company will be launching six vape cartridges and two tinctures in July 2020 that offer its award-winning all natural oil products using its proprietary extraction methodology that uses high pressure systems and no harmful chemicals.
- On April 23, 2020 Heritage announced that Voyage was granted an industrial hemp license by Health Canada, effective April 17, 2020 to April 17, 2023. Similar to the license granted to CannaCure, the industrial hemp license allows Voyage to bulk store, as well as buy and sell industrial hemp, flowering heads, leaves or branches to other license holders, and to import and export grain. Heritage has been producing full spectrum CBD from high quality hemp biomass as part of the Company’s medical and recreational product initiatives. It is expected that these products will be available to the public in July 2020.

Financial Statements

The interim consolidated financial statements of the Company as at and for the three and six month periods ended April 30, 2020 and accompanying management’s discussion and analysis have been filed with the securities regulators and are available on SEDAR at www.sedar.com under the Company’s issuer profile.

About Heritage Cannabis Holdings Corp.

Heritage Cannabis Holdings Corp. is a vertically integrated cannabis company that owns two Health Canada approved licenced producers, Voyage Cannabis Corp. and CannaCure Corp., both of which also have industrial hemp licenses. Additionally, Voyage recently received its sales license from Health Canada, and the Company will be launching eight products (six vape cartridge and two tinctures) in the BC, AB, and MB markets in July 2020. Working under these licenses, Heritage has two additional subsidiaries, Purefarma Solutions, that provides extraction services, and a Medical Services Division which is focused on cannabis based medical solutions. Heritage as the parent company, provides the synergies and resources for its subsidiaries to advance their medical and adult use products and services both domestically and internationally.

ON BEHALF OF THE BOARD OF DIRECTORS OF HERITAGE CANNABIS HOLDINGS CORP.

“Clint Sharples”

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CEO

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Forward-Looking Statements

This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information contained herein may include, but is not limited to, assumptions related to cash flow and capital resources, and expectations related to the supply and manufacturing agreements, the intended expansion of the Company, and partnerships and Joint Venture Partnerships.

By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such information and statements.

An investment in securities of the Company is speculative and subject to several risks including, without limitation, the risks discussed under the heading "Risks and Uncertainties" Factors" in the Company's annual management discussion and analysis for the year ended October 31, 2019 and dated February 28, 2020, as well as the interim management discussion and analysis for the quarter ended April 30, 2018 and dated June 29, 2020. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

In connection with the forward-looking information and forward-looking statements contained in this press release, the Company has made certain assumptions. Although the Company believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. The forward-looking information and forward-looking statements contained in this press release are made as of the date of this press release, and the Company does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws. All subsequent written and oral forward-looking information and statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice.

