



Heritage Cannabis Announces Closing of the Acquisition of Premium 5 Ltd.

Combined entity creates a market leader in the extract and extract derivatives market.

Toronto, ON, January 26, 2021 – Heritage Cannabis Holdings Corp. (CSE: CANN) (OTCQX: HERTF) ("Heritage" or the "Company"), announces that further to its press release issued on December 23, 2020, it has completed the acquisition of all of the issued and outstanding securities of Premium 5 Ltd. ("Premium 5"), a Canada-based recreational and medical cannabis company and market leader in high-quality full spectrum concentrates.

"This transaction delivers on several critical strategic objectives including immediate coast to coast sales and an impressive catalog of products for both the provincial boards and consumers across Canada," stated Clint Sharples, CEO of Heritage. "We continue to build out our strong product development pipeline catering to multiple consumer categories and price points, and the addition of Premium 5 will expand our reach and accelerate the growth of our domestic and international platform."

Strategic Rationale

Distribution – Premium 5 products are currently available from retailers in eight provinces, as well as one of the only concentrate brands available nationally to medical patients through both the Shoppers Drug Mart and Shelter Market platforms. These key relationships with provincial boards will be invaluable in extending market reach for all Heritage products and planned new releases.

Brands – Premium 5 is the first-to-market for several concentrate products in the legal adult cannabis market, and now has the largest concentrate product portfolio in the country with 66 unique SKUs. With the newly launched RAD brand – a first in the value hydrocarbon concentrate, flower and distillate vape categories – Premium 5 has offerings targeted to the premium, core and value segments. This breadth of portfolio establishes Heritage as a leader in strain-specific and unique, highly sought after cannabis products. This has also allowed Heritage to potentially leverage these product portfolios in markets outside of Canada.

Financial Synergies – Premium 5 has scaled revenues to an annualized run-rate of approximately \$20 million under an asset light model with a small, experienced team. Heritage will optimize existing capacity to internalize many functions currently outsourced by Premium 5, increasing the EBITDA margin of an already profitable business and moving forward the timeline to positive cash flow generation for Heritage.

Heritage issued 150,000,000 common shares of the Company ("Common Shares") on closing of the acquisition, the majority of which will be held in escrow by Heritage and released, subject to any reductions related to indemnification claims.

As part of this acquisition, the Company has agreed to pay additional consideration on certain conditional events being met, including obtaining specified revenue targets, while maintaining minimum gross margin objectives over the next 24 months. This will allow the Premium 5 shareholders to potentially earn additional consideration of up to CDN\$20.0 million satisfied in the form of Common Shares in the Company ("Additional Milestone Common Share

Payments"). The Additional Milestone Common Share Payments, when and if paid, will be subject to a statutory four month and one day hold period from the date of issuance.

Upon closing of the Premium 5 acquisition, Merida Capital Holdings ("MCH"), the largest non-insider investor in Premium 5 will become a strategic shareholder in Heritage. MCH, along with its portfolio companies in the United States, has reached an agreement which will see the two companies partnering on an expansion for Heritage into the US. This partnership will see the Company introducing its brands and products into select states where cannabis is legal.

About Heritage Cannabis Holdings Corp.

Heritage is a cannabinoid company focused on the production and sale of medical and recreational hemp-based and cannabis-based products and services. In Canada, Heritage operates through its subsidiaries Voyage Cannabis Corp. and CannaCure Corp., both regulated under the Cannabis Act Regulations. Working under these subsidiaries and the Purefarma, Pura Vida and Premium 5 brands, Heritage focuses on extraction and the creation of derivative products for recreational consumers, as well as the formulation of cannabis based medical solutions. In the U.S., Heritage operates under Opticann Inc., a Colorado based oral and topical cannabinoid company with the rights to exclusively sell CBD and CBG products made with the patented VESIsorb® drug delivery system for optimized absorption and stability. As the parent company, Heritage is focused on providing the resources for its subsidiaries to advance their products or services to compete both domestically and internationally.

About Premium 5 Ltd.

Premium 5 products offer a feeling that only the terpenes from a high terpene full spectrum concentrate can give, to encourage customers to find their feeling. Premium 5 is dedicated to creating high-quality full spectrum concentrates, selling a premium high THC experience, and providing a healthier more discrete way to medicate and consume. Products offered under the Premium 5 brand are crafted from indoor grown, fresh-frozen, whole bud that has been carefully selected for optimal cannabinoid and terpene profiles to offer customers only the most exceptional quality. Premium 5 prides themselves in being consumer-driven to delight their partners, their consumers, and their communities.

About Merida Capital Holdings

Merida Capital Holdings ("MCH") is a private equity firm targeting fundamental growth drivers underpinning the rapid development of the cannabis industry. MCH manages about US\$400mm in assets across over 40 portfolio companies, including companies that hold licenses to operate cultivation, processing, and retail facilities in several limited license states.

MCH's investment emphasis focuses on cultivation technologies, products and services associated with the evolution of cannabis as an agricultural product, a natural plant-based medicine, a constituent in pharmaceutical formulations, and a recreational consumer product. MCH seeks to invest in companies that have successfully transitioned from start-up to revenue-generating growth companies. MCH works to further accelerate proven operating models and supercharge the growth of their commercial pipeline. By identifying essential providers with strong management teams, MCH can anticipate where enterprise-level or large industrial providers in related non-cannabis fields will look to find growth in their core businesses through acquisition or investment.

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

"Clint Sharples"



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CEO

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