



Heritage Cannabis Reports 2020 Year-End Financial Results

Toronto, ON, March 1, 2021 – [Heritage Cannabis Holdings Corp.](#) (CSE: CANN) (OTCQX: HERTF) (“**Heritage**” or the “**Company**”), today announced its financial results as at and for the twelve months ended October 31, 2020 (“**FY 2020**”). All figures are in Canadian dollars unless otherwise noted.

“During the past year, we continued to build the foundation of our company by moving the focus toward introducing our own brands and capacity expansion, and making acquisitions to support our long term vision of delivering sustainable value to shareholders,” stated Clint Sharples, Chief Executive Officer of Heritage. “The business definitely accelerated in 2020 despite the challenges brought on by the pandemic, and we expect to be well on our way to profitability this year with the integration of the recent acquisitions of Premium 5 and Opticann. The combined group under the Heritage banner is focused on the success of our existing products, expanding SKUs across Canada, as well as near-term medical product launches.”

Selected financial highlights for the three and twelve-month periods ended October 31, 2020 and 2019 include the following:

	Three months ended October 31, 2020	Three months ended October 31, 2019	Year ended October 31, 2020	Year ended October 31, 2019
Gross Revenue	\$ 1,500,750	\$ 3,563,623	\$ 9,257,070	\$ 3,563,623
Net Revenue	\$ 1,429,973	\$ 3,563,623	\$ 8,256,435	\$ 3,563,623
Cost of Sales	\$ 298,214	\$ 4,072,626	\$ 6,656,120	\$ 4,072,626
Gross Margin	\$ 1,131,759	\$ (322,756)	\$ 1,750,300	\$ (322,756)
General and Administrative Expenses	\$ 510,188	2,335,270	\$ 8,244,186	\$ 13,620,226
Other Income (Expenses)	\$ (5,017,017)	\$ 1,346,947	\$ (3,357,185)	\$ (917,213)
Comprehensive Income (Loss)	\$ (4,745,405)	\$ 91,556	\$ (8,596,759)	\$ (13,155,560)

2020 Financial Highlights

- For the year ended October 31, 2020, the Company reported gross revenue of \$9,257,070, an increase of \$5,693,447 as compared to gross revenue of \$3,563,623 for the year ended October 31, 2019. The increase was a result of a complete year of revenue as the Company only began producing revenue in the fourth quarter of 2019. The revenue in FY2020 was composed primarily of proceeds from third party contracts, with branded provincial sales beginning in late 2020.

- Cost of sales for the year ended October 31, 2020 was \$6,656,120 resulting in a gross margin of \$1,750,300. Gross margins during the year were impacted by the progression of the COVID-19 outbreak which impacted the Company's revenue, and maintenance of efficient production and operating metrics. As discussed in the three-month analysis below, the Company also recognized a recovery during the year of accounts payable and corresponding decrease in cost of sales.
- For the year ended October 31, 2020, the Company recorded a comprehensive loss of \$8,596,759 or \$0.02 loss per share compared to a comprehensive loss of \$13,155,560 or \$0.03 loss per share for the year ended October 31, 2019. Excluding the impact of the below described reduction in goodwill, the Company recorded a comprehensive loss of \$3,096,759.
- Total assets decreased primarily due to the Company having lower cash and cash equivalents of \$7,495,659 at October 31, 2020 compared to \$11,536,466 at October 31, 2019 and reduction in goodwill by \$5,500,000 during 2020. The Company continued to use its cash resources to scale the business during the year and is in the process of completing a financing subsequent to the year end. The Company performed its annual impairment analysis at October 31, 2020 and as a result reduced the goodwill. Long term debt increased as on February 3, 2020 the Company entered into a long-term credit facility and added \$4,566,186 on its balance sheet at October 31, 2020. This increase in liabilities was partially offset by a reduction in contingent consideration payable as portions of the milestone payments expired.

Q4 2020 Financial Highlights

- The Company reported gross revenue of \$1,500,750 for the three-month period ending October 31, 2020, a decrease of \$2,062,873 compared to the same three-month period in fiscal 2019 in which the Company's revenue was \$3,563,623. The decline in gross revenue was the result of the continuing transition from primarily third-party contracts to branded sales to the provincial boards. The Company began selling its branded products to the provincial boards part way through the quarter.
- Cost of sales for the three-month period ending October 31, 2020 was \$298,214 resulting in a gross margin on sales of \$1,131,759 compared to a negative gross margin of \$322,756 for the three-months ending October 31, 2019. During the three-months months ended October 31, 2020, the Company recognized a recovery of accounts payable from a vendor in the amount of \$2,879,718 with a corresponding decrease in cost of sales.
- For the three-month period ended October 31, 2020, the Company recorded a comprehensive loss of \$4,745,405 or \$0.01 loss per share compared to a comprehensive profit of \$91,556 or \$0.00 profit per share for the three-month period ended October 31, 2019. Excluding the impact of the below described reduction in goodwill, the Company recorded a comprehensive profit of \$754,595. The results for three-month period ended October 31, 2020 includes an impairment charge of \$5,500,000. At October 31, 2020, the Company performed its annual impairment test on the goodwill using the value-in-use method. The key assumptions used in the calculation of the recoverable amount relate to five-year future cash flows, weighted average cost of capital, and five-year average growth rate. These key assumptions were based on historical data from internal sources as well as industry and market trends. The discount rate used was 15.8% (2019 - 25%), representing the weighted average cost of capital (after-tax) determined based on mid-year discounting, and the five-year average growth rate in gross revenue was estimated at 75% (2019 - 20%). Management has determined that the impairment was primarily due to shifting market dynamics.

Q4 2020 Growth, Operational, and Corporate Highlights

- On August 5, 2020, Heritage announced that it entered into an agreement (the "Agreement") to acquire all of the issued and outstanding equity of Opticann Inc. ("Opticann"), a Colorado based oral and topical cannabinoid company for initial consideration of up to \$3.7 million of common shares and warrants of Heritage, and a series of possible earn-outs with a potential value of up to \$30.0 million contingent upon achieving significant financial and enterprise milestones over five years. Opticann has the rights to exclusively sell CBD and CBG products made with the patented VESIorb® drug delivery system for optimized absorption and stability through a supply and distribution agreement with Geocann LLC ("Geocann"). The acquisition was completed on October 6, 2020.
- On August 27, 2020, Voyage initiated the development of full spectrum cannabis vape cartridges for Sugarbud Craft Growers Corp. ("Sugarbud") under the terms of the previously announced agreement for contract manufacturing services. The input biomass used in extraction and production is cannabis grown and supplied by Sugarbud.
- During the quarter Heritage announced that it received orders for various products for purchase by consumers in both British Columbia, through their Liquor Distribution Branch ("LDB") authorized channels, and Manitoba initially through select licensed retail locations. Both Purefarma and Pura Vida brand vape cartridge products and tinctures became available in these markets during the month of October. Additionally, the Company announced it teamed with the Patient Choice online platform, a Health Canada licensed virtual portal, to offer its Purefarma and Pura Vida branded products for medical cannabis patients across Canada.
- On October 13, 2020, Heritage's subsidiary CannaCure Corp. was granted a cannabis oil sales license by Health Canada, effective October 9, 2020. This sales license allows CannaCure to sell cannabis products, including oil derivatives, directly to the provincial cannabis boards.
- On October 29, 2020, the Company signed a letter of intent with IntelGenx, a leading drug delivery company focused on the development and manufacturing of pharmaceutical films, for the supply of filmstrip products containing CBD for the Canadian and Australian markets. In January 2021, a definitive supply agreement was signed pursuant to which IntelGenx will manufacture filmstrips containing 10 mg of CBD using its VersaFilm® technology. Under the agreement, Heritage placed its first purchase order for 50,000 CBD Filmstrips that will be sold in select provincial retailers and the direct-to-consumer medical channel in Canada. IntelGenx expects to make its first shipment of product to Heritage in the second quarter of 2021. Pursuant to the Agreement, Heritage will supply CBD material for IntelGenx's filmstrip manufacture and supply in Canada and Australia on a non- and semi-exclusive basis, respectively. The Agreement also contemplates an option on future co-development of CBD and THC filmstrips using proprietary technology from both companies.

Financial Statements

The consolidated financial statements of the Company as at and for the three and twelve month periods ended October 31, 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 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.

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

"Clint Sharples"

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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" in the Company's annual management discussion and analysis for the year ended October 31, 2020 and dated February 26, 2021. 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.