



HERITAGE CANNABIS HOLDINGS CORP.
(formerly Umbral Energy Corp.)

Condensed Interim Consolidated Financial Statements

Three Month Period ended January 31, 2018

(Stated in Canadian Dollars)

(UNAUDITED)

**NOTICE OF NO AUDITORS' REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the condensed interim consolidated financial statements.

The accompanying unaudited condensed interim consolidated financial statements of Heritage Cannabis Holdings Corp. (formerly Umbral Energy Corp.) (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

HERITAGE CANNABIS HOLDINGS CORP.

(A Development Stage Company)

Heritage Cannabis Holdings Corp.
(formerly Umbral Energy Corp.)
Condensed Interim Consolidated Statements of Financial Position
(Stated in Canadian Dollars)
(UNAUDITED)

	AS AT JANUARY 31, 2018	AS AT OCTOBER 31, 2017
Assets		
Current		
Cash	\$ 2,843,848	\$ 1,647,781
GST and accounts receivable	50,094	35,927
Prepaid expenses and deposits (Note 3)	458,999	113,807
Marketable securities at fair value (Note 4)	-	97,500
Total Current Assets	3,352,941	1,895,015
Intangible asset (Note 5)	5,067,000	5,067,000
Property, buildings and equipment (Note 6)	1,689,781	1,114,330
Total Assets	\$ 10,109,722	\$ 8,076,345
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 483,506	\$ 328,150
Provision for flow-through liability	69,927	69,927
Total Liabilities	553,433	398,077
Equity		
Share capital (Note 7)	14,557,879	11,420,360
Share-based payment reserve (Note 7)	1,687,737	1,063,882
Shares reserved for issuance (Note 7)	380,000	380,000
Deficit	(8,175,433)	(6,330,157)
Equity attributable to shareholders	8,450,183	6,534,085
Non-controlling interest	1,106,106	1,144,183
Total equity	9,556,289	7,678,268
Total Liabilities and Equity	\$ 1,0109,722	\$ 8,076,345

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 10)

Approved on behalf of the Board of Directors:

"Jagdip Bal"

Director

"Clint Sharples"

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Heritage Cannabis Holdings Corp.
(formerly Umbral Energy Corp.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Stated in Canadian Dollars)
(UNAUDITED)

	THREE MONTH PERIOD ENDED	
	JANUARY 31,	
	2018	2017
General and Administrative Expenses		
Advertising, travel and promotion	\$ 11,073	\$ 41,113
Amortization	2,375	-
Consulting fees (Note 8)	224,742	10,037
Management fees (Note 8)	40,000	15,000
Office expense and miscellaneous	44,718	1,829
Professional fees	55,029	2,739
Regulatory fees	17,856	1,500
Shareholder communications	9,690	5,010
Stock based compensation (Notes 7)	1,530,577	32,636
Transfer agent and shareholder information	943	1,321
Total general and administrative expenses	(1,937,003)	(111,185)
Other Items		
Equity loss on investment in joint venture	-	(12,738)
Gain on sale of investment (Note 4)	53,650	-
Total Other Items	53,650	(12,738)
Net Loss and Comprehensive Loss for the Period	\$ (1,883,353)	\$ (123,923)
Net Loss and Comprehensive Loss for the Period attributed to:		
Shareholders of the Company	\$ (1,845,276)	\$ (123,923)
Non-Controlling Interest	(38,077)	-
Total Loss and Comprehensive Loss for the Period	\$ (1,883,353)	\$ (123,923)
Basic and Diluted Loss Per Share	\$ (0.01)	\$ (0.00)
Weighted Average Number Of Shares Outstanding	138,838,998	63,477,472

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Heritage Cannabis Holdings Corp.
(formerly Umbral Energy Corp.)
Condensed Interim Consolidated Statements of Changes in Equity
(Stated in Canadian Dollars)
(UNAUDITED)

Three Month Period Ended January 31, 2018, 2017 and Year Ended October 31, 2017

	SHARE CAPITAL		SHARE-BASED	SHARE	DEFICIT	NON-	TOTAL
	NUMBER	AMOUNT	PAYMENT RESERVE	SUBSCRIPTION RECEIVABLE		CONTROLLING INTEREST	
Balance, October 31, 2016	63,342,146	\$ 6,067,501	\$ 674,170	\$ -	\$ (6,372,508)	\$ -	\$ 369,163
Issued for cash							
Share options exercised	830,000	74,136	(32,636)	-	-	-	41,500
Stock based compensation	-	-	32,636	-	-	-	32,636
Net loss for the period	-	-	-	-	(123,923)	-	(123,923)
Balance, January 31, 2017	64,172,146	6,141,637	674,170	-	(6,496,431)	-	319,376
Issued shares for cash							
Non-brokered private placement	43,700,000	2,622,000	-	-	-	-	2,622,000
Share options exercised	12,200,000	1,698,440	(857,440)	-	-	-	841,000
Warrants exercised	7,702,951	482,321	-	-	-	-	482,321
Share issue costs	-	(301,538)	199,580	-	-	-	(101,958)
Shares issued for acquisition	7,000,000	665,000	-	-	-	1,165,000	1,830,000
Shares issued for mineral property	1,500,000	112,500	-	-	-	-	112,500
Stock based compensation – options granted	-	-	902,766	-	-	-	902,766
Stock based compensation – RSU's granted	-	-	144,806	-	-	-	144,806
Shares subscribed/reserved for issuance (Note 10)	-	-	-	380,000	-	-	380,000
Net income (loss) for the period	-	-	-	-	166,274	(20,817)	145,457
Balance, October 31, 2017	136,275,097	11,420,360	1,063,882	380,000	(6,330,157)	1,144,183	7,678,268
Issued shares for cash							
Share options exercised	4,520,000	1,497,277	(744,477)	-	-	-	752,800
Warrants exercised	15,659,970	1,640,242	(162,245)	-	-	-	1,477,997
Stock based compensation – options granted	-	-	1,530,577	-	-	-	1,530,577
Net loss for the period	-	-	-	-	(1,845,276)	(38,077)	(1,883,353)
Balance, January 31, 2018	156,455,067	\$ 14,557,879	\$ 1,687,737	\$ 380,000	\$ (8,175,433)	\$ 1,106,106	\$ 9,556,289

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Heritage Cannabis Holdings Corp.
(formerly Umbral Energy Corp.)
Condensed Interim Consolidated Statements of Cash Flows
(Stated in Canadian Dollars)
(UNAUDITED)

	THREE MONTH PERIOD ENDED	
	JANUARY 31,	
	2018	2017
Operating Activities		
Net loss for the period	\$ (1,883,353)	\$ (123,923)
Adjustments for non-cash expenses and income		
Amortization	2,375	-
Loss on investment in joint venture	-	12,739
Gain on sale of marketable securities	(53,650)	-
Stock based compensation	1,530,577	32,636
Changes in non-cash operating assets and liabilities		
GST receivable	(14,167)	598
Prepaid expenses and deposits	(345,192)	33,713
Accounts payable and accrued liabilities	155,356	(6,906)
Cash Used In Operating Activities	(608,054)	(51,143)
Investing Activities		
Acquisition of property, plant and equipment	(577,826)	-
Advances	-	(26,001)
Proceeds from sale of marketable securities	151,150	-
Mineral property acquisition and exploration costs	-	(6,408)
Cash Used In Investing Activities	(426,676)	(32,409)
Financing Activity		
Share capital proceeds, net of share issuance costs	2,230,797	41,500
Cash Provided By Financing Activity	2,230,797	41,500
Net Change In Cash	1,196,067	(42,052)
Cash, Beginning Of Period	1,647,781	85,057
Cash, End Of Period	\$ 2,843,848	\$ 43,005
Supplementary Information		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

Non-cash Investing and Financing Transactions (Note 9)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Heritage Cannabis Holdings Corp.
(formerly Umbral Energy Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
Three Month Period Ended January 31, 2018
(Stated in Canadian Dollars)
(UNAUDITED)

1. Nature of Operations and Going Concern

Heritage Cannabis Holdings Corp. (formerly Umbral Energy Corp.) (the “**Company**”) is a development stage public company whose common shares trade on the Canadian Securities Exchange under the symbol “CANN”. The Company was incorporated on October 25, 2007 in British Columbia, Canada, under the Business Corporations Act and commenced operations on November 1, 2007. On January 9, 2018, the Company changed its name to Heritage Cannabis Holdings Corp. The head office and principal address of the Company is 929 Mainland Street, Vancouver, British Columbia, Canada V6C 2B3 and the registered and records office of the Company is located at Suite 1500-1055 West Georgia St., Vancouver, B.C., V6E 4N7.

The Company is principally engaged in the acquisition of a Health Canada license under the Access to Cannabis for Medical Purposes Regulations (“**ACMPR**”) for the purpose of entering the medical marijuana industry through its investment in PhyeinMed Inc., a 75% owned subsidiary of the Company.

Although the Company has started to invest resources for a medical marijuana business, there is no guarantee the Company will be awarded a license to grow medical marijuana. As the Company does not yet have cash flow from operations, it must rely on equity financing to fund operations. To date the Company’s main source of funding has been the issuance of equity securities for cash, through private placements to sophisticated investors and through public offering to institutional investors. The Company has historically raised operating capital from the sale of equity, and will continue to do so.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses since inception, does not have positive operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to develop its ACMPR business plans and to cover general and administrative expenses necessary for the maintenance of a public company. The ability of the Company to arrange additional financing in the future depends in part, on the prevailing capital market conditions and its progress on obtaining an ACMPR license. These factors may cast significant doubt on the Company’s ability to continue as a going concern. Accordingly, the condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in these condensed interim consolidated financial statements.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) applicable to the preparation of condensed interim consolidated financial statements, including International Accounting Standard (“**IAS**”) 34 - Interim Financial Reporting. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company’s audited annual financial statements for the year ended October 31, 2017.

Heritage Cannabis Holdings Corp.
(formerly Umbral Energy Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
Three Month Period Ended January 31, 2018
(Stated in Canadian Dollars)
(UNAUDITED)

2. Basis of Presentation (Continued)

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 1005477 B.C. Ltd. and Umbral Energy LLC (Washington State) and a 75% interest in PhyeinMed Inc. The condensed interim financial statements of the subsidiaries are prepared using consistent accounting policies and reporting dates of the Company. All inter-company transactions and accounts have been eliminated upon consolidation.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of March 14, 2018, the date the Audit Committee approved the statements. Any subsequent changes to IFRS after this date could result in changes to the condensed interim consolidated financial statements for the period ended January 31, 2018. The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's annual financial statements and the notes thereto for the year ended October 31, 2017.

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods. Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include but are not limited to exploration and evaluation assets, oil and gas interests, share-based payments, allocation of financing proceeds, and income and mining taxes. Differences may be material.

3. Prepaid Expenses and Deposits

The Company's current prepaid expenses and advances consist of the following:

	January 31, 2018	October 31, 2017
ACMPR growing, marketing and distribution consulting fees	\$ 13,542	\$ 97,917
Stanley Park Digital Ltd. Letter of Intent advances	125,000	-
Clearview, Ontario property deposit (see Subsequent Events – Note 10)	130,000	-
Falkland property construction advances	184,041	-
Others	6,416	15,890
	\$ 458,999	\$ 113,807

Heritage Cannabis Holdings Corp.
(formerly Umbral Energy Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
Three Month Period Ended January 31, 2018
(Stated in Canadian Dollars)
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4. Marketable Securities

During the year ended October 31, 2017, the Company received 2,000,000 common shares of Equitorial Exploration Corp. ("Equitorial") in accordance with the assignment agreement of the Tule Valley and Gerlach Mineral Exploration Projects. As at October 31, 2017, the Company held 1,300,000 common shares of Equitorial with a fair market value of \$97,500. During the period ended January 31, 2018, the Company sold 1,300,000 for net proceeds of \$151,150 resulting in a realized gain of \$53,650.

5. Intangible Asset

	License Acquisition Costs
Cost	
As October 31, 2016	\$ -
Acquired through business combination	5,067,000
As at October 31, 2017 and January 31, 2018	5,067,000
Amortization	
As at October 31, 2016	-
Additions	-
As at October 31, 2017 and January 31, 2018	-
Net Book Value as at October 31, 2016	-
Net Book Value as at October 31, 2017 and January 31, 2018	\$ 5,067,000

6. Property, Buildings and Equipment

	Equipment	Buildings	Land	Total
Cost				
As October 31, 2016	\$ -	\$ -	\$ -	\$ -
Additions	-	854,076	255,000	1,109,076
Acquired through business combination	-	6,449	-	6,449
As at October 31, 2017	-	860,525	255,000	1,115,525
Additions	11,121	566,705	-	577,826
January 31, 2018	11,121	1,427,230	255,000	1,693,351
Amortization				
As at October 31, 2016	-	-	-	-
Additions	-	1,195	-	1,195
As at October 31, 2017	-	1,195	-	1,195
Additions	-	2,375	-	2,375
January 31, 2018	-	3,570	-	3,570
Net Book Value as at October 31, 2017	-	859,330	255,000	1,114,330
Net Book Value as at January 31, 2018	\$ 11,121	\$ 1,423,660	255,000	\$ 1,689,781

Heritage Cannabis Holdings Corp.
(formerly Umbral Energy Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
Three Month Period Ended January 31, 2018
(Stated in Canadian Dollars)
(UNAUDITED)

7. Share Capital and Reserve

a) Authorized

Unlimited number of common shares without par value

b) Issued

Period ended January 31, 2018:

The Company issued 4,520,000 common shares for the exercise of 4,520,000 stock options between \$0.065 and \$0.59 per share for total proceeds of \$752,800 which resulted in a transfer from share-based payment reserve to share capital of \$744,477. The Company also issued 15,659,970 common shares for the exercise of 15,659,970 warrants at \$0.06 and \$0.10 per share for total proceeds of \$1,477,977 which resulted in a transfer from share-based payment reserve to share capital of \$162,245.

Year ended October 31, 2017:

The Company issued 13,030,000 common shares for the exercise of 13,030,000 stock options between \$0.05 and \$0.08 per share for total proceeds of \$878,500 which resulted in a transfer from share-based payment reserve to share capital of \$890,076. The Company also issued 7,702,951 common shares for the exercise of 7,702,951 warrants at \$0.06 and \$0.10 per share for total proceeds of \$482,321.

The Company issued 7,000,000 common shares in accordance with the share purchase agreement for the acquisition of an additional 25% interest in PhyeinMed Inc. The common shares had a fair value of \$665,000 measured on the acquisition date. In accordance with the purchase agreement the seller entered a voluntary escrow agreement whereby the shares would be escrowed and released as to 10% on the acquisition date and 15% on the date that is every six months thereafter.

The Company completed a non-brokered private placement of 43,700,000 units for gross proceeds of \$2,622,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at \$0.10 per share for two years. A cash finders' fee of \$90,459 was paid. The Company also issued 1,515,413 broker warrants exercisable at \$0.10 per warrant for a period of two years from closing. The broker warrants were valued at \$199,580 using a Black Scholes option pricing model using the following assumptions: dividend yield of \$nil, a risk-free interest rate of 1.24%, annualized volatility of 224% and an expected life of two years. The Company also incurred a total of \$11,499 in legal fees required to close the transaction.

Heritage Cannabis Holdings Corp.
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Notes to the Condensed Interim Consolidated Financial Statements
Three Month Period Ended January 31, 2018
(Stated in Canadian Dollars)
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7. Share Capital and Reserve (Continued)

c) Warrants

The following is a summary of the changes in warrants:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, October 31, 2016	11,845,226	0.06
Granted	45,215,413	0.10
Exercised	(7,702,951)	0.06
Balance, October 31, 2017	49,357,688	\$0.10
Exercised	(15,659,970)	0.09
Balance, October 31, 2017	33,697,718	\$0.10

The following table summarizes the warrants outstanding and exercisable at January 31, 2018:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
691,635	\$0.10	March 19, 2018
191,589	\$0.06	May 16, 2018
101	\$0.10	May 16, 2018
1,037,500	\$0.06	December 20, 2018
31,776,893	\$0.10	August 30, 2019
33,697,718		

As at January 31, 2018, the weighted average remaining contractual life of all warrants outstanding was 1.52 years (October 31, 2017 – 1.73 years).

d) Stock Options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Canadian Stock Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options will be exercisable for a period to be determined by the board of Directors, but not exceeding 10 years.

Heritage Cannabis Holdings Corp.
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Notes to the Condensed Interim Consolidated Financial Statements
Three Month Period Ended January 31, 2018
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7. Share Capital and Reserve (Continued)

d) Stock Options (continued)

In connection with the foregoing, the number of common shares reserved for issuance to any technical consultant will not exceed two percent (2%) of the issued and outstanding common shares in any twelve-month period. The number of common shares reserved for issuance to individuals providing investor relation services will not exceed two percent (2%) of issued and outstanding common shares in any twelve-month period. Further, these options must vest over twelve months with a maximum of one quarter of the options vesting in any three-month period. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

During the period ended January 31, 2018, stock-based compensation in the amount of \$1,530,577 (January 31, 2017 – \$32,636) was recognized on the issuance of stock options to directors, officers and consultants.

The following is a summary of the changes in options:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, October 31, 2016	4,765,000	\$0.08
Granted	13,280,000	0.07
Exercised	(13,030,000)	0.07
Cancelled	(1,815,000)	0.08
Balance, October 31, 2017	3,200,000	\$0.09
Granted	7,850,000	0.20
Exercised	(4,520,000)	0.16
Balance, January 31, 2018	6,530,000	\$0.17

The following table summarizes the options outstanding and exercisable at January 31, 2018:

NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE
400,000	\$0.08	May 30, 2021
600,000	\$0.065	February 27, 2022
2,000,000	\$0.10	August 16, 2022
2,830,000	\$0.14	November 22, 2022
700,000	\$0.59	January 22, 2023
6,530,000		

As at January 31, 2018, the weighted average remaining contractual life of all options outstanding was 4.39 years (January 31, 2017 – 4.33 years).

Heritage Cannabis Holdings Corp.
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Notes to the Condensed Interim Consolidated Financial Statements
Three Month Period Ended January 31, 2018
(Stated in Canadian Dollars)
(UNAUDITED)

7. Share Capital and Reserve (Continued)

d) Stock Options (continued)

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted using the following assumptions:

	THREE MONTH PERIODS ENDED JANUARY 31,	
	2018	2017
Dividend yield	Nil	Nil
Annualized volatility	222 - 231%	216%
Risk-free interest rate	1.63% - 2.03%	0.91%
Expected life	5 years	5 years

e) Restricted Share Units

Subject to ratification by shareholders at the Company's next annual general meeting. The Company has adopted a restricted share unit plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Canadian Stock Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, restricted share units ("RSU's"), provided that the number of common shares reserved will not exceed 10% of the issued and outstanding common shares of the Company. The Board of Directors of the Company will establish performance conditions for the vesting of RSU's granted based on the conditions of individual grants. RSU's will be settled as either one common share per vested RSU or a cash amount equal to the vesting date value at the discretion of the Board of Directors of the Company.

During the year ended October 31, 2017, the Company granted 4,000,000 RSU's to consultants of the Company. For equity-settled awards, the fair value of the RSUs is recognized as compensation expense over the period that related services are rendered with a corresponding increase in equity. The total amount expensed is recognized over a two-year vesting period on a tranche basis, which is the period over which all the specified vesting conditions should be satisfied. These RSUs had a grant-date fair value of \$380,000.

f) Earnings (Loss) Per Share

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The basic and diluted loss per share are the same as there are no instruments that have a dilutive effect.

	THREE MONTH PERIOD ENDED JANUARY 31,	
	2018	2017
Issued shares at beginning of period	136,275,097	63,342,146
Weighted average issuances	2,563,901	135,326
Basic weighted average common shares	138,838,998	63,477,472

Heritage Cannabis Holdings Corp.
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Notes to the Condensed Interim Consolidated Financial Statements
Three Month Period Ended January 31, 2018
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7. Share Capital and Reserve (Continued)

g) Nature and Purpose of Reserve

The 'Share-based Payment Reserve' is used to recognize the fair value of stock option grants, RSU grants, and warrants prior to exercise, expiry or cancellation.

h) Shares Reserved for Issuance

During the year ended October 31, 2017, the Company entered into a Share Purchase Agreement to issue 4,000,000 common shares at a deemed price of \$0.095 per share upon final award of an ACMPR production license.

8. Related Party Transactions

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

a) Related party transactions with directors and companies with a director in common.

	THREE MONTH PERIOD ENDED JANUARY 31,	
	2018	2017
Management fees	\$ 40,000	\$ 15,000
Consulting fees	\$ 7,500	\$ -

b) Management compensation

	THREE MONTH PERIOD ENDED JANUARY 31,	
	2018	2017
Short-term employee benefits	\$ 47,500	\$ 15,000
Share-based payments	\$ 519,074	\$ 23,593

Heritage Cannabis Holdings Corp.
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Notes to the Condensed Interim Consolidated Financial Statements
Three Month Period Ended January 31, 2018
(Stated in Canadian Dollars)
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9. Non-Cash Investing and Financing Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

Three month period ended January 31, 2018:

\$744,477 was transferred from share-based payment reserves to share capital as a result of the exercise of 4,520,000 stock options. \$162,245 was transferred from share-based payment reserve to share capital as a result of the exercise of 1,244,303 broker warrants.

Three month period ended January 31, 2017:

\$32,636 was transferred from share-based payment reserves to share capital as a result of the exercise of 830,000 stock options.

10. Subsequent Events

Subsequent to January 31, 2018, the Company:

- completed an accepted offer to acquire over 100 acres of farmland in Clearview Township, near Collingwood, Ontario. Terms of the purchase include a total purchase price of \$1.3 million with a targeted closing of June 30, 2018. The Company has made a deposit of 10% of the purchase price as at January 31, 2018, with the remainder due at closing;
- initiated the process to apply for three cannabis retail store licenses in Alberta;
- Issued 7,587,133 common shares for the exercise of 7,587,133 warrants at \$0.06 and \$0.10 per share for total proceeds of \$750,713 which resulted in a transfer from share-based payment reserve to share capital of \$32,368;
- Issued 1,050,000 common shares for the exercise of 1,050,000 options at prices ranging between \$0.065 and \$0.14 per share for total proceeds of \$102,000 which resulted in a transfer from share-based payment reserve to share capital of \$103,647.