HERITAGE CANNABIS HOLDINGS CORP.

Interim Condensed Consolidated Financial Statements

Three and Six Months Ended April 30, 2021 and April 30, 2020

(Stated in Canadian Dollars, Unaudited)

HERITAGE CANNABIS HOLDINGS CORP.

Interim Condensed Consolidated Financial Statements

Three and Six Months Ended April 30, 2021 and April 30, 2020

HERITAGE CANNABIS HOLDINGS CORP.
Interim Condensed Consolidated Statements of Financial Position
As at April 30, 2021 and October 31, 2020
(Stated in Canadian Dollars, Unaudited)

	Notes		As at April 30, 2021		As at October 31, 2020
					(Note 29)
Assets					
Current					
Cash		$	8,553,373	$	1,445,659
Short-term investments	4		2,450,000		6,050,000
Sales tax recoverable			494,265		66,472
Accounts receivable	23(a),28		2,712,082		1,063,768
Inventories	5		12,148,161		5,225,365
Prepaid expenses and deposits	6		2,407,156		741,065
Convertible promissory note receivable	7		256,960		254,481
Other current assets	14(b),20		51,397		48,831
			29,073,394		14,895,641
Other investments and deposits	8		421,598		153,018
Investment in associate	9		3,143,771		3,515,379
Intangible assets and goodwill	10		84,930,674		45,298,364
Property, plant and equipment	11		21,332,630		19,569,406
Total Assets		$	138,902,067	$	83,431,808
Liabilities					
Current					
Accounts payable and accrued liabilities	20(c),23(b)	$	2,957,670	$	2,436,115
Sales tax payable			199,186		373,665
Deferred revenue			110,464		906
Current portion of long-term debt	13		5,062		519,928
Current portion of lease liabilities	12		94,407		26,182
Current portion of contingent consideration payable	14		405,527		148,311
			3,772,316		3,505,107
Lease liabilities	12		771,210		-
Long-term debt	13		5,935,523		4,070,493
Contingent consideration payable	14		13,020,000		1,362,000
Warrant liabilities	15		536,027		893,377
Deferred tax liability	19		10,868,000		5,336,000
Total Liabilities			34,903,076		15,166,977
Equity					
Share capital	16		140,275,939		96,203,173
Contributed surplus	17		5,440,705		5,417,218
Accumulated other comprehensive income (loss)	9,23(c)(i)		(257,766)		36,012
Accumulated deficit			(42,508,448)		(34,031,758)
Equity attributable to shareholders			102,950,430		67,624,645
Non-controlling interest	18		1,048,561		640,186
Total Equity			103,998,991		68,264,831
Total Liabilities and Equity		$	138,902,067	$	83,431,808

Going Concern (Note 1(a))
Commitments (Note 21)
Subsequent Events (Note 30)

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

Approved on behalf of the Board of Directors:

"Clint Sharples", CEO	"Graeme Staley"
Director	Director

HERITAGE CANNABIS HOLDINGS CORP.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

Three and Six Months Ended April 30, 2021 and April 30, 2020

(Stated in Canadian Dollars, Unaudited)

	Notes	**Three Months Ended April 30,**		**Six Months Ended April 30,**	
		2021	**2020**	**2021**	**2020**
			(Note 29)		(Note 29)
Gross Revenue	25	$ 4,604,798	$ 1,358,149	$ 6,432,071	$ 5,366,544
Excise taxes		(1,029,623)	(473,319)	(1,336,280)	(850,132)
Net Revenue		3,575,175	884,830	5,095,791	4,516,412
Cost of Sales	5	2,083,913	1,009,513	3,094,274	3,258,319
Gross Margin Before Fair Value Adjustments		1,491,262	(124,683)	2,001,517	1,258,093
Unrealized change in fair value of biological assets		-	149,985	-	149,985
Gross Margin		1,491,262	25,302	2,001,517	1,408,078
General and Administrative Expenses					
Advertising, travel and promotion		387,254	171,073	539,788	440,692
Amortization and depreciation	5,10,11	3,335,357	658,495	4,368,891	1,316,165
Management and consulting fees	20	578,468	363,969	1,047,302	867,739
Occupancy, general and administrative		905,483	690,892	1,777,762	1,204,449
Professional fees		277,159	109,851	587,129	279,035
Share-based payments	17,20	972	75,996	354,047	320,131
Salaries, wages and benefits	20,28	894,480	510,770	1,884,012	1,055,447
		6,379,173	2,581,046	10,558,931	5,483,658
Other Income (Expense)					
Interest and other income		28,171	171,217	60,248	223,520
Interest and accretion expense	12,13	(218,558)	(171,322)	(397,906)	(171,322)
Share of income (loss) from investment in associate	9	1,652	(179,020)	(111,377)	(233,306)
Unrealized gain (loss) on contingent consideration payable	14	(493,000)	516,000	(511,216)	93,000
Unrealized gain on warrant liabilities	15	40,084	-	357,350	-
		(641,651) -	336,875 -	(602,901)	(88,108)
Loss Before Taxes		(5,529,562)	(2,218,869)	(9,160,315)	(4,163,688)
Income tax recovery					
Deferred income tax recovery	19	(547,000)	(331,000)	(1,092,000)	(344,300)
		(547,000)	(331,000)	(1,092,000)	(344,300)
Net Loss		$ (4,982,562)	$ (1,887,869)	$ (8,068,315)	$ (3,819,388)
Other comprehensive income (loss) that may be reclassified to net loss					
Gain (loss) on foreign currency translation	9,23(c)(i)	(168,449)	205,933	(293,778)	119,186
Comprehensive Loss		$ (5,151,011)	$ (1,681,936)	$ (8,362,093)	$ (3,700,202)
Comprehensive Income (Loss) attributed to:					
Shareholders of the Company		$ (5,436,280)	$ (1,583,112)	$ (8,770,468)	$ (3,788,592)
Non-controlling interest	18	285,269	(98,824)	408,375	88,390
		$ (5,151,011)	$ (1,681,936)	$ (8,362,093)	$ (3,700,202)
Weighted average number of outstanding shares, basic and diluted	22	711,284,988	473,718,024	610,295,286	473,718,024
Basic and diluted loss per share	22	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)

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

HERITAGE CANNABIS HOLDINGS CORP.
Interim Condensed Consolidated Statements of Changes in Equity
Six Months Ended April 30, 2021 and April 30, 2020
(Stated in Canadian Dollars, Unaudited)

	Notes	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-controlling Interest	Total
Balance at October 31, 2019		473,718,024	$ 93,191,673	$ 5,048,986	$ -	$ (25,344,005)	$ 585,204	$ 73,481,858
Share-based payments - vesting of options	17(b)	-	-	291,467	-	-	-	291,467
Share-based payments - vesting of restricted shares	17(c)	-	-	28,664	-	-	-	28,664
Comprehensive income (loss) for the period		-	-	-	119,186	(3,907,778)	88,390	(3,700,202)
Balance at April 30, 2020		473,718,024	$ 93,191,673	$ 5,369,117	$ 119,186	$ (29,251,783)	$ 673,594	$ 70,101,787
Balance at October 31, 2020		496,136,722	$ 96,203,173	$ 5,417,218	$ 36,012	$ (34,031,758)	$ 640,186	$ 68,264,831
Share-based payments - vesting of options	17(b)	-	-	3,354	-	-	-	3,354
Share-based payments - issuance of restricted shares	16(b),17(c)	2,191,831	350,693	-	-	-	-	350,693
Exercise of options	16(b),17(b)	2,549,644	828,259	(578,259)	-	-	-	250,000
Restricted shares issued for debt and services	16(b),17(c)	2,884,797	342,142	-	-	-	-	342,142
Shares issued for debt and services	16(b)	170,000	22,100	-	-	-	-	22,100
Shares issued as purchase consideration for Premium 5 acquisition	3,16(b)	180,156,643	30,626,629	-	-	-	-	30,626,629
Issuance of units, net of issuance costs	16(b),17(a)	98,900,000	11,902,943	598,392	-	-	-	12,501,335
Comprehensive income (loss) for the period	9,18,23(c)(i)	-	-	-	(293,778)	(8,476,690)	408,375	(8,362,093)
Balance at April 30, 2021		782,989,637	$ 140,275,939	$ 5,440,705	$ (257,766)	$ (42,508,448)	$ 1,048,561	$ 103,998,991

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

HERITAGE CANNABIS HOLDINGS CORP.
Interim Condensed Consolidated Statements of Cash Flows
Six Months Ended April 30, 2021 and April 30, 2020
(Stated in Canadian Dollars, Unaudited)

	Notes	Six Months Ended April 30, 2021	2020 (Note 29)
Operating Activities			
Net loss for the period		$ (8,068,315)	$ (3,819,388)
Items not affecting cash:			
Amortization and depreciation	10,11	4,368,891	1,316,165
Depreciation in cost of sales	10,11	251,814	172,006
Unrealized change in fair value of biological assets		-	(149,985)
Capitalized depreciation recognized in cost of sales		295,693	-
Loss on disposal of property, plant and equipment	11	-	805
Deferred income tax recovery	19	(1,092,000)	(344,300)
Non-cash items included in interest and other income		(2,479)	(1,966)
Non-cash interest and accretion expense	12,13	184,926	55,541
Share-based payments	17(b)(c)	354,047	320,131
(Gain) on debt settlement	16(b)	(5,900)	-
Share of loss from investment in associate	9	111,377	233,306
Unrealized loss (gain) on contingent consideration payable	14	511,216	(93,000)
Unrealized (gain) on warrant liabilities	15	(357,350)	-
Unrealized foreign exchange (gain)	9,23(c)(i)	(13,806)	-
		(3,461,886)	(2,310,685)
Net changes in non-cash working capital, net of business combination:			
Sales tax recoverable		(325,414)	424,479
Accounts receivable		(1,094,503)	(4,303,888)
Inventories		(3,718,919)	2,102,280
Prepaid expenses and deposits		(1,647,334)	(1,097,741)
Other current assets		367,064	424
Other investments and deposits		(268,580)	-
Accounts payable and accrued liabilities		(179,188)	(3,314,376)
Sales tax payable		(174,479)	-
Deferred revenue		109,558	(722,634)
Cash Flows Used in Operating Activities		(10,393,681)	(9,222,141)
Investing Activities			
Acquisition of property, plant and equipment	11	(1,331,154)	(1,083,022)
Proceeds from disposal of property, plant and equipment	11	-	2,350
Issuance of convertible promissory note receivable	7	-	(250,000)
Cash acquired from business combination	3	1,281,341	-
Redemptions of short-term investments	4	3,600,000	5,000,000
Cash Flows Provided by Investing Activities		3,550,187	3,669,328
Financing Activities			
Proceeds from exercise of options	16(b),17(b)	250,000	-
Proceeds from issuance of units, net of cash-settled issuance costs	16(b),17(a)	12,501,335	-
Principal payments on lease obligation	12	(14,133)	(13,445)
Principal payments on long-term debt, net of cash-settled transaction costs	13	(4,674,561)	(2,126)
Proceeds from long-term debt, net of cash-settled transaction costs	13(c)	5,888,567	4,363,949
Cash Flows Provided By Financing Activities		13,951,208	4,348,378
Net Increase (Decrease) in Cash During the Period		7,107,714	(1,204,435)
Cash, Beginning of Period		1,445,659	2,486,466
Cash, End of Period		$ 8,553,373	$ 1,282,031

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

Supplementary information			
Interest received		$ 46,027	$ 105,197
Interest paid	12,13	$ 212,980	$ -
Shares and restricted shares for debt and services	16(b),17(c)	$ 364,242	$ -
Shares issued for Premium 5 acquisition	3,16(b)	$ 30,626,629	$ -
Non-cash share issuance costs	16(b),17(a)	$ 598,392	$ -
Income taxes paid		$ -	$ -

Nature of business

Heritage Cannabis Holdings Corp. (the “Company”) is a 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 Suite 600-77 Bloor Street West, Toronto, Ontario, Canada, M5S 1M2 and the registered office of the Company is located at Suite 1500-1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

The Company is a vertically integrated cannabis business. In Canada, through its subsidiaries, Voyage Cannabis Corp. ("Voyage") and CannaCure Corporation ("CannaCure"), the Company holds licenses under the Cannabis Act (Canada) and its relevant regulations. Voyage, a holder of a cultivation, processing, medicinal and adult use, and cannabis oil sales licenses, as well as an industrial hemp license, operates out of a 15,500 square foot facility in Falkland, British Columbia. CannaCure, a holder of a cultivation, processing and medicinal and adult use sales license, as well as an industrial hemp license, operates out of a 122,000 square foot facility in Fort Erie, Ontario. Purefarma Solutions Inc. ("Purefarma"), a wholly-owned subsidiary, provides the Company with the experience and know-how necessary to manufacture, refine and formulate cannabis oils. CALYX Life Sciences Corp., a wholly-owned subsidiary, creates products and services aimed at providing an integrative approach to cannabinoid therapy for healthcare consumers and healthcare practitioners. On January 25, 2021, the Company acquired 100% of Premium 5 Ltd., a Canada-based recreational and medical cannabis company in high-quality full spectrum concentrates. In the United States, the Company operates under Opticann, Inc., a Colorado based oral and topical cannabinoid company.

1. Basis of presentation

(a) Going concern

Although the Company was awarded licenses and has invested resources into its business, the Company is not yet generating positive cash flows from operations and as such, it must rely, in part, on equity and debt 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, public offerings to institutional investors, and issuances of long-term debt.

These interim condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes that 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 incurred a net loss of $8,068,315 for the six months ended April 30, 2021 (for the six months ended April 30, 2020 - $3,819,388), and had an accumulated deficit of $42,508,448 as at April 30, 2021 (as at October 31, 2020 - $34,031,758). The Company’s ability to arrange additional financing in the future depends, in part, on the prevailing capital market conditions. These factors indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

The interim condensed 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 interim condensed consolidated financial statements.

1. Basis of presentation (continued)

(b) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). The accounting policies adopted in preparing these interim condensed consolidated financial statements are consistent with those applied in the Company's audited annual consolidated financial statements and notes as at and for the year ended October 31, 2020, except for the adoption of new accounting standards and policies described in Note 2. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

These interim condensed consolidated financial statements do not conform in all respects to the requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for annual financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements and notes as at and for the year ended October 31, 2020.

These interim condensed consolidated financial statements were approved by the Board of Directors on June 28, 2021.

(c) Basis of measurement

These interim condensed consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for acquisition-related contingent consideration payable, investment in 1186366 B.C. Ltd., convertible promissory note receivable and warrant liabilities which are measured at fair value. These interim condensed consolidated financial statements have been prepared on an accrual basis except for cash flow information.

(d) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars ("CDN") unless otherwise noted. The functional currency of Heritage US Holdings Corp., Heritage (US) Cali Corp., Heritage (US) Oregon Corp., Heritage (US) Colorado Corp., Opticann, Inc. and Endocanna Health, Inc. ("Endocanna") is the U.S. dollar ("USD"). The functional currency of the remaining entities is the Canadian dollar.

(e) Basis of consolidation

These interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries, with intercompany balances and transactions eliminated on consolidation. Subsidiaries are those entities over which the Company has control, which exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and is exposed to the variable returns from its activities. As of April 30, 2021, subsidiaries over which the Company has control are listed below.

(Stated in Canadian Dollars, Unaudited)

1. Basis of presentation (continued)

(e) Basis of consolidation (continued)

Subsidiaries	Ownership Percentage	Jurisdiction of Incorporation
CannaCure Corporation	100%	Ontario, Canada
Purefarma Solutions Inc.	100%	British Columbia, Canada
CALYX Life Sciences Corp.	100%	British Columbia, Canada
1005477 B.C. Ltd.	100%	British Columbia, Canada
Voyage Cannabis Corp.	75%	British Columbia, Canada
Mainstrain Market Ltd.	75%	British Columbia, Canada
333 Jarvis Realty Inc.	100%	Ontario, Canada
Heritage US Holdings Corp.	100%	Delaware, United States
Heritage (US) Cali Corp.	100%	California, United States
5450 Realty Inc.	100%	British Columbia, Canada
Heritage (US) Oregon Corp.	100%	Oregon, United States
Heritage Cannabis Exchange Corp.	100%	Ontario, Canada
Heritage (US) Colorado Corp.	100%	Delaware, United States
Opticann, Inc.	100%	Colorado, United States
Premium 5 Ltd.	100%	Alberta, Canada

Certain subsidiaries are controlled, indirectly, through other subsidiaries.

During the six months ended April 30, 2021, the Company acquired all the issued and outstanding shares of Premium 5 Ltd (January 25, 2021). Refer to Note 3.

(f) Estimates and critical judgements made by management

The preparation of these interim condensed 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 interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The interim condensed consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim condensed 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. While management believes that the estimates are reasonable, actual results could differ materially from those estimates and may impact the future results of operations.

1. Basis of presentation (continued)

(g) COVID-19 Estimation Uncertainty

In March 2020, the World Health Organization declared the outbreak of the novel strain of coronavirus ("COVID-19"), a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, had an impact on the Company's operations from the second quarter of 2020. As at April 30, 2021, management did not identify any impairment indicators that suggest material impairment of the Company's assets or a significant change in the fair value of the assets due to COVID-19.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's interim condensed consolidated financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

2. New accounting standards and pronouncements

(a) Adoption of Amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. The Company has adopted these amendments as of November 1, 2020 and has assessed no significant impact as a result of adoption.

(b) Amendment to IAS 1, Presentation of Financial Statements, Issued but not Yet Effective

IAS 1 was amended in January 2020 to address inconsistences with how entities apply the standard over classification of current and non-current liabilities. The amendment serves to address whether, in the statement of financial position, debt and other liabilities with an uncertain settlement should be classified as current or non-current. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted. The Company will adopt this amendment as of the effective date, and is currently assessing the impacts of adoption.

2. New accounting standards and pronouncements (continued)

(c) Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, Issued but not Yet Effective

IAS 37 was amended in May 2020 to clarify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. Earlier adoption is permitted. The Company will adopt the amendment as of the effective date, and is currently assessing the impacts of adoption.

(d) Amendment to IAS 16, Property, Plant and Equipment, Issued but not Yet Effective

IAS 16 was amended in May 2020 to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. Earlier adoption is permitted. The Company will adopt the amendment as of the effective date, and is currently assessing the impacts of adoption.

3. Business combination

On January 25, 2021, the Company, through a wholly-owned subsidiary ("TransactionCo"), entered into a three-cornered amalgamation which resulted in the acquisition of all of the issued and outstanding shares of Premium 5 Ltd. ("Premium 5"), a Canada-based recreational and medical cannabis company in high-quality full spectrum concentrates. The amalgamation was completed on the same day, and the resulting amalgamated company changed its name to Premium 5 Ltd. The Company acquired Premium 5 as a strategic maneuver to leverage their distribution channels, brand recognition, and financial synergies.

Aggregate purchase consideration payable for all the outstanding and issued common shares in Premium 5 includes:

(a) 150,000,000 common shares of the Company (“Heritage Common Shares”) issued with a fair value of $25,500,000, determined based on the closing share price of the Company at the acquisition date;

(b) 30,156,643 Heritage Common Shares issued as additional compensation for Premium 5’s excess working capital, with a fair value of $5,126,629 determined based on the closing share price of the Company at the acquisition date;

(c) Contingent performance payments payable in Heritage Common Shares, with a potential value of up to $15,000,000, based on a fixed percentage of the excess gross revenue over $7,000,000 derived from certain products within the twelve months following the acquisition date (“First Performance Milestone”). The fair value of such contingent performance payments was determined as $11,404,000, representing the probability-weighted discounted value of subsequent share issuances based on management's best estimate of the Company’s ability to generate gross revenue over the First Performance Milestone Period; and

(d) Contingent performance payment in the amount of $5,000,000, payable in Heritage Common Shares, upon the Company’s ability to achieve certain average gross margin target across all recreational products within the second twelve months following the acquisition date (“Second Performance Milestone”). The fair value of such contingent performance payment was determined as $nil, reflecting the probability of meeting the average gross margin target within the contractual term based on management’s best estimates.

(Stated in Canadian Dollars, Unaudited)

3. Business combination (continued)

Refer to Note 14 (d) for management's subsequent valuation of above contingent performance payments.

Management determined that the assets and processes comprised a business and therefore accounted for the transaction as a business combination using the acquisition method of accounting. The following table summarizes the fair value of the consideration transferred and the preliminary estimated fair values of the major classes of assets acquired and liabilities assumed at the acquisition date. The Company will finalize the purchase price allocation within one year of the acquisition date.

Total consideration paid		
180,156,643 Heritage Common Shares	$	30,626,629
Contingent performance payments (Note 14)		11,404,000
		42,030,629
Fair value of identifiable net assets acquired		
Cash		1,281,341
Accounts receivable		553,811
Sales tax recoverable		102,379
Inventories		3,327,284
Prepaid expenses and deposits		18,757
Advances to the Company		369,631
Property, plant and equipment (Note 11)		833,818
Brand (Note 10)		23,800,000
Distribution rights (Note 10)		5,000,000
Accounts payable and accrued liabilities		(1,042,885)
Lease liability (Note 12)		(546,344)
Net assets, excluding deferred taxes		33,697,792
Purchased goodwill		8,332,837
Deferred tax liability (Note 19)		6,624,000
Goodwill recognized (Note 10)	$	14,956,837

Goodwill represents expected synergies, future income and growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The fair value of intangible assets acquired has been determined using valuation techniques that require estimation of future earnings, future net cash flows, and discount rates. Changes in estimates and assumptions used could have a material impact on the amount of goodwill recorded and the amount of depreciation and amortization expense recognized in earnings for depreciable assets in future periods.

During the six months ended April 30, 2021, Premium 5 generated $17,908 in trade revenues and incurred a comprehensive loss of $69,723, net of intercompany sales, since January 25, 2021. If the acquisition had been completed on November 1, 2020, the Company estimated it would have generated $33,763 in trade revenues and incurred a comprehensive loss of $131,457, net of intercompany sales, for the six months ended April 30, 2021.

(Stated in Canadian Dollars, Unaudited)

4. Short-term investments

As at April 30, 2021, short-term investments consisted of $2,450,000 (as at October 31, 2020 - $6,050,000) in guaranteed investment certificates maintained with a Canadian chartered bank. The carrying value of these short-term investments approximates their fair value as at April 30, 2021 due to the short term to maturity. Of the total balance, $50,000 is restricted and held as security against the Company's corporate credit card (as at October 31, 2020 - $50,000).

5. Inventories

	As at April 30, 2021	As at October 31, 2020
Supplies and packaging materials	$ 2,173,668	$ 363,587
Dried cannabis and hemp	1,772,533	1,431,309
Manufacturing work in progress	2,235,257	2,930,075
Finished goods	5,907,674	498,174
Other	59,029	2,220
	$ 12,148,161	$ 5,225,365

During the three and six months ended April 30, 2021, inventories expensed to cost of sales was $1,998,473 and $2,608,220, respectively (during the three and six months ended April 30, 2020 - $64,401 and $1,399,907, respectively). As at April 30, 2021, $467,979 (as at October 31, 2020 - $591,385) of capitalized depreciation remained in inventories.

6. Prepaid expenses and deposits

	As at April 30, 2021	As at October 31, 2020
Inventory deposits	$ 1,365,748	$ 497,168
Prepaid insurance and consulting	246,317	29,592
Equipment deposits	225,191	14,800
Marketing	191,405	90,780
Other prepaid expenses	378,495	108,725
	$ 2,407,156	$ 741,065

7. Convertible promissory note receivable

In December 2019, the Company negotiated a promissory note from Empower Healthcare Assets Inc. ("Empower Health") for $250,000, bearing interest at 2% per annum on the outstanding principal. The promissory note is due on demand. The promissory note is guaranteed by Empower Health and Empower Clinics Inc. ("Empower Clinics"), an affiliated company of Empower Health. At the Company's option, the promissory note is convertible into the shares of Empower Clinics based on the value of the shares at the closing price the day before the conversion, or into the equity interest in the joint venture to be formed between the Company and Empower Health.

The convertible promissory note receivable is classified and measured at fair value through profit and loss ("FVTPL"). As at April 30, 2021, the convertible promissory note receivable had a fair value of $256,960 (as at October 31, 2020 - $254,481).

(Stated in Canadian Dollars, Unaudited)

8. Other investments and deposits

	As at April 30, 2021	As at October 31, 2020
Refundable deposit for development costs (i)	$ 106,104	$ 106,104
Investment in 118366 B.C. Ltd. (ii)	35,875	46,914
Long-term deposits	279,619	-
	$ 421,598	$ 153,018

(i) On February 16, 2018, CannaCure, entered into an agreement with its municipality to conduct land development where its production facility is located. As part of this agreement, CannaCure deposited with the municipality a $106,104 refundable letter of credit to guarantee the completion of these land development costs. In the event that the cost of the work is less than the letter of credit, the municipality shall return any excess funds. In the event that the cost of the work is more than the letter of credit, the municipality may collect the deficiency on demand or in like manner as municipal taxes.

(ii) On June 15, 2020, the Company received 76,923 common shares of 118366 B.C. Ltd. at a price of $0.61 per share as settlement of $46,914 accounts receivable for storage and other services provided. As a result, the Company acquired 5% interest in 118366 B.C. Ltd. As at April 30, 2021, the fair value of the investment was determined as $35,875 (as at October 31, 2020 - $46,914) based on management's best estimates.

9. Investment in associate

On July 26, 2019, the Company acquired a 30% strategic interest in Endocanna, a company based in California, U.S.A. that develops saliva collection kits used in identifying genetic variants to facilitate cannabinoid formulation and dosing decisions.

A reconciliation of the carrying amount of the investment is detailed below:

Balance at October 31, 2020	$ 3,515,379
Share of net loss	(111,377)
Foreign currency translation	(260,231)
Balance at April 30, 2021	$ 3,143,771

(Stated in Canadian Dollars, Unaudited)

10. Intangible assets and goodwill

	Licenses	Distribution rights	Intellectual property	Brand	Goodwill (i)	Total
Cost						
At November 1, 2020	$ 31,863,658	$ -	$ 7,250,000	$ 612,500	$ 9,191,433	$ 48,917,591
Acquisition (Note 3)	-	5,000,000	-	23,800,000	14,956,837	43,756,837
Foreign currency translation	(19,740)	-	-	-	-	(19,740)
At April 30, 2021	$ 31,843,918	$ 5,000,000	$ 7,250,000	$ 24,412,500	$ 24,148,270	$ 92,654,688
Accumulated Amortization						
At November 1, 2020	$ 2,302,511	$ -	$ 1,044,794	$ 271,922	$ -	$ 3,619,227
Additions	1,149,729	429,452	359,522	2,166,084	-	4,104,787
At April 30, 2021	$ 3,452,240	$ 429,452	$ 1,404,316	$ 2,438,006	$ -	$ 7,724,014
Net book value at October 31, 2020	**$ 29,561,147**	**$ -**	**$ 6,205,206**	**$ 340,578**	**$ 9,191,433**	**$ 45,298,364**
Net book value at April 30, 2021	**$ 28,391,678**	**$ 4,570,548**	**$ 5,845,684**	**$ 21,974,494**	**$ 24,148,270**	**$ 84,930,674**

The details of individually material intangible assets are as follows:

	Carrying Amount		
Description	As at April 30, 2021	As at October 31, 2020	Remaining Amortization Period
Voyage processing and sales licenses	$ 4,434,665	$ 4,560,299	Approximately 17 years
CannaCure cultivation, processing and sales licenses	20,864,109	21,438,598	Approximately 17 years
Purefarma intellectual property	5,845,684	6,205,206	Approximately 7 years
Opticann license	3,092,904	3,562,250	Approximately 3 years
Premium 5 distribution rights (Note 3)	4,570,548	-	Approximately 3 years
Premium 5 brand (Note 3)	21,735,160	-	Approximately 3 years

(i) Below is a reconciliation of changes in the goodwill balance:

	Purefarma	CannaCure	Voyage	Premium 5	Total
As at October 31, 2020	$ 2,711,016	$ 5,622,278	$ 858,139	$ -	$ 9,191,433
Acquired through business combination (Note 3)	-	-	-	14,956,837	14,956,837
As at April 30, 2021	$ 2,711,016	$ 5,622,278	$ 858,139	$14,956,837	$ 24,148,270

(Stated in Canadian Dollars, Unaudited)

11. Property, plant and equipment

		Equipment		Buildings and improvements		Land		Total
Cost								
At October 31, 2020	$	6,971,560	$	13,636,149	$	930,157	$	21,537,866
IFRS 16 adjustment (Note 12)		-		286,456		-		286,456
Acquisitions from business combination (Note 3)		244,539		589,279		-		833,818
Additions		1,173,773		157,381		-		1,331,154
At April 30, 2021	$	8,389,872	$	14,669,265	$	930,157	$	23,989,294
Accumulated Depreciation								
At October 31, 2020	$	935,348	$	1,033,112	$	-	$	1,968,460
Additions		355,388		332,816		-		688,204
At April 30, 2021	$	1,290,736	$	1,365,928	$	-	$	2,656,664
Net book value at October 31, 2020	**$**	**6,036,212**	**$**	**12,603,037**	**$**	**930,157**	**$**	**19,569,406**
Net book value at April 30, 2021	**$**	**7,099,136**	**$**	**13,303,337**	**$**	**930,157**	**$**	**21,332,630**

Below is a reconciliation of changes in the right-of-use assets, which are included in the buildings and improvements balance based on the nature of their underlying assets:

		Right-of-use assets
Cost		
At October 31, 2020	$	53,412
Additions (Note 12)		286,456
Acquisitions from business combination (Note 3)		589,279
At April 30, 2021	$	929,147
Accumulated Depreciation		
At October 31, 2020	$	29,134
Additions		37,108
At April 30, 2021	$	66,242
Net book value at October 31, 2020	**$**	**24,278**
Net book value at April 30, 2021	**$**	**862,905**

As at April 30, 2021, assets included in improvements and equipment that were not available for use and therefore not depreciated, amounted to $1,747,596 and $1,037,192 (as at October 31, 2020 - $1,747,596 and $1,037,192) respectively.

As at April 30, 2021 and October 31, 2020, substantially all of the Company's property, plant and equipment was domiciled in Canada.

(Stated in Canadian Dollars, Unaudited)

12. Lease liabilities

During the year ended October 31, 2020, the Company had an office lease with a fixed monthly lease payment of $2,430 until September 30, 2021. In January 2021, as part of the Premium 5 acquisition described in Note 3, the Company acquired an office lease, with an escalating monthly lease payment of $7,123 until April 22, 2031. At the acquisition date, the Company re-measured the lease liability at the present value of the remaining lease payments as if the lease were a new lease at the acquisition date. In March 2021, the Company entered into another lease for office space with an escalating monthly lease payment of $5,811 until April 30, 2026, the end of the initial term, with a subsequent renewal through April 30, 2031. The Company applied a discount rate of 10% in the calculation of lease liabilities for the new leases entered into during the six months ended April 30, 2021 (during the year ended October 31, 2020 – 6%).

The following is a continuity of lease liabilities:

Balance at October 31, 2020	$	26,182
Acquired through business combination (Note 3)		546,344
Addition		286,456
Interest expense		21,215
Lease payments		(14,580)
Balance at April 30, 2021		865,617
Less: current portion		(94,407)
Long-term portion	$	771,210

Future undiscounted lease payments for these leases, excluding certain operating expenses such as common area maintenance fees which are excluded from lease liabilities, are as follows:

	<1 year	2-5 years	> 5 years
Contractual cash flows	$ 167,350	$ 639,728	$ 454,300

During the three and six months ended April 30, 2021, the Company has recognized rent expenses of $21,059 and $45,407, respectively, in the profit or loss in relation to the short-term leases, low-value leases and variable lease payments which were excluded from the measurement of lease liabilities (three and six months ended April 30, 2020 - $49,897 and $87,799, respectively).

13. Long-term debt

	As at April 30, 2021	As at October 31, 2020
(a) Term loan - non-interest bearing, principal-only payments of $585 per month, 6-year term, maturing in January 2025	$ 21,887	$ 24,235
(b) Term loan - bearing interest at 9.5% per annum, monthly interest-only payments prior to January 31, 2021 and monthly principal payments of $85,000 plus monthly interest from February 2021 to January 2022 with remaining balance due on maturity date, 24-month term, maturing in January 2022, early paid off in March 2021	-	4,566,186
(c) Term loan – bearing interest at Canadian prime rate plus 1.25% per annum, monthly interest-only payments, 18-month term, maturing in September 2022	5,918,698	-
	5,940,585	4,590,421
Less: current portion	(5,062)	(519,928)
Long-term portion	$ 5,935,523	$ 4,070,493

(Stated in Canadian Dollars, Unaudited)

13. Long-term debt (continued)

(a) The effective interest at a rate of 10% per annum has been imputed on the term loan, determined based on the Company's incremental cost of borrowing at the time of initial recognition. At April 30, 2021, the face value of the term loan was $26,336 (as at October 31, 2020 - $29,848) and the carrying value of the underlying equipment that serves as security for the loan was $26,803 (as at October 31, 2020 - $27,792).

(b) On January 30, 2020, the Company entered into a 24-month loan agreement for a maximum amount of $6,700,000, among which the first tranche of $4,875,000 had been advanced to the Company as at October 31, 2020, with the second tranche of $1,825,000 becoming available upon the earlier of (i) the issuance of a Health Canada sales license to CannaCure or Voyage, or (ii) the Company achieving consolidated revenues of $7,500,000. The Company may, at any time prior to maturity, request an increase in credit in the aggregate amount of up to $2,300,000, to be provided at the sole discretion of the creditor. On September 29, 2020, the Company amended the loan agreement. The amendments replaced the original interest-only repayment schedule by monthly principal repayments of $85,000 plus interest from February 2021 to January 2022 with remaining balance due on maturity date. The amendments also added a clause that the advance of the second tranche of $1,825,000 shall be at the creditor's sole and absolute discretion. To maintain the term loan, the Company is required to meet certain working capital ratios.

The term loan is secured by the following:

(i) A general security agreement from the Company and various guarantors, including all wholly-owned subsidiaries of the Company;
(ii) a pledge by the Company and each guarantor of all securities in all of their present and future subsidiaries;
(iii) an assignment of material contracts, licenses, and insurance agreements granted by the Company and each guarantor; and
(iv) a mortgage in respect of certain real properties owned by the Company.

On March 31, 2021, the Company entered into a refinance agreement described in Note 13 (c) and repaid the outstanding balance of the term loan in full.

Below is a reconciliation of changes in the carrying amount of the term loan:

Balance at October 31, 2020	$	4,566,186
Repayments, net of transaction costs		(4,863,163)
Interest expense		190,950
Accretion		106,027
Balance at April 30, 2021	$	-

(Stated in Canadian Dollars, Unaudited)

13. Long-term debt (continued)

(c) On March 31, 2021, the Company, along with its subsidiaries CannaCure Corporation, 333 Jarvis Realty Inc., Voyage Cannabis Corp. and 5450 Realty Inc., (together the "Borrowers") refinanced the existing term loan described in Note 13(b) by entering into a 18-month refinance agreement for $7,000,000. The effective interest rate implicit in the term loan is 10%.

The term loan is secured by the following:

(i) A promissory note in the amount of $7,000,000;
(ii) mortgages and assignments of rents over certain properties owned by the Company;
(iii) an environmental indemnity agreement;
(iv) an encumbrance and charge of all of the Borrowers' right, title and interest in the Borrowers' present and future personal property and assets by way of a general security agreement;
(v) an assignment of proceeds from the Borrowers' sales;
(vi) assignments and postponements of creditors' claims from creditors of the Borrowers;
(vii) joint and several unlimited guarantees inclusive of assignments and postponements of creditors' claims from each of the guarantors, including five of the Company's remaining subsidiaries (together the "Guarantors");
(viii) general security agreements from the Borrowers and Guarantors inclusive of serial specific registration on certain assets;
(ix) a pledge by the Company, each of its subsidiaries and all the investees in which the Company holds interests;
(x) an assignment of material contracts and insurance agreements granted by the Company and each guarantor; and
(xi) solicitors' opinions for Borrowers.

Below is a reconciliation of changes in the carrying amount of the term loan:

Proceeds from term loan	$	7,000,000
Transaction costs, cash-settled		(1,111,433)
Transaction costs, equity-settled (Note 16(b))		(28,000)
Balance at inception of the term loan		5,860,567
Interest payments		(21,583)
Interest expense		21,583
Accretion		58,131
Balance at April 30, 2021	$	5,918,698

14. Contingent consideration payable

Balance at October 31, 2020	$	1,510,311
Issued in Premium 5 acquisition (Note 3)		11,404,000
Loss from remeasurement		511,216
Balance at April 30, 2021		13,425,527
Less: current portion		(405,527)
Long-term portion	$	13,020,000

14. Contingent consideration payable (continued)

(a) Contingent consideration issued in Purefarma acquisition, equity-settled

On December 14, 2018, the Company acquired all the issued and outstanding shares of Purefarma Solutions Inc. ("Purefarma"). In connection with the acquisition, the Company is required to make certain pro-rata earn-out payments, payable in shares, to former shareholders of Purefarma as additional purchase consideration. These payments are based on Purefarma's ability to meet certain extraction-related cumulative gross margin targets, as follows:

Upon Purefarma achieving a cumulative gross margin of $25,000,000 for the period commencing on December 14, 2018 and ending on December 31, 2023, the Company will issue 2,500,000 common shares to the former shareholders of Purefarma.

Upon Purefarma achieving a cumulative gross margin of $50,000,000 for the period commencing on December 14, 2018 and ending on December 31, 2023, the Company will issue 3,500,000 common shares to the former shareholders of Purefarma.

Upon Purefarma achieving a cumulative gross margin of $75,000,000 for the period commencing on December 14, 2018 and ending on December 31, 2023, the Company will issue 4,500,000 common shares to the former shareholders of Purefarma; if Purefarma achieves such cumulative gross margin of $75,000,000 before December 31, 2021, an additional 1,350,000 common shares will be issued to the former shareholders of Purefarma; and

Upon Purefarma achieving a cumulative gross margin of $100,000,000 for the period commencing on December 14, 2018 and ending on December 31, 2023, the Company will issue 5,500,000 common shares to the former shareholders of Purefarma; if Purefarma achieves such cumulative gross margin of $100,000,000 before December 31, 2022, an additional 1,100,000 common shares will be issued to the former shareholders of Purefarma.

The total acquisition-date fair value of the equity-settled contingent consideration was apportioned in two. One portion was considered to be payable in a variable number of shares and was therefore classified as a financial liability. The remainder was considered to be payable in a fixed number of shares and was thus classified as equity. The balance being described in this note relates to the financial liability.

The period-end balance represents the probability-weighted discounted value of subsequent share issuances expected to occur between April 30, 2021 and December 31, 2023, based on management's best estimate of the probability of Purefarma meeting each of the cumulative gross margin targets. Over the contractual term, the total cumulative earn-out could range from nil shares (undiscounted value of $nil) to 18,450,000 shares (undiscounted value of $3,321,000 at a stock price of $0.18 on the payout dates per Heritage Common Share based on the management’s best estimates).

14. Contingent consideration payable (continued)

(b) Contingent consideration issued in Purefarma acquisition, cash-settled

The Company is required to make certain performance payments, in cash, to a company controlled by the former shareholders of Purefarma as additional purchase consideration. The remaining performance payments are based on a fixed percentage of the gross margin generated by the extraction business, as follows:

(a) 6% of extraction-generated gross margin for Purefarma's fiscal year 2021; and
(b) 3% of extraction-generated gross margin for Purefarma's fiscal year 2022.

Prior to the acquisition during the Company's year ended October 31, 2019, the fiscal year end of Purefarma was December 31st. Purefarma's fiscal year end was then changed to coincide with that of the Company. As a result, a pro-rated catch-up payment may be required in December of 2022.

Additional performance payments may be required based on certain geographical scope parameters.

As at April 30, 2021, a balance of $48,831 (as at October 30, 2020 - $48,831) was outstanding from a corporation controlled by the former shareholders of Purefarma, including an active director of the Company. The director has the ability to exercise significant influence over the corporation in question. This balance is intended to be offset against the first payment made under the terms of the contingent consideration detailed above. The balance is unsecured, non-interest bearing, has no fixed terms of repayment and is included in other current assets in the consolidated statement of financial position.

(c) Contingent consideration issued in Voyage acquisition, cash-settled

In October of 2014, the Company entered into an agreement with the non-controlling shareholder of Voyage, the terms of which state that the non-controlling shareholder has the right to require the Company to purchase from it certain preferred shares in Voyage. The non-controlling shareholder has the ability to exercise this right upon Voyage meeting certain license procurement and the cumulative earnings before interest, taxes, depreciation and amortization (“EBITDA”) milestones of $1.5 million and $2.5 million, respectively. If all milestones were met and the non-controlling shareholder exercised its right, the Company would be required to purchase these shares for total consideration of $550,000.

During the year ended October 31, 2019, the first milestone of the license procurement was reached and the Company paid total proceeds of $150,000 in cash to purchase 150,000 preferred shares in Voyage from the non-controlling shareholder.

As at April 30, 2021, management recognized the fair value of contingent consideration payable in an amount of $321,000 in relation to Voyage acquisition, reflecting the high probability of meeting the remaining EBITDA milestones. The discount rate used was 15.8%, based on management’s best estimates of cost of capital over the contractual term. If the discount rate decreased by 5%, the estimated fair value of the contingent consideration would increase by $22,000. If the discount rate increased by 5%, the estimated fair value of the contingent consideration would decrease by $20,000.

(Stated in Canadian Dollars, Unaudited)

14. Contingent Consideration Payable (continued)

(d) Contingent consideration issued in Premium 5 acquisition, equity-settled

As detailed in Note 3, the Company is required to issue additional Heritage Common Shares upon the achievement of the First Performance Milestone and the Second Performance Milestone over the next twenty-four months. As at April 30, 2021, management assessed no significant changes since acquisition in the inputs and underlying assumptions applied in the valuation of the contingent consideration payments for each performance milestone payment based on management's best estimates. The change in the fair value of the contingent consideration payable since acquisition is a result of discount effect.

The following is a continuity of contingent consideration payable:

	Purefarma	Voyage	Premium 5	Total
Balance at October 31, 2020	$ 1,110,311	$ 400,000	$ -	$ 1,510,311
Addition from Premium 5 acquisition (Note 3)	-	-	11,404,000	11,404,000
Unrealized loss (gain) from changes in fair value	147,216	(79,000)	443,000	511,216
Balance at April 30, 2021	$ 1,257,527	$ 321,000	$ 11,847,000	$ 13,425,527

The Company's contingent consideration payable is measured at fair value based on unobservable inputs and is considered a level 3 financial instrument. Refer to Note 24.

The fair value of the liability to Purefarma is primarily driven by management's expectations of Purefarma's cumulative gross margins up to December 31, 2021, 2022 and 2023, estimated to total approximately $9,249,000, $25,932,000 and $43,114,000, respectively. The probability-weighted estimated earn-outs were discounted to present value in order to derive the fair value of the contingent consideration. As at April 30, 2021, the discount rate used was 15.8% (as at October 31, 2020 – 15.8%), based on management's best estimates of cost of capital over the contractual term. The estimated probabilities of achieving the expected low, base and high gross margins were 25%, 50% and 25% (as at October 31, 2020 – 25%, 50% and 25%), respectively. If the gross margin estimates were decreased by 20%, the estimated fair value of the contingent consideration would decrease by $245,000. If the gross margin estimates were increased by 20%, the estimated fair value of the contingent consideration would increase by $350,000. If the discount rate decreased by 5%, the estimated fair value of the contingent consideration would increase by $100,000. If the discount rate increased by 5%, the estimated fair value of the contingent consideration would decrease by $88,000. As there is no upper limit on the contingent performance payments to be settled in cash, the total potential pay-out is unlimited over the contractual term.

(Stated in Canadian Dollars, Unaudited)

14. Contingent consideration payable (continued)

The fair value of the liability to Premium 5 is primarily driven by management's expectations of the Company's ability to generate gross revenue estimated to be $16,500,000 from certain products prior to January 24, 2022 and the remote probability of achieving certain gross margin across all recreational products between January 25, 2022 and January 24, 2023. As at April 30, 2021, the discount rate used was 15.8% (as at January 25, 2021, the acquisition date, - 15.8%), based on management's best estimates of cost of capital over the contractual term. The estimated probabilities of achieving the expected low, base and high gross revenue were 25% , 50% and 25% as at April 30, 2021 (as at January 25, 2021 – 25%, 50% and 25%), respectively. If the gross revenue estimate was decreased by 5%, the estimated fair value of the contingent consideration would decrease by $841,000. If the gross revenue estimate was increased by 5%, the estimated fair value of the contingent consideration would increase by $539,000. If the discount rate decreased by 5%, the estimated fair value of the contingent consideration would increase by $392,000. If the discount rate increased by 5%, the estimated fair value of the contingent consideration would decrease by $363,000. The value of the potential pay-out is limited to $20,000,000.

15. Warrant liabilities

On October 6, 2020, the Company, through its wholly owned subsidiary Heritage Cannabis Exchange Corp. ("Purchaser Sub"), acquired all of the issued and outstanding shares of Opticann Inc. ("Opticann").

As part of the consideration for the acquisition of Opticann, Heritage Cannabis Exchange Corp. issued 7,919,493 warrants ("Class 1 Warrants"), exercisable for its Class A exchangeable shares at a price of $0.20 per warrant for a period of 24 months from October 6, 2020, and 3,511,110 warrants ("Class 2 Warrants"), exercisable for its Class A exchangeable shares at a price of $0.30 per warrant for a period of 36 months from October 6, 2020. The Class A Exchangeable Shares of the Purchaser Sub are redeemable and retractable into Heritage Common Shares on a 1:1 basis at the fair market value of a Heritage Common Share on the last business day prior to the redemption or retraction date at the option of the exchangeable shareholders ("Redemption/Retraction Price"). These warrants were considered to be exchangeable into a variable number of Heritage common shares and were therefore classified as financial liabilities measured at fair value through profit or loss ("FVTPL").

As at April 30, 2021, the Company re-valued the warrant derivative liabilities using a level 3 valuation technique, as detailed in Note 24 with the following inputs, assumptions and results, respectively:

	Class 1 warrants	Class 2 warrants
Number of warrants issued	7,919,493	3,511,110
Risk-free annual interest rate	0.30%	0.48%
Expected life (years)	1.44	2.44
Expected annualized volatility	92%	90%
Expected annual dividend yield	0.00%	0.00%
Exercise price	$0.20	$0.30
Share price	$0.11	$0.11
Calculated fair value per warrant at period-end	$0.04	$0.06

(Stated in Canadian Dollars, Unaudited)

15. Warrant liabilities (continued)

Expected annualized volatility was estimated using the Company's average historical volatility for a time period equal to the Class 1 and 2 Warrants' remaining terms, respectively.

The following is a continuity of warrant liabilities:

Balance at October 31, 2020	$	893,377
Unrealized gain from changes in fair value		(357,350)
Balance at April 30, 2021	$	536,027

The following table summarizes warrant activities in Heritage Cannabis Exchange Corp. during the six months ended April 30, 2021:

	Number of warrants	Weighted average exercise price
Balance October 31, 2020	11,430,603	$ 0.23
Balance April 30, 2021	11,430,603	$ 0.23

16. Share capital

(a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued share capital

During the six months ended April 30, 2021, the following share issuances took place:

On November 12, 2020, the Company issued 2,549,644 Heritage Common Shares as a result of 2,549,644 options exercised at an exercise price of $0.10. Total proceeds of $250,000 were credited to share capital, in addition to the transfer of $578,259 from contributed surplus. Refer to Note 17(b).

On January 15, 2021, the Company issued 5,076,628 restricted shares, of which 2,191,831 were issued as compensation bonus with a fair value of $350,693, determined based on the closing share price of Heritage Common Shares at the issuance date, and 2,884,797 of which were issued as settlement of key management compensation in the amount of $342,142. There was no gain or loss recognized on the debt settlement, as the key management are also shareholders of the Company. All of the restricted shares vested immediately, resulting in an issuance of 5,076,628 Heritage Common Shares.

On January 31, 2021 and April 7, 2021, as part of the purchase consideration for the Premium 5 acquisition as described in Note 3, the Company issued a total of 150,000,000 and 30,156,643 Heritage Common Shares, respectively. The fair value of these shares was measured at $30,626,629, determined based on the closing share price of the Company at the acquisition date.

(Stated in Canadian Dollars, Unaudited)

16. Share capital (continued)

(b) Issued share capital (continued)

On March 17, 2021, the Company issued 98,900,000 units (each, a "Unit"), at a price of $0.14 per unit for aggregated gross proceeds of $13,846,000. Each Unit consists of one Heritage Common Share and one common share purchase warrant (each, a "Warrant"). Each Warrant is exercisable for one Heritage Common Share at any time for a period of 24 months ending on March 17, 2023 at an exercise price of $0.21 per Warrant. The proceeds were first allocated to the Heritage Common Shares in accordance with the residual method, resulting in $nil being allocated to the warrants. The Company paid issuance costs of $1,344,665 in cash and $598,392 through the issuance of 6,923,000 broker warrants (each, "Broker Warrants"). Each Broker Warrant is exercisable into one Unit at a price of $0.14 per unit, expiring on March 17, 2023. The value of the Broker Warrants was measured based on the fair value of the equity instruments granted.

On April 15, 2021, the Company issued 170,000 Heritage Common Shares to a financing agent for the services rendered in relation to the refinance agreement described in Note 13(c). Upon the issuance, the Company recognized a gain on the debt settlement of $5,900, arising from the difference between the service fees of $28,000 settled and the value of shares measured based on the quoted market price on the date of issuance.

17. Contributed surplus

(a) Warrants

Movements in the number of warrants outstanding during the six months ended April 30, 2021 are as follows:

	Number of warrants	Weighted average exercise price
Balance October 31, 2020	31,281,960	$ 0.54
Issued as part of March 2021 private placement (Note 16(b))	98,900,000	0.21
Issued as settlement of share issuance costs (Note 16(b))	6,923,000	0.14
Balance April 30, 2021	137,104,960	$ 0.28

The following table summarizes the warrants outstanding and exercisable at April 30, 2021:

Expiry date	Number of warrants	Weighted average exercise price
May 7, 2021 (Note 30)	12,666,260	$ 0.35
November 8, 2021	16,329,500	0.70
May 7, 2022	2,286,200	0.53
March 17, 2023	98,900,000	0.21
March 17, 2023	6,923,000	0.14
	137,104,960	$ 0.28

Of the 137,104,960 warrants outstanding, 9,209,200 are Broker Warrants, 310,260 are Agent Warrants, and 127,585,500 are standard common share purchase warrants. Broker and Agent Warrants are exercisable into Units of the Company; in turn, each Unit comprises one common share and either a whole or partial common share purchase warrant.

(Stated in Canadian Dollars, Unaudited)

17. Contributed surplus (continued)

(b) Stock options (continued)

(i) Stock option plan details

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.

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 of the Company 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 the issued and outstanding common shares of the Company in any twelve-month period. Furthermore, 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 90 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.

Movements in the number of options outstanding during the six months ended April 30, 2021 are as follows:

	Number of options	Weighted average exercise price
Balance October 31, 2020	13,838,084	$ 0.28
Exercised (Note 16(b))	(2,549,644)	0.10
Balance April 30, 2021	11,288,440	$ 0.32

The following table summarizes the options outstanding and exercisable at April 30, 2021:

Expiry date	Number of options outstanding	Number of options exercisable	Weighted average exercise price
August 16, 2022	2,000,000	2,000,000	$ 0.10
November 15, 2022	80,000	80,000	0.14
January 22, 2023	700,000	700,000	0.59
March 19, 2023	861,000	861,000	0.54
April 30, 2023	850,000	850,000	0.35
August 20, 2023	254,964	191,223	0.20
April 10, 2025	892,476	892,476	0.20
February 8, 2024	4,150,000	4,150,000	0.34
September 20, 2024	1,500,000	1,500,000	0.36
	11,288,440	11,224,699	$ 0.32

(Stated in Canadian Dollars, Unaudited)

17. Contributed surplus (continued)

(b) Stock options (continued)

(i) Stock option plan details (continued)

As at April 30, 2021, the weighted average remaining contractual life of all options outstanding was 2.48 years (as at October 31, 2020 – 2.43 years). The weighted average exercise price for exercisable options was $0.32 (as at October 31, 2020 - $0.28).

During the three and six months ended April 30, 2021, the Company recognized an expense of $972 and $3,354, respectively, relating to the vesting of options held by employees, directors, officers and consultants (during the three and six months ended April 30, 2020 - $75,996 and $291,467, respectively).

(c) Restricted shares

During the six months ended April 30, 2021, the Company granted 5,076,628 restricted common shares to key management. These restricted shares vested immediately at the grant date, resulting in the issuance of 5,076,628 Heritage Common Shares detailed in Note 16(b).

During the three and six months ended April 30, 2021, the Company recorded share-based payments of $nil and $350,693, respectively, for the vesting of restricted shares (during the three and six months ended April 30, 2020 - $nil and $28,664, respectively).

18. Non-controlling interest

The net changes in non-controlling interest are as follows:

		Voyage		Mainstrain	Total
Balance at October 31, 2020	$	627,521	$	12,665	$ 640,186
Share of income (loss)		440,048		(4)	440,044
Share of amortization of Voyage licenses acquired through business acquisition (Note 10)		(31,669)		-	(31,669)
Balance at April 30, 2021	$	1,035,900	$	12,661	$ 1,048,561

19. Income taxes

The Company's combined Canadian federal and provincial statutory income tax rate is 26.5% for the six months ended April 30, 2021 and 2020. The rate is expected to apply for the full year.

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Balance at October 31, 2020	$	5,336,000
Deferred tax liabilities assumed through Premium 5 acquisition (Note 3)		6,624,000
Deferred income tax recovery		(1,092,000)
Balance at April 30, 2021	$	10,868,000

(Stated in Canadian Dollars, Unaudited)

20. Related party transactions and balances

All amounts either due to or from related parties, unless disclosed otherwise, are non-interest bearing, unsecured and due on demand. Transactions undertaken with related parties during the three and six months ended April 30, 2021 and 2020 are as follows:

(a) Transactions with directors, officers and companies controlled by directors, officers and/or their families

	Three months ended April 30,	
	2021	2020
Management fees	$ 60,000	$ 45,000
Consulting fees	131,000	166,358
	$ 191,000	$ 211,358

	Six months ended April 30,	
	2021	2020
Management fees	$ 120,000	$ 90,000
Consulting fees	256,811	392,717
	$ 376,811	$ 482,717

During the six months ended April 30, 2021, the Company issued 645,000 Units to a key officer and director for $90,300 as part of March 17, 2021 private placement described in Note 16(b).

(b) Key management compensation

	Three months ended April 30,	
	2021	2020
Salary and short-term benefits	$ 80,754	$ 77,475
Share-based payments	-	10,067
	$ 80,754	$ 87,542

	Six months ended April 30,	
	2021	2020
Salary and short-term benefits	$ 161,508	$ 77,475
Share-based payments	353,075	154,506
	$ 514,583	$ 231,981

During the six months ended April 30, 2021, the Company issued 5,076,628 restricted common shares to key management, partly as settlement of unpaid compensation and partly as compensation bonus. Refer to Note 16(b).

(Stated in Canadian Dollars, Unaudited)

20. Related party transactions and balances (continued)

(c) Related party balances

	As at April 30, 2021	As at October 31, 2020
Included in accounts payable and accrued liabilities	$ 81,280	$ 338,906
Included in other current assets (Note 14(b))	48,831	48,831

21. Commitments

As detailed in Note 15, the Company acquired Opticann on October 6, 2020. The remaining purchase consideration payable for the acquisition includes:

(a) 100,000,000 Class B Exchangeable Shares of Purchaser Sub, which were issued upon acquisition and are redeemable and retractable, subject to conditions including Opticann's ability to meet certain cumulative gross margin targets within required time periods and to enter into distribution, supply, or collaboration agreements (or similar) with certain vendors, into Heritage Common Shares on a 1:1 basis at the Redemption/Retraction Price at the option of the exchangeable shareholders.

(b) Contingent performance payments, payable in Heritage Common Shares, partly based on a fixed percentage of the funds invested in the Company in cash or assets up to certain amounts by certain vendors, partly upon the Company's ability to achieve certain cumulative sales or gross margin targets, and partly upon the acquisition of a supplier.

The acquisition was accounted for as an asset acquisition, given Opticann did not meet the definition of business at the acquisition date in accordance with IFRS 3. As at April 30, 2021 and October 31, 2020, no provision was recognized in relation to the above Class B Exchangeable Shares or contingent performance payments, given none of their payment milestones were met.

In addition, as consideration for the acquisition of Opticann license (Note 10), the Company is committed to make the remaining payments, including:

(a) USD $2,600,000 payable upon the Company's achievement of certain milestones, including its receipt of first purchase order for certain goods and reaching USD $2,000,000 and CAD $1,000,000 sales of certain goods, respectively;

(b) Royalty payment of 20% on all gross margins from the sale of certain goods, payable quarterly;

(c) Additional milestone payments, calculated as 10% of the value of any upfront milestone payments received by the Company for certain agreements with certain parties and 15% of the gross margin received on net sales as a result of certain agreements between the Company and certain parties; and

(d) Dedication of a minimum 11% of net sales per year for marketing activities, which commences at the same time as the purchase right noted below.

The Company also has a right to purchase at least USD $27,500,000 of certain goods from a supplier over 3 years from the first day of the month in which the Company received the purchase order for certain goods from any customer.

As at April 30, 2021 and October 31, 2020, none of the payment milestones were met and, therefore, no provision was recognized.

22. Loss per share

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

(Stated in Canadian Dollars, Unaudited)

23. Financial instruments

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information pertaining to these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them since October 31, 2020, unless otherwise stated.

(a) Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company has moderate exposure to credit risk from its cash, short-term investments, accounts receivable, and convertible promissory note receivable. The risk exposure is limited to their carrying amounts at the statement of financial position date. The risk for cash and short-term investments is mitigated by holding these balances with highly-rated Canadian financial institutions. The Company therefore does not expect any credit losses on its cash and short-term investments.

The Company's accounts receivable balance consists of the following:

	As at April 30, 2021	As at October 31, 2020
Trade accounts receivable from customers	$ 2,698,668	$ 948,367
Expected credit losses	(358,250)	(358,250)
Net trade receivables	2,340,418	590,117
Interest and other receivables (Note 28)	371,664	473,651
	$ 2,712,082	$ 1,063,768

The Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Credit risk for customers is assessed on a case-by-case basis and a provision is recorded where required. As at April 30, 2021, the Company identified certain accounts that may result in a credit loss on its accounts receivable, for which expected credit losses are recognized.

The Company has assessed that there is a concentration of credit risk, as 46% of the Company's net trade accounts receivable is due from 2 customers as at April 30, 2021 (as at October 31, 2020 - 91% of the balance due from 2 customers).

An analysis of the aging of trade accounts receivable (net of allowance) is as follows:

	As at April 30, 2021	As at October 31, 2020
Current (30 days or less)	$ 384,514	$ 495,414
31-60 days	799,204	6,482
61-90 days	217,047	8
Greater than 90 days	939,653	88,213
	$ 2,340,418	$ 590,117

23. Financial instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the financial obligations associated with its financial liabilities as they come due. The Company manages liquidity risk through the management of its capital structure. As at April 30, 2021, the Company had working capital of $25,301,078 (as at October 31, 2020 – $11,390,534). The Company does not yet have positive cash flows from operations and as such, the Company may be dependent upon the issuance of new equity and/or debt to advance its production efforts and meet its financial obligations. If equity or debt financing is required, failure to obtain such financing on a timely basis may cause the Company to postpone, reduce or terminate its production plans. The Company has the following undiscounted contractual obligations subject to liquidity risk, in addition to those relating to lease liabilities disclosed in Note 12:

	<1 year	2-5 years	> 5 years
Accounts payable and accrued liabilities	$ 2,957,670	$ -	$ -
Long-term debt	7,023	7,019,313	-
Contingent consideration payable	441,527	983,000	-
Total	$ 3,406,220	$ 8,002,313	$ -

(c) Market risk

(i) Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and other foreign currencies will affect the Company's operations and financial results. The Company is exposed to this risk on its investment in Endocanna (Note 9), an associate that bears the U.S. dollar as its functional currency. The Company is required to translate the financial position and operating results of Endocanna into Canadian dollars and to recognize its share of the resulting translation gain or loss in other comprehensive loss (Note 9). The Company is further exposed to the risk through Opticann, a wholly owned subsidiary operating in United States (Note 1(e)). As at April 30, 2021 and October 31, 2020, the Company has not entered into any hedging agreements to mitigate foreign currency risk. As such, the Company's financial position and financial results may be adversely affected by the unfavorable fluctuations in currency exchange rates.

The following table provides a summary of financial assets and liabilities denominated in USD:

	As at April 30, 2021	As at October 31, 2020
Cash	$ 25,826	$ 3,724
Accounts receivable	734	-
Accounts payable and other liabilities	55,829	204,658
Investment in associate	2,559,032	2,645,529

23. Financial instruments (continued)

(c) Market risk (continued)

(i) Foreign currency risk (continued)

A 10% strengthening of the Canadian dollar against the foreign currencies listed above would increase other comprehensive loss by $310,781 for the six months ended April 30, 2021 (for the year ended October 31, 2020 - $324,839). A 10% weakening of the Canadian dollar against the foreign currencies listed above would result in an equal, but opposite effect.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's short-term investments and convertible promissory note receivable earn fixed rates of interest in the range from 0.7% to 1.05% per annum and 2.00% per annum respectively. The Company is exposed to this risk on its long-term debt, which bears interest at a Canadian prime rate plus 1.25% per annum as detailed in Note 13. As at April 30, 2021 and October 31, 2020, the Company had no hedging agreements in place.

(iii) Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. As at April 30, 2021 and October 31, 2020, the Company is exposed to this risk on its contingent consideration payable in Heritage Common Shares pursuant to the acquisition of Opticann (Note 21) and Purefarma (Note 14(a)).

24. Fair value of financial instruments

Assets recorded at fair value in the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Stated in Canadian Dollars, Unaudited)

24. Fair value of financial instruments (continued)

Financial instruments are measured either at fair value or at amortized cost. The table below lists the valuation methods used to determine the fair value of each financial instrument.

Financial Instruments measured at fair value	
Contingent consideration payable	Discounted cash flow (Level 3)
Convertible promissory note receivable	Amount due on demand (Level 3)
Warrant liabilities	Black-Scholes model (Level 3)
Other investments	Discounted cash flow (Level 3)
Financial instruments measured at amortized cost	
Cash; Short-term investments; Accounts receivable; Other current assets; Accounts payable and accrued liabilities	Carrying amount (approximates fair value due to short-term nature)
Long-term debt; Lease liabilities	Carrying value at the effective interest rate which approximates fair value

During the six months ended April 30, 2021, there were no transfers of amounts between levels (during the six months ended April 30, 2020 – no transfers between levels).

25. Entity-wide disclosures

The Company's trade gross revenue for the three months ended April 30, 2021 is comprised of the following:

	Domestic (Canada)	International	Total
Gross revenue from sale of Heritage branded products	$ 4,424,216	$ -	$ 4,424,216
Gross revenue from sale of White Label products	60,947	-	60,947
Gross revenue from provision of services	119,635	-	119,635
	$ 4,604,798	$ -	$ 4,604,798

The Company's trade gross revenue for the six months ended April 30, 2021 is comprised of the following:

	Domestic (Canada)	International	Total
Gross revenue from sale of Heritage branded products	$ 5,331,952	$ -	$ 5,331,952
Gross revenue from sale of White Label products	977,765	-	977,765
Gross revenue from provision of services	122,354	-	122,354
	$ 6,432,071	$ -	$ 6,432,071

During the three and six months ended April 30, 2021, the Company earned 82% of its total trade revenue from five major customers and 88% from five major customers, respectively (during the three and six months ended April 30, 2020 – 95% from three major customers and 82% from three major customers, respectively).

26. Operating segment information

During the six months ended April 30, 2021 and 2020, the Company identified a single reportable operating segment.

27. Capital management

The Company manages its cash, short-term investments, common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of a cannabis production business and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk level.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and short-term investments on hand.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing production efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments, selected with regards to the expected timing of expenditures from continuing operations.

Management considers its approach to capital management to be appropriate given the relative size of the Company. There were no changes in the Company's approach to capital management during the period.

28. Government grant

As a response to the COVID-19, the Canadian Federal government introduced CEWS for qualifying businesses, which suffered a drop in gross revenues by a certain amount from March 2020. The purpose of the CEWS is to support businesses and employers to continue to employ workers or to re-hire workers that were previously laid off. The CEWS is considered as a form of government grant.

For the six months ended April 30, 2021, the Company had not applied for any additional CEWS. As a result of CEWS applied during prior quarters, $133,243 was included in accounts receivable as at April 30, 2021 (October 31, 2020 - $299,436). See Note 23(a).

(Stated in Canadian Dollars, Unaudited)

29. Comparative figures

Certain comparative figures have been restated to conform with the basis of presentation applied for the three and six months ended and as at April 30, 2021.

	As Previously Reported	Adjustments	As Restated
Three months ended April 30, 2020			
Cost of Sales	$ 950,615	$ 58,898	$ 1,009,513
Gross Margin	84,200	(58,898)	25,302
General and administrative expenses	2,811,266	(230,220)	2,581,046
Interest and accretion expense	-	171,322	171,322
Six months ended April 30, 2020			
Cost of Sales	3,086,313	172,006	3,258,319
Gross Margin	1,580,084	(172,006)	1,408,078
General and administrative expenses	5,826,986	(343,328)	5,483,658
Interest and accretion expense	-	171,322	171,322
Cash flows used in operating activities	(9,455,447)	233,306	(9,222,141)
Cash flows provided by investing activities	3,902,634	(233,306)	3,669,328
As at October 31, 2020			
Accounts payable and accrued liabilities	2,462,297	(26,182)	2,436,115
Current portion of lease liabilities	$ -	26,182	26,182

30. Subsequent events

(a) Expiry of warrants

On May 7, 2021, 12,666,260 warrants expired unexercised.

(b) Bloom non-binding letter of intent

On June 1, 2021, the Company entered into a non-binding letter of intent (the “LOI”) to purchase all of the issued and outstanding common shares of California based Capna Intellectual/dba Bloom Brands (“Bloom”) for approximately USD$15 million of Heritage Common Shares issuable in two tranches and potential milestone payments of up to USD$17 million of Heritage Common Shares upon Bloom achieving certain financial targets over a 12-month period.

(c) Share issuance

On June 22, 2021, the Company issued 495,049 Heritage Common Shares at a deemed price of $0.125 per share in consideration for advisory services related to a 5-year partnership agreement entered by the Company and Como Health LLC, doing business as 3Fifteen Primo Cannabis, to expand the Company’s distribution in the U.S.