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

Interim Condensed Consolidated Financial Statements

Three Months Ended January 31, 2020 and January 31, 2019

(Stated in Canadian Dollars)

(Unaudited)

HERITAGE CANNABIS
Holdings Corp

NOTICE OF NO AUDITORS' REVIEW OF
INTERIM CONDENSED 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 interim condensed consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the interim condensed consolidated financial statements.

The accompanying unaudited interim condensed 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 interim condensed 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.

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(Formerly Umbral Energy Corp.)

Interim Condensed Consolidated Financial Statements

Three Months Ended January 31, 2020 and January 31, 2019

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HERITAGE CANNABIS HOLDINGS CORP.
(Formerly Umbral Energy Corp.)
Interim Condensed Consolidated Statements of Financial Position
As at January 31, 2020 and October 31, 2019
(Stated in Canadian Dollars, Unaudited)

	Note		January 31, 2020		October 31, 2019
Assets					
Current					
Cash		$	4,749,666	$	2,486,466
Short-term investments	3		4,550,000		9,050,000
Accounts receivable	20(a)		4,922,000		1,554,037
Inventories	4		4,975,003		5,517,717
Prepaid expenses and deposits	5		2,355,226		773,159
Convertible promissory note receivable			250,738		-
Other current assets	12(b)		48,830		49,255
			21,851,463		19,430,634
Deposits	6		276,104		276,104
Investment in associate	7		3,782,472		3,923,505
Intangible assets	8		48,925,994		49,510,047
Property, plant and equipment	9		19,953,212		19,349,263
Total Assets		$	94,789,245	$	92,489,553
Liabilities					
Current					
Accounts payable and accrued liabilities	10	$	6,528,402	$	6,748,939
Deferred revenue			249,227		991,861
Current portion of long-term debt	11		4,470		4,360
Other current liabilities			264,395		-
			7,046,494		7,745,160
Long-term debt	11		4,387,023		24,235
Contingent consideration payable	12		5,107,000		4,684,000
Deferred tax liability	16		6,541,000		6,554,300
Total Liabilities			23,081,518		19,007,695
Shareholders' Equity					
Share capital	13		93,191,673		93,191,673
Contributed surplus	14		5,293,121		5,048,986
Accumulated other comprehensive loss			(86,747)		-
Accumulated deficit			(27,462,738)		(25,344,005)
Equity attributable to shareholders			70,935,309		72,896,654
Non-controlling interest	15		772,418		585,204
Total Equity			71,707,727		73,481,858
Total Liabilities and Equity		$	94,789,245	$	92,489,553

Going Concern (Note 1)
Commitments (Note 18)
Subsequent Events (Note 24)

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 — Director

"Graeme Staley " — Director

HERITAGE CANNABIS HOLDINGS CORP.
(Formerly Umbral Energy Corp.)
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
Three Months Ended January 31, 2020 and January 31, 2019
(Stated in Canadian Dollars, Unaudited)

	Note	Three Months Ended January 31, 2020	Three Months Ended January 31, 2019
Revenue	22	$ 4,008,395	$ -
Cost of Sales	4	2,135,698	-
Excise Taxes		376,813	-
Gross Profit		1,495,884	-
General and Administrative Expenses			
Advertising, travel and promotion		153,846	59,566
Amortization		770,778	396,525
Consulting fees	17(a)	458,770	391,912
Management fees	17(a)	45,000	45,000
Occupancy, office expense and other	17(a)	498,997	322,670
Professional fees		169,184	187,593
Regulatory fees		2,800	18,344
Shareholder communications		115,773	104,283
Share-based payments	14(c),(d)	244,135	2,020,793
Transfer agent and shareholder information		11,760	18,458
Salaries, wages and benefits		544,677	238,760
		3,015,720	3,803,904
Other Income (Expense)			
Interest and other income		52,303	18,883
Share of loss from investment in associate	7	(54,286)	-
Unrealized loss on contingent consideration payable	21	(423,000)	(306,000)
		(424,983)	(287,117)
Loss Before Taxes		(1,944,819)	(4,091,021)
Income Tax Expense (Recovery)			
Current		-	-
Deferred	16	(13,300)	(302,000)
		(13,300)	(302,000)
Net Loss		$ (1,931,519)	$ (3,789,021)
Other comprehensive loss that may be reclassified to net loss			
Foreign currency translation loss	7	(86,747)	-
Net Loss and Comprehensive Loss		$ (2,018,266)	$ (3,789,021)
Net Loss and Comprehensive Loss attributed to:			
Shareholders of the Company		$ (2,205,480)	$ (3,711,924)
Non-controlling Interest	15	187,214	(77,097)
		$ (2,018,266)	$ (3,789,021)
Weighted average number of outstanding shares, basic and diluted	19	428,174,008	351,713,933
Basic and diluted loss per share		$ (0.01)	$ (0.01)

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

HERITAGE CANNABIS HOLDINGS CORP.
(Formerly Umbral Energy Corp.)
Interim Condensed Consolidated Statements of Changes in Equity
Three Months Ended January 31, 2020 and January 31, 2019
(Stated in Canadian Dollars, Unaudited)

	Note	Number of Shares	Share Capital	Contributed Surplus	Share Subscriptions	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-controlling Interest	Total
Balance at October 31, 2018 (Restated, see Note 25)		203,919,450	$ 21,598,702	$ 2,190,551	$ 55,000	$ -	$ (12,570,270)	$ 967,029	$ 12,241,012
Shares issued as purchase consideration									
CannaCure Corporation		131,548,575	30,256,174	-	-	-	-	-	30,256,174
Purefarma Solutions Inc.		33,333,333	6,000,000	-	-	-	-	-	6,000,000
Share-based payments - acquisition costs									
CannaCure Corporation		5,784,751	1,610,493	163,643	-	-	-	-	1,774,136
Purefarma Solutions Inc.		1,200,000	234,000	-	-	-	-	-	234,000
Replacement options issued as purchase consideration									
CannaCure Corporation		-	-	1,357,560	-	-	-	-	1,357,560
Replacement warrants issued as purchase consideration									
CannaCure Corporation		-	-	233,887	-	-	-	-	233,887
Contingent consideration, equity-settled									
Purefarma Solutions Inc.		-	-	18,974	-	-	-	-	18,974
Shares issued for cash									
Exercise of warrants		129,375	8,615	(852)	-	-	-	-	7,763
Exercise of options (shares reserved for issuance)		-	-	(86,528)	174,028	-	-	-	87,500
Special Warrants issued for cash consideration		-	-	7,500,000	(55,000)	-	-	-	7,445,000
Special Warrants issuance costs		-	-	(637,898)	-	-	-	-	(637,898)
Share-based payments - vesting of options		-	-	12,657	-	-	-	-	12,657
Net loss for the period		-	-	-	-	-	(3,711,924)	(77,097)	(3,789,021)
Balance at January 31, 2019 (Restated, see Note 25)		375,915,484	$ 59,707,984	$ 10,751,994	$ 174,028	$ -	$ (16,282,194)	$ 889,932	$ 55,241,744
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	Note 14(c)	-	-	215,471	-	-	-	-	215,471
Share-based payments - vesting of restricted shares	Note 14(d)	-	-	28,664	-	-	-	-	28,664
Net loss and comprehensive loss for the period		-	-	-	-	(86,747)	(2,118,733)	187,214	(2,018,266)
Balance at January 31, 2020		473,718,024	93,191,673	5,293,121	-	(86,747)	(27,462,738)	772,418	71,707,727

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

HERITAGE CANNABIS HOLDINGS CORP.
(Formerly Umbral Energy Corp.)
Interim Condensed Consolidated Statements of Cash Flows
Three Months Ended January 31, 2020 and January 31, 2019
(Stated in Canadian Dollars, Unaudited)

	Note	Three Months Ended January 31, 2020	2019
Operating Activities			
Net loss for the period		$ (1,931,519)	$ (3,789,021)
Items not affecting cash:			
Depreciation on property, plant and equipment		290,733	131,818
Amortization on intangible assets		584,053	264,707
Deferred income tax recovery		(13,300)	(302,000)
Non-cash items included in interest and other income		(737)	-
Imputed interest expense on long-term debt	11(a)	706	1,301
Share-based payments	14(c),(d)	244,135	2,020,793
Acquiree's acquisition costs - non-equity-settled		-	118,435
Unrealized loss on contingent consideration payable	21	423,000	306,000
Share of loss from investment in associate	7	54,286	-
		(348,643)	(1,247,967)
Net changes in non-cash working capital, net of business combinations:			
Accounts receivable		(3,367,963)	155,246
Inventories		542,714	-
Prepaid expenses and deposits		(1,582,067)	(4,133)
Other current assets		425	(40,667)
Accounts payable and accrued liabilities		(220,537)	(492,956)
Repayments to related parties		-	(55,458)
Deferred revenue		(742,634)	-
Other current liabilities		264,395	-
Cash Flows Used in Operating Activities		(5,454,310)	(1,685,935)
Investing Activities			
Acquisition of property, plant and equipment		(894,682)	(796,275)
Cash acquired from business combinations		-	80,233
Deposits advanced		-	(30,000)
Purchases of short-term investments		-	(5,000,000)
Redemptions of short-term investments		4,500,000	500,000
Issuance of convertible promissory note receivable		(250,000)	-
Issuance of advances, settled through business combination		-	(89,983)
Cash Flows Provided from (Used in) Investing Activities		3,355,318	(5,336,025)
Financing Activities			
Proceeds from exercise of warrants		-	7,763
Proceeds from exercise of options		-	87,500
Proceeds from issuance of Special Warrants, net of issuance costs		-	6,807,102
Proceeds from issuance of long-term debt	11(b)	4,363,949	-
Repayment of long-term debt		(1,757)	(34,257)
Cash Flows Provided from Financing Activities		4,362,192	6,868,108
Net Increase (Decrease) in Cash During the Period		2,263,200	(153,852)
Cash, Beginning of Period		2,486,466	1,174,600
Cash, End of Period		$ 4,749,666	$ 1,020,748

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

Supplementary information			
Interest received		$ 93,788	$ 1,370

Nature of Business

Heritage Cannabis Holdings Corp. (formerly Umbral Energy 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, principal address and records office of the Company is Suite 600-77 Bloor Street West, Toronto, Ontario, Canada, M5S 1M2.

The Company is a vertically integrated cannabis business. Through its subsidiaries, Voyage Cannabis Corp. (formerly PhyeinMed Inc.) and CannaCure Corporation, the Company holds licenses under the Cannabis Act (Canada) and its relevant regulations. Voyage Cannabis Corp., a holder of a cultivation, processing and medicinal sales license, operates out of a 15,500 square foot facility in Falkland, British Columbia. CannaCure Corporation, a holder of a cultivation, processing and medicinal sales license, operates out of a 122,000 square foot facility in Fort Erie, Ontario. Purefarma Solutions Inc., a wholly-owned subsidiary, provides the Company with the experience and know-how necessary to manufacture, refine and formulate cannabis oils. On December 18, 2018, CALYX Life Sciences Corp. (formerly BriteLife Sciences Ltd.), a wholly-owned subsidiary, was incorporated to create products and services aimed at providing an integrative approach to cannabinoid therapy for healthcare consumers and healthcare practitioners.

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 flow 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. The Company has historically raised operating capital from the sale of equity.

The 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 has incurred operating losses since inception, does not have positive operating cash flow, and there can be no assurances that sufficient funding, including operating cash flow and financing, will be available to cover general and administrative expenses necessary for the maintenance of a public company. For the three months ended January 31, 2020, the Company incurred a net loss of $1,931,519 and had an accumulated deficit of $27,462,738. The ability of the Company to arrange additional financing in the future depends, in part, on the prevailing capital market conditions. These factors may cast material uncertainty on the Company's ability to continue as a going concern.

1. Basis of Presentation (continued)

(a) Going concern (continued)

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.

(b) Statement of compliance

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements. The accounting policies and critical estimates used in preparing these interim condensed consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements as at and for the year ended October 31, 2019, except for the adoption of new accounting standards and policies described in Note 2.

These interim condensed consolidated financial statements were approved by the Board of Directors on March 30, 2020.

(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 biological assets and acquisition-related contingent consideration payable which are measured at fair value.

(d) Functional and presentation currency

The interim condensed consolidated financial statements are presented in Canadian dollars unless otherwise noted. With regard to functional currencies, Heritage US Holdings Corp., Heritage (US) Cali Corp. and Endocanna Health, Inc. use the U.S. dollar. All remaining entities use the Canadian dollar as their functional currency.

(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. In turn, control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. As of January 31, 2020, subsidiaries over which the Company has control are listed below.

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. (formerly BriteLife Sciences Ltd.)	100%	British Columbia, Canada
1005477 B.C. Ltd.	100%	British Columbia, Canada
Voyage Cannabis Corp. (formerly PhyeinMed Inc.)	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

Certain subsidiaries are controlled, indirectly, through other subsidiaries.

On November 1, 2019, the Company incorporated 5450 Realty Inc., a wholly-owned subsidiary.

(f) Estimates and critical judgements made by management

The preparation of 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. Actual results could differ from those estimates. Significant items that require management estimates and critical judgements include share-based payments; the useful lives of property, plant and equipment, and intangible assets; the impairment of property, plant and equipment, investments, and intangible assets including goodwill; income taxes; the fair value of biological assets and inventory; expected credit losses on financial assets; and judgements concerning control, joint control and significant influence over investees. While management believes that the estimates are reasonable, actual results could differ materially from those estimates and may impact the future results of operations.

2. Amendments to IFRSs that are Mandatorily Effective for the Current Period

The Company has adopted the following new or amended IFRS standards for the period beginning November 1, 2019.

IFRS 16 Leases

In January of 2016, the IASB issued IFRS 16 Leases which replaced IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16.

The initial date of adoption for the Company is November 1, 2019. The Company has elected to adopt IFRS 16 using the modified retrospective approach. Under this approach, the Company will not restate its comparative figures but will recognize the cumulative effect of adopting IFRS 16 as an adjustment to opening retained earnings at the date of initial adoption. On transition to IFRS 16, the Company will elect to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 Leases will not be reassessed for whether a lease exists. The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company will also account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. The Company has not had a significant adjustment to opening retained earnings at the date of initial adoption.

3. Short-term Investments

Short-term investments held at January 31, 2020 consist of $4,550,000 (October 31, 2019 - $9,050,000) in guaranteed investment certificates ("GICs") maintained with a Canadian chartered bank. The carrying value of these short-term investments approximates their fair value at January 31, 2020. Of the total balance, $50,000 is restricted and held as security against the Company's corporate credit card.

4. Inventories

	As at January 31, 2020	As at October 31, 2019
Supplies and packaging materials	$ 107,618	$ 80,789
Dried cannabis and hemp	4,246,146	4,172,512
Manufacturing work in progress	602,556	1,252,233
Other	18,683	12,183
	$ 4,975,003	$ 5,517,717

During the three months ended January 31, 2020, inventories expensed to cost of goods sold was $2,135,698 (January 31, 2019 - $nil).

5. Prepaid Expenses and Deposits

	As at January 31, 2020	As at October 31, 2019
Inventory deposits	$ 1,349,071	$ 358,250
Prepaid insurance and consulting	415,615	121,688
Other prepaid expenses	590,540	293,221
	$ 2,355,226	$ 773,159

6. Deposits

	As at January 31, 2020	As at October 31, 2019
Deposit on Stanley Park Digital Ltd. purchase (i)	$ 170,000	$ 170,000
Deposit for development costs (ii)	106,104	106,104
	$ 276,104	$ 276,104

(i) During the year ended October 31, 2018, the Company signed a Letter of Intent (“LOI”) to acquire 20% of the issued and outstanding shares of Stanley Park Digital Ltd. (“SPD”), a blockchain developer based in Vancouver, British Columbia.

Pursuant to the original terms of the LOI, the total purchase price is $500,000, a portion of which is to be paid in cash while the remainder will be settled by way of the Company issuing common shares upon execution of a definitive share purchase agreement.

During the year ended October 31, 2019, after a total of $340,000 in cash had been advanced to SPD in relation to the LOI, a valuation allowance of $170,000 was taken against the deposit as a result of uncertainties surrounding its recoverability.

During the three months ended January 31, 2020, the terms of the LOI were renegotiated, including a revision to the ownership percentage from 20% to 18%.

(ii) On February 16, 2018, one of the Company's subsidiaries, 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 letter of credit to guarantee the completion of these land development costs. This letter of credit has been included in non-current deposits in the statement of financial position. 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.

7. Investment in Associate

On July 26, 2019, the Company acquired a 30% strategic interest in Endocanna Health, Inc. ("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. Through two of its wholly-owned subsidiaries, Heritage US Holdings Corp. and Heritage (US) Cali Corp., the Company invested $2,000,000 USD (equivalent to $2,636,400 CAD) in exchange for a 20% interest in Endocanna. The Company then issued 2,710,515 common shares to certain principals of Endocanna in exchange for a further 10% interest. The share exchange transaction was valued at $1,381,774 CAD, determined based on the fair value of the common shares issued. The Company incurred transaction costs of $20,928.

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

Balance at October 31, 2018	$	-
Additions		4,018,174
Transaction costs		20,928
Dividends received		-
Share of net loss		(115,597)
Share of other comprehensive loss		-
Balance at October 31, 2019	$	3,923,505
Additions		-
Transaction costs		-
Dividends received		-
Share of net loss		(54,286)
Share of other comprehensive loss from foreign currency translation		(86,747)
Balance at January 31, 2020	$	3,782,472

8. Intangible Assets

	Licenses	Property purchase options	Intellectual property	Brand	Goodwill	Total
Cost (Restated, see Note 25)						
At November 1, 2018	$ 5,067,000	$ -	$ -	$ -	$ 1,371,635	$ 6,438,635
Acquired through business combinations	23,170,000	957,000	7,250,000	560,000	13,319,798	45,256,798
Exercise of property purchase option	-	(957,000)	-	-	-	(957,000)
At October 31, 2019	$ 28,237,000	$ -	$ 7,250,000	$ 560,000	$ 14,691,433	$ 50,738,433
Accumulated Amortization						
At November 1, 2018	$ -	$ -	$ -	$ -	$ -	$ -
Additions	826,253	-	319,795	82,338	-	1,228,386
At October 31, 2019	$ 826,253	$ -	$ 319,795	$ 82,338	$ -	$ 1,228,386
Net book value at October 31, 2019	**$ 27,410,747**	**$ -**	**$ 6,930,205**	**$ 477,662**	**$ 14,691,433**	**$ 49,510,047**

	Licenses	Property purchase options	Intellectual property	Brand	Goodwill	Total
Cost						
At November 1, 2019	$ 28,237,000	$ -	$ 7,250,000	$ 560,000	$ 14,691,433	$ 50,738,433
Additions	-	-	-	-	-	-
At January 31, 2020	$ 28,237,000	$ -	$ 7,250,000	$ 560,000	$ 14,691,433	$ 50,738,433
Accumulated Amortization						
At November 1, 2019	$ 826,253	$ -	$ 319,795	$ 82,338	$ -	$ 1,228,386
Additions	354,891	-	182,240	46,922	-	584,053
At January 31, 2020	$ 1,181,144	$ -	$ 502,035	$ 129,260	$ -	$ 1,812,439
Net book value at January 31, 2020	**$ 27,055,856**	**$ -**	**$ 6,747,965**	**$ 430,740**	**$ 14,691,433**	**$ 48,925,994**

The details of individually material intangible assets are as follows:

	Carrying Amount		
Description	As at January 31, 2020	As at October 31, 2019	Remaining Amortization Period
Voyage cultivation, processing and sales licenses	$ 4,749,966	$ 4,813,650	Approximately 19 years
CannaCure cultivation, processing and sales licenses	$ 22,305,890	$ 22,597,098	Approximately 19 years
Purefarma intellectual property	$ 6,747,965	$ 6,930,205	Approximately 9 years

9. Property, Plant and Equipment

	Equipment	Buildings and leasehold improvements	Land	Total
Cost				
At November 1, 2018	$ 519,942	$ 4,824,833	$ 255,000	$ 5,599,775
Acquired through business combinations	661,927	3,991,741	-	4,653,668
Exercise of property purchase option	-	2,548,822	665,735	3,214,557
Additions	5,017,312	1,648,013	-	6,665,325
At October 31, 2019	$ 6,199,181	$ 13,013,409	$ 920,735	$ 20,133,325
Accumulated Amortization				
At November 1, 2018	$ -	$ 10,756	$ -	$ 10,756
Additions	335,664	437,642	-	773,306
At October 31, 2019	$ 335,664	$ 448,398	$ -	$ 784,062
Net book value at October 31, 2019	**$ 5,863,517**	**$ 12,565,011**	**$ 920,735**	**$ 19,349,263**

	Equipment	Buildings and leasehold improvements	Land	Total
Cost				
At November 1, 2019	$ 6,199,181	$ 13,013,409	$ 920,735	$ 20,133,325
Additions	526,549	358,175	9,958	894,682
At January 31, 2020	$ 6,725,730	$ 13,371,584	$ 930,693	$ 21,028,007
Accumulated Amortization				
At November 1, 2019	$ 335,664	$ 448,398	$ -	$ 784,062
Additions	147,247	143,486	-	290,733
At January 31, 2020	$ 482,911	$ 591,884	$ -	$ 1,074,795
Net book value at January 31, 2020	**$ 6,242,819**	**$ 12,779,700**	**$ 930,693**	**$ 19,953,212**

As at January 31, 2020, assets included in leasehold improvements and equipment that were unavailable for use and had no amortization taken amounted to $1,747,596 (October 31, 2019 - $1,747,596) and $1,037,192 (October 31, 2019 - $1,037,192) respectively.

10. Accounts Payable and Accrued Liabilities

	As at January 31, 2020	As at October 31, 2019
Inventory payables	$ 4,670,504	$ 5,279,085
Other payables and accrued liabilities	1,857,898	1,469,854
	$ 6,528,402	$ 6,748,939

11. Long-term Debt

	As at January 31, 2020	As at October 31, 2019
(a) Term loan - non-interest bearing, principal-only payments of $585 per month, 6-year term, maturing in January of 2025, with effective interest imputed at 10%.	$ 27,545	$ 28,595
(b) Term loan - bearing interest at 9.5% per annum, monthly interest-only payments, 24-month term, maturing in January of 2022, with all principal due on maturity.	4,363,948	-
	4,391,493	28,595
Less: current portion	(4,470)	(4,360)
Long-term portion	$ 4,387,023	$ 24,235

(a) Effective interest at a rate of 10% per annum has been imputed on the term loan. The effective interest rate was determined based on the Company's incremental cost of borrowing at the time of initial recognition. At January 31, 2020, the face value of the term loan was $35,115 (October 31, 2019 - $36,871) and the carrying value of the underlying equipment that serves as security for the loan was $28,957 (October 31, 2019 - $29,706).

(b) On January 30, 2020, the Company entered into a 24-month loan agreement with a face value of $6,700,000. As at January 31, 2020, the first tranche of $4,875,000 had been advanced to the Company, with the second tranche of $1,825,000 becoming available upon the earlier of (i) the issuance of a Health Canada sales licence 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. The Company paid an original issue discount of 4.5% ($219,375) and incurred transaction costs of $291,677. To maintain the term loan, the Company is required to meet certain working capital ratios, computed on the basis of the Company's consolidated financial statements.

The term loan is secured by the following:

(i) a General Security Agreement ("GSA") 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, licences, and insurance agreements granted by the Company and each guarantor; and
(iv) a mortgage in respect of certain real properties owned by the Company.

12. Contingent Consideration Payable

Balance at November 1, 2018 (Restated, see Note 25(a))	$	150,000
Issued in Purefarma acquisition, equity-settled		807,026
Issued in Purefarma acquisition, cash-settled		3,200,000
Cash payment made on contingent consideration issued in Voyage acquisition		(150,000)
Loss from remeasurement		676,974
Balance at October 31, 2019	$	4,684,000
Less: current portion		-
Long-term	$	4,684,000

Balance at November 1, 2019	$	4,684,000
Loss from remeasurement		423,000
Balance at January 31, 2020	$	5,107,000
Less: current portion		-
Long-term	$	5,107,000

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

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 cumulative gross margin targets on a stand-alone basis, 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; if Purefarma achieves such cumulative gross margin of $25,000,000 by December 31, 2019, an additional 1,250,000 common shares will be issued 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; if Purefarma achieves such cumulative gross margin of $50,000,000 before December 31, 2020, an additional 1,400,000 common shares will be issued 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.

12. Contingent Consideration Payable (continued)

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

When the Purefarma acquisition was being accounted for, 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 former portion.

The period-end balance captures the discounted value of subsequent share issuances expected to occur between February 1, 2020 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 21,100,000 shares (undiscounted value of $5,697,000, based on the closing stock price of the Company on January 31, 2020).

Contingent consideration payable is measured at fair value at initial recognition and subsequently measured at FVTPL, with remeasurement at the end of each reporting period using a level 3 valuation technique, as detailed in Note 21.

(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. These payments are based on a fixed percentage of the gross margin generated by the extraction business, as follows:

(a) 12% of extraction-generated gross margin for Purefarma's fiscal year 2019;
(b) 9% of extraction-generated gross margin for Purefarma's fiscal year 2020;
(c) 6% of extraction-generated gross margin for Purefarma's fiscal year 2021; and
(d) 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 is required in December of 2022.

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

Contingent consideration payable is measured at fair value at initial recognition and subsequently measured at FVTPL, with remeasurement at the end of each reporting period using a level 3 valuation technique, as detailed in Note 21.

As at January 31, 2020, a balance of $48,830 is 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 statement of financial position.

12. Contingent Consideration Payable (continued)

(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 cumulative EBITDA milestones. 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. In accounting for the business combination stemming from the step acquisition of Voyage in August of 2017, the Company recognized contingent consideration payable in the amount of $150,000, reflecting the fair value of this arrangement (see Note 25(a)). This valuation reflects the high probability of meeting the first milestone, which entails a cash payment of $150,000, and the remote probability of meeting the remaining milestones.

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

13. 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

No share issuances took place during the three months ended January 31, 2020.

14. Contributed Surplus

(a) Warrants

Movements in the number of warrants outstanding are as follows:

	Number of warrants		Weighted average exercise price
Balance at October 31, 2018	232,049	$	0.08
Issued as purchase consideration	1,050,454		0.02
Issued for acquisition-related services	764,893		0.20
Issued upon deemed exercise of Special Warrants	33,000,000		0.35
Issued upon deemed exercise of Agent Special Warrants	1,551,300		0.25
Issued upon exercise of Agent Warrants	1,241,040		0.35
Issued for cash as part of May 2019 private placement	16,330,000		0.70
Issued as issuance cost for May 2019 private placement	2,286,200		0.53
Exercised	(25,166,216)		0.32
Expired	(7,760)		0.10
Balance at October 31, 2019 and January 31, 2020	31,281,960	$	0.54

14. Contributed Surplus (continued)

(a) Warrants (continued)

The following table summarizes the warrants outstanding and exercisable at January 31, 2020:

Expiry date	Number of warrants		Weighted average exercise price
May 7, 2021	12,666,260	$	0.35
November 8, 2021	16,329,500	$	0.70
May 7, 2022	2,286,200	$	0.53
	31,281,960	$	0.54

Of the 31,281,960 warrants outstanding, 2,286,200 are Broker Warrants, 310,260 are Agent Warrants, and 28,685,500 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.

(b) Special Warrants

Movements in the number of Special Warrants outstanding are as follows:

	Number of warrants		Weighted average exercise price
Balance at October 31, 2018	-	$	-
Special Warrants issued for cash consideration	30,000,000		0.25
Agent Special Warrants issued as share-based payments	1,551,300		0.25
Deemed exercise of Special Warrants	(30,000,000)		0.25
Deemed exercise of Agent Special Warrants	(1,551,300)		0.25
Balance at October 31, 2019 and January 31, 2020	-	$	-

14. Contributed Surplus (continued)

(c) Stock options

(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 are as follows:

	Number of options	Weighted average exercise price	
Balance at October 31, 2018	5,691,000	$	0.32
Granted as purchase consideration	7,139,003		0.13
Granted as share-based payments	7,500,000		0.35
Exercised	(4,241,919)		0.16
Cancelled	(437,500)		0.52
Balance at October 31, 2019	15,650,584	$	0.28
Forfeited	(762,500)		0.35
Balance at January 31, 2020	14,888,084	$	0.28

14. Contributed Surplus (continued)

(c) Stock options (continued)

(i) Stock option plan details (continued)

The following table summarizes the options outstanding and exercisable at January 31, 2020:

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	280,000	280,000	$	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
November 14, 2020	2,549,644	2,549,644	$	0.10
August 20, 2023	254,964	63,741	$	0.20
April 10, 2025	892,476	892,476	$	0.20
February 8, 2024	5,000,000	2,687,500	$	0.34
September 20, 2024	1,500,000	675,000	$	0.36
	14,888,084	11,559,361	$	0.28

As at January 31, 2020, the weighted average remaining contractual life of all options outstanding was 3.23 years (October 31, 2019 – 3.54 years).

(ii) Amounts arising from share-based payment transactions

During the three months ended January 31, 2020, the Company recognized an expense of $215,471 relating to the vesting of options held by employees, directors, officers and consultants (January 31, 2019 - $12,657).

(d) Restricted shares

During the year ended October 31, 2019, the Company granted 500,000 restricted common shares, subject to certain vesting requirements, to a director. These restricted shares vest over a period of 1 year from the grant date. The issuance was valued at $112,500, determined based on the fair value of the equity instruments granted.

During the three months ended January 31, 2020, the Company recorded share-based payments of $28,664 (January 31, 2019 - $nil) for the vesting of restricted shares.

15. Non-Controlling Interest

The following table presents the summarized financial information for Voyage and Mainstrain Market Ltd. ("Mainstrain"), the Company's subsidiaries which have NCI's. This information represents amounts before intercompany eliminations. NCI is measured at fair value at the acquisition date.

	Voyage	Mainstrain
Current assets	3,787,559	2,500
Non-current assets	7,214,328	-
Current liabilities	13,198,446	144,100
Non-current liabilities	23,075	-
Revenue	2,461,528	-
Net and comprehensive income (loss)	758,032	(9,177)

The net change in non-controlling interest is as follows:

Balance at October 31, 2018	967,029
Share of loss for the year ended October 31, 2019	(381,825)
Balance at October 31, 2019	585,204
Share of income for the three months ended January 31, 2020	187,214
Balance at January 31, 2020	772,418

16. Income Taxes

The Company's combined Canadian federal and provincial statutory income tax rate is 26.5% for the three months ended January 31, 2020 (three months ended January 31, 2019 - 27%). The rate is expected to apply for the full year and is applied to the pre-tax income of the three-month periods.

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.

The changes in the net deferred tax liability are provided below:

Balance at October 31, 2018 (Restated, see Note 25)	967,528
Deferred tax liabilities assumed through business combinations	7,291,407
Deferred income tax recovery for the year ended October 31, 2019	(1,704,635)
Balance at October 31, 2019	6,554,300
Deferred income tax recovery for the three months ended January 31, 2020	(13,300)
Balance at January 31, 2020	6,541,000

17. 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 months ended January 31, 2020 and 2019 are as follows:

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

	Three months ended January 31, 2020	Three months ended January 31, 2019
Management fees	$ 45,000	$ 45,000
Consulting fees	226,359	81,012
Occupancy	-	12,645
	$ 271,359	$ 138,657

(b) Management compensation

	Three months ended January 31, 2020	Three months ended January 31, 2019
Salary and short-term benefits	$ 77,033	$ 34,842
Share-based payments	144,438	-
	$ 221,471	$ 34,842

(c) Related party balances

	As at January 31, 2020	As at October 31, 2019
Included in accounts payable and accrued liabilities	$ 75,003	$ 200,049
Included in other current assets (Note 12(b))	$ 48,830	$ 48,831

18. Commitments

The Company is committed under lease agreements with respect to various office premises and other properties located in Canada expiring between March 2020 and September 2021, as follows:

	Amount
Nine months ending October 31, 2020	$ 29,570
Year ending October 31, 2021	26,730
	$ 56,300

Certain operating leases contain renewal options or automatic extensions. The Company is also required to cover certain operating costs associated with the properties being leased.

19. 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.

The calculation of diluted loss per share excludes the effects of various conversions and exercises of options and warrants that would be anti-dilutive.

	Three months ended January 31, 2020	Three months ended January 31, 2019
Issued shares, beginning of period	428,174,008	203,919,450
Weighted average issuances	-	147,794,483
Weighted average common shares, end of period	428,174,008	351,713,933
Net loss attributed to shareholders of the Company	$ (2,118,733)	$ (3,711,924)
Basic and diluted loss per share	$ (0.01)	$ (0.01)

20. 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 interim condensed 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, 2019, 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 January 31, 2020	As at October 31, 2019
Trade accounts receivable from customers	$ 3,870,690	$ 473,716
Expected credit losses	-	-
Net trade receivables	3,870,690	473,716
Sales tax receivable from government bodies	970,466	954,770
Interest and other receivables	80,844	125,551
	$ 4,922,000	$ 1,554,037

Credit risk is generally limited for sales tax receivable from government bodies and interest receivable from highly rated Canadian financial institutions, which generally have low default risk. The Company therefore does not expect any credit losses on its sales tax receivable and interest receivable.

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 of January 31, 2020, the Company had not identified any doubtful accounts and thus did not recognize a provision for expected credit losses on its trade accounts receivable.

The Company has assessed that there is a concentration of credit risk, as the full balance of the Company's trade accounts receivable is due from 4 customers as at January 31, 2020 (October 31, 2019 - full balance due from 2 customers).

20. Financial Instruments (continued)

(a) Credit risk (continued)

An analysis of the aging of trade accounts receivable is as follows:

	As at January 31, 2020	As at October 31, 2019
Current (30 days or less)	$ 2,825,172	$ -
31 - 60 days	557,585	414,736
61 - 90 days	14,218	58,980
Greater than 90 days	473,715	-
	$ 3,870,690	$ 473,716

(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 January 31, 2020, the Company had working capital of $14,804,969 (October 31, 2019 – $11,685,474). 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. In addition to the commitments outlined in Note 18, the Company has the following undiscounted contractual obligations subject to liquidity risk:

	< 1 year	1 - 3 years	> 3 years
Accounts payable and accrued liabilities	$ 6,528,402	$ -	$ -
Other current liabilities	300,194	-	-
Long-term debt	470,148	5,352,171	14,046
Contingent consideration payable (probability adjusted)	-	4,291,658	837,962
	$ 7,298,744	$ 9,643,829	$ 852,008

(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's foreign currency risk is limited to the translation adjustments on its investment in Endocanna (Note 7), 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 pick up its share of the resulting translation gain or loss in other comprehensive income (Note 7). At January 31, 2020, the Company has not entered into any hedging agreements to mitigate foreign currency risks.

20. Financial Instruments (continued)

(c) Market risk (continued)

(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 at 2.15% per annum and 2.00% per annum respectively. The Company's long-term debt bears interest as detailed in Note 11. At January 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 January 31, 2020, the Company does not have a significant exposure to price risk as the Company does not possess financial instruments that are susceptible to a high degree of variability in the movements of equity or market prices.

21. Fair Value of Financial Instruments

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.

	Fair Value Method
Financial instruments measured at fair value	
Contingent consideration payable	Discounted cash flow model (level 3)
Financial instruments measured at amortized cost	
Cash	Carrying amount (approximates fair value due to short-term nature)
Short-term investments	Carrying amount (approximates fair value due to short-term nature)
Accounts receivable, excluding taxes receivable	Carrying amount (approximates fair value due to short-term nature)
Convertible promissory note receivable	Carrying amount (approximates fair value due to short-term nature)
Accounts payable and accrued liabilities	Carrying amount (approximates fair value due to short-term nature)
Long-term debt	Carrying value at the effective interest rate which approximates fair value

21. Fair Value of Financial Instruments (continued)

The carrying values of the Company's financial instruments at January 31, 2020 are summarized in the following table:

	Amortized Cost	FVTPL	Total
Financial Assets			
Cash	$ 4,749,666	$ -	$ 4,749,666
Short-term investments	$ 4,550,000	$ -	$ 4,550,000
Accounts receivable, excluding taxes receivable	$ 3,951,534	$ -	$ 3,951,534
Convertible promissory note receivable	$ 250,738	$ -	$ 250,738
Financial Liabilities			
Accounts payable and accrued liabilities	$ 6,528,402	$ -	$ 6,528,402
Long-term debt	$ 4,391,493	$ -	$ 4,391,493
Contingent consideration payable	$ -	$ 5,107,000	$ 5,107,000

(a) Fair value hierarchy

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).

In these interim condensed consolidated financial statements, financial instruments measured at fair value are as follows:

Level 1 - none;
Level 2 - none; and
Level 3 - contingent consideration payable.

During the three months ended January 31, 2020, there were no transfers of amounts between levels (January 31, 2019 - no transfers between levels).

21. Fair Value of Financial Instruments (continued)

(b) Contingent consideration payable

The following is a continuity of contingent consideration payable:

		Voyage		Purefarma		Total
Balance at October 31, 2018 (Restated, see Note 25)	$	150,000	$	-	$	150,000
Additions from acquisitions		-		4,007,026		4,007,026
Payment made		(150,000)		-		(150,000)
Unrealized loss from changes in fair value		-		676,974		676,974
Balance at October 31, 2019	$	-	$	4,684,000	$	4,684,000
Unrealized loss from changes in fair value		-		423,000		423,000
Balance at January 31, 2020	$	-	$	5,107,000	$	5,107,000

The Company's contingent consideration payable is measured at fair value based on unobservable inputs and is considered a level 3 financial instrument. The fair value of this liability is primarily driven by management's expectations of Purefarma's annual gross margins up to December 31, 2022 and the Company's extraction-related cumulative gross margin up to December 31, 2023. The former is estimated to total $85.16 million by December 31, 2022 and the latter is estimated to total $116.76 million by December 31, 2023. The estimated earn-outs were discounted to present value in order to derive the fair value of the contingent consideration. The discount rate used is 25%. If the gross margin estimates were decreased by 20%, the estimated fair value of the contingent consideration would decrease by $1,128,000. If the gross margin estimates were increased by 20%, the estimated fair value of the contingent consideration would increase by $847,000. If the discount rate decreased by 5%, the estimated fair value of the contingent consideration would increase by approximately $538,000. If the discount rate increased by 5%, the estimated fair value of the contingent consideration would decrease by approximately $457,000. As there is no upper limit on the contingent performance payments, the total potential pay-out is unlimited over the contractual term.

22. Entity-wide Disclosures

The Company's trade revenue for the three months ended January 31, 2020 is comprised of the following:

		Domestic (Canada)		International		Total
Revenue from sale of goods	$	2,753,389	$	-	$	2,753,389
Revenue from provision of services		1,255,006		-		1,255,006
	$	4,008,395	$	-	$	4,008,395

Two significant customers accounted for a combined 89% of total trade revenue for the three months ended January 31, 2020. The Company did not report any trade revenue for the three months ended January 31, 2019.

23. 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 costs 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.

24. Subsequent Events

(a) In December 2019, the World Health Organization was informed that a limited number of cases of pneumonia, of an unknown cause, were detected in Wuhan, Hubei; now identified as COVID-19. The development and spread of COVID-19 led to the World Health Organization, on March 10, 2020, declaring the outbreak a global pandemic.

Management is currently assessing the impact of the outbreak on the Company's financial position and operating results, including certain estimates related to contingent consideration payable, adverse impacts to the price and demand for the Company's products as well as the Company's ability to collect outstanding receivables from its customers.

(b) In March 2020, the Company incorporated Heritage (US) Oregon Corp., a wholly-owned subsidiary.

25. Retrospective Restatement

	As Previously Reported	Historical Acquisition of PhyeinMed Inc. (a)	Acquisitions of CannaCure and Purefarma (b)	Historical Presentation of Expenses (c)	As Restated
As at January 31, 2019					
Intangible assets	$ 41,990,012	1,371,635	8,069,078	-	$ 51,430,725
Total assets	$ 60,072,713	1,371,635	8,069,078	-	$ 69,513,426
Current portion of contingent consideration payable	$ 334,000	150,000	(334,000)	-	$ 150,000
Total current liabilities	$ 1,970,733	150,000	(334,000)	-	$ 1,786,733
Deferred tax liability	$ -	967,528	6,989,407	-	$ 7,956,935
Contingent consideration payable	$ 1,576,000	-	2,737,026	-	$ 4,313,026
Total liabilities	$ 3,761,721	1,117,528	9,392,433	-	$ 14,271,682
Contributed surplus	$ 11,882,155	-	(1,130,161)	-	$ 10,751,994
Accumulated deficit	$ (16,279,580)	190,580	(193,194)	-	$ (16,282,194)
Equity attributable to shareholders	$ 55,484,587	190,580	(1,323,355)	-	$ 54,351,812
Non-controlling interest	$ 826,405	63,527	-	-	$ 889,932
Total equity	$ 56,310,992	254,107	(1,323,355)	-	$ 55,241,744
Total liabilities and equity	$ 60,072,713	1,371,635	8,069,078	-	$ 69,513,426
Three Months Ended January 31, 2019					
Advertising, travel and promotion	$ 101,566	-	-	(42,000)	$ 59,566
Amortization	$ 195,156	-	201,369	-	$ 396,525
Shareholder communications	$ 62,283	-	-	42,000	$ 104,283
Share-based payments	$ 2,032,968	-	(12,175)	-	$ 2,020,793
Unrealized loss on contingent consideration payable	$ -	-	(306,000)	-	$ (306,000)
Loss before taxes	$ (3,595,827)	-	(495,194)	-	$ (4,091,021)
Deferred tax (recovery)	$ -	-	(302,000)	-	$ (302,000)
Net loss and comprehensive loss	$ (3,595,827)	-	(193,194)	-	$ (3,789,021)
Net loss and comprehensive loss attributed to:					
Shareholders of the Company	$ (3,518,730)	-	(193,194)	-	$ (3,711,924)
Non-controlling interest	$ (77,097)	-	-	-	$ (77,097)

Basic and diluted loss per share for the three months ended January 31, 2019 remained at ($0.01).

25. Retrospective Restatement (continued)

(a) Historical Acquisition of PhyeinMed Inc.

During the year ended October 31, 2017, the Company obtained control of PhyeinMed Inc. (subsequently renamed to Voyage Cannabis Corp.). As part of the identifiable net assets acquired in the business combination, the Company acquired license acquisition costs with a fair value of $5,067,000. In accounting for this business combination, the Company unintentionally omitted to capture the deferred tax liability on said license, some additional contingent consideration payable, and the resulting impact on goodwill. The details of the contingent consideration are outlined in Note 12(c).

To correct the error, the Company has restated certain opening balances to the earliest prior period presented as follows:

	As Previously Reported	Adjustment	As Restated
Opening intangible assets, November 1, 2018	5,067,000	1,371,635	6,438,635
Opening total assets, November 1, 2018	12,699,236	1,371,635	14,070,871
Opening current portion of contingent consideration payable, November 1, 2018	-	150,000	150,000
Opening current liabilities, November 1, 2018	712,331	150,000	862,331
Opening deferred tax liability, November 1, 2018	-	967,528	967,528
Opening total liabilities, November 1, 2018	712,331	1,117,528	1,829,859
Opening accumulated deficit, November 1, 2018	(12,760,850)	190,580	(12,570,270)
Opening equity attributable to shareholders, November 1, 2018	11,083,403	190,580	11,273,983
Opening non-controlling interest, November 1, 201	903,502	63,527	967,029
Opening total equity, November 1, 2018	11,986,905	254,107	12,241,012
Opening total liabilities and equity, November 1, 2(	12,699,236	1,371,635	14,070,871

(b) Acquisitions of CannaCure Corporation and Purefarma Solutions Inc.

During the year ended October 31, 2019, management finalized the purchase price allocations pertaining to the acquisitions of CannaCure Corporation ("CannaCure") and Purefarma Solutions Inc. ("Purefarma"). This resulted in various adjustments to the preliminary acquisition-date fair values of identifiable assets acquired, liabilities assumed, consideration paid, and the resulting allocation to goodwill. Related amortization amounts have also been adjusted to reflect the outcomes of the finalized purchase price allocations. Management also corrected its initial classification of equity-settled contingent consideration in the Purefarma acquisition. The contingent consideration in question is now classified as partially an equity instrument and partially a financial liability (Note 12(a)). Being a FVTPL instrument, the component classified as a financial liability is subject to remeasurement at the end of each reporting period. The restated balances thus include an unrealized remeasurement loss attributable to the instrument's change in fair value during the period. Lastly, management has now appropriately captured the deferred tax implications stemming from the two acquisitions.

25. Retrospective Restatement (continued)

(c) Historical Presentation of Expenses

Certain expenses incurred during the three months ended January 31, 2019 in the amount of $42,000 have been reclassified from advertising, travel and promotion to shareholder communications in the statement of operations and comprehensive loss. This change was made to better reflect the expenses' underlying nature and to ensure consistency in presentation.