HERITAGE CANNABIS HOLDINGS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For The Three and Six Month Periods Ended April 30, 2019

This Management Discussion and Analysis – Quarterly Highlights for Heritage Cannabis Holdings Corp. provides analysis of the Company's interim condensed consolidated financial results for the three and six month periods ended April 30, 2019. The following information should be read in conjunction with the accompanying interim condensed consolidated financial statements and related notes for the three and six month periods ended April 30, 2019.

Date of Report

The following Management Discussion and Analysis – Quarterly Highlights ("**MD&A**") focuses on significant factors that have affected Heritage Cannabis Holdings Corp. (the "**Company**" or "**Heritage**") performance and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's interim condensed consolidated financial statements for the three and six month periods ended April 30, 2019 and the annual consolidated financial statements and related notes for the year ended October 31, 2018, which were prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"). Unless otherwise noted, all currency amounts are in Canadian dollars. This MD&A is dated June 27, 2019.

Forward-Looking Information

This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the Company's expectations regarding its revenue, expenses and research and development operations;
- the Company's anticipated cash needs and its needs for additional financing;
- the Company's intention to grow the business and its operations;
- expectations with respect to future production costs, capacity and yield;
- expectations regarding our growth rates, growth plans and strategies;
- expectations with respect to the approval and/or amendment of the Company's licenses;
- expectations with respect to the future growth of its medical and recreational cannabis products;
- the medical benefits, safety, efficacy, dosing and social acceptance of cannabis;
- the Company's competitive position and the regulatory environment in which the Company operates;
- the Company's expected business objectives for the next twelve months;
- the Company's plans with respect to the payment of dividends;
- the Company's ability to obtain additional funds through the sale of equity or debt commitments;
- the future growth of the cannabis industry;
- the ability of the Company's products to access consumer markets;
- the Company's ability to expand into international markets;
- the Company's relationship with its distribution partners;
- cannabidiol oil processing efficiency and sales;
- impact of scientific findings regarding long term impacts of Cannabis use or ability to cure medical issues
- the ability of the Company to access sufficient power for generation of greenhouses
- the efficiency of mechanical processing for hemp; and
- the variability of hemp farming.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) that regulatory requirements will be maintained; (ii) general business and economic conditions; (iii) the Company's ability to successfully execute its plans and intentions; (iv) the availability of financing on reasonable terms; (v) the Company's ability to attract and retain skilled staff; (vi) market competition; (vii) the products and technology offered by the Company's competitors; and (vii) that the Company's current good relationships with its suppliers, service providers and other third parties will be maintained. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risks and Uncertainties", which include:

- the Company has little operating history, a history of losses and the Company cannot assure profitability;
- the Company is reliant on government-issued sales and processing licenses to produce and sell cannabis products in Canada;
- the Company is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Company's future business and financial performance;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates;
- the Company faces competition from other companies where it will conduct business and those companies may have a higher capitalization, more experienced management or may be more mature as a business;
- the Company is reliant on management. If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- there is no assurance that the Company will obtain, retain and/or renew any relevant licenses and its business is dependent upon such licenses;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company may have to sell additional equity securities or secure debt facilities for cash to fund operations, capital expansion, mergers and acquisitions. If funds are raised through the issuance of equity or convertible debt securities, existing shareholders could suffer dilution and any new equity securities could have rights, preferences and privileges superior to those of the common shares of the Company (the "**Common Shares**"). Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may impede the Company's ability to obtain additional capital and to pursue business opportunities.
- the Company currently has certain insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage;
- the cultivation of cannabis and hemp includes risks inherent in an agricultural business including the risk of crop loss, quality of crop, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the expansion of the medical cannabis industry may require new clinical research into effective medical therapies;

- under the *Cannabis Act* (the "**Cannabis Act**") and the current and proposed regulations thereunder (the "**Cannabis Regulations**"), the Company may have restrictions on the type and form of marketing and packaging it can undertake which could materially impact sales performance;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- in certain circumstances, the Company's reputation could be damaged;
- the Company is operating at a regulatory frontier. The cannabis industry is relatively new and is evolving and it is an industry that may not succeed;
- the Company is vulnerable to rising energy costs and access to energy;
- the Company may not be able to obtain all necessary licenses, authorizations and permits or complete construction of its facilities on a timely basis, which could, among other things, delay or prevent the Company from becoming profitable;
- regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- the Company cannot make assurances that a market will continue to develop or exist for the Common Shares and or what the market price of the Common Shares will be;
- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;
- the Company does not anticipate paying cash dividends;
- future sales of Common Shares by existing shareholders could reduce the market price of the Company's shares;
- the Company is subject to certain construction related risks;
- licencing risks related to expansion of operations, including multi-site license amendments;
- the United States may impose travel and entry bans on Company directors, officers and employees and investors in the Company's securities; and
- no guarantee on the use of available funds by the Company.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements. The assumptions referred to above and described in greater detail under "Risk and Uncertainties" should be considered carefully by readers.

The Company's forward-looking statements are based on the reasonable beliefs, expectations and opinions of the management of the Company ("**Management**") on the date of this MD&A (or as of the date they are otherwise stated to be made). Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the interim condensed consolidated financial statements, are the responsibility of Management. In the preparation of the accompanying interim condensed consolidated financial statements, estimates are sometimes necessary to make a determination of the future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying interim condensed consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Nature of Business

The Company was incorporated on October 25, 2007 under the *Business Corporations Act* of British Columbia. The Company was called for trading on the TSX Venture Exchange on January 6, 2010. Effective March 8, 2013, Trijet Mining Corp. consolidated its share capital on a two-old-for-one-new basis and changed its name to Umbral Energy Corp. On October 20, 2014, the shares of the Company commenced trading on the Canadian Securities Exchange ("**CSE**") under the symbol "UMB.C" and delisted its Common Shares from the TSX Venture Exchange. On January 9, 2018, the Company changed its name to Heritage Cannabis Holdings Corp. trading under the symbol "CANN.C" with no consolidation of capital and completed a Fundamental Change of Business pursuant to CSE Policy 8 and operates as a cannabis issuer.

The Company's head office is located at 929 Mainland Street, Vancouver, B.C. V6B 1S3 and its registered and records office is care of McMillan LLP, Suite 1500 – 1055 West Georgia St., Vancouver, B.C. V6E 4N7.

Heritage is developing a vertically integrated cannabis-based business, focusing on the emerging Canadian cannabis market, which is regulated under the Cannabis Act, the Cannabis Regulations, and other applicable laws. The Cannabis Act received Royal Assent on June 21, 2018 and it, along with its supporting regulations, came into force on October 17, 2018. The Cannabis Act created a market for recreational and medical cannabis by expanding the class of individuals who were legally permitted to purchase and consume cannabis in Canada.

In pursuit of its vision, Heritage has built an infrastructure of complementary entities, each focused on developing Heritage's strategy to build a vertically integrated seed to sale business.

Heritage's subsidiary, Voyage Cannabis Corp. (formerly PhyeinMed Inc.) ("**Voyage**"), holds a Health Canada issued cultivation, processing and medical sales licence. Voyage operates out of a 15,500 square foot processing facility in Falkland, British Columbia, which has been fit out with a drying room, trimming room, packaging area and an approved security level vault. Voyage's current cultivation strategy will be fulfilled through greenhouses, which will be built on the property's 13 acres of land. Currently, greenhouses with a total square footage of 16,000 have been erected. A phase-wise expansion strategy continues at this facility with the potential to add additional greenhouses and increase growing capacity to approximately 95,000 square feet.

CannaCure Corporation ("**CannaCure**"), a wholly owned subsidiary of Heritage, operates out of 122,000 square foot facility in Fort Erie, Ontario. Currently, CannaCure holds a Health Canada issued cultivation, processing and medical sales licence under the Cannabis Regulations. The facility, located at 333 Jarvis Street, was a former manufacturing plant for a pharmaceutical white labeler. Presently, approximately 24,260 square feet has been retrofitted for cannabis activities, and Management believes that size and layout of the facility offer significant advantages in terms of expansion and diversification of product offerings and services. Subject to an expansion of the cultivation capacity discussed below, Management has earmarked the remainder of the facility for extraction, and strategic partnerships, including related storage requirements. Management has developed partnership criteria and is in the process of assessing potential partnerships for finished goods (edibles and infusion products) in connection with the ultimate selection of long term strategic partners.

Purefarma Solutions Inc. ("**Purefarma**") is a wholly owned subsidiary with its head office in Kelowna, British Columbia. A leader in extraction techniques and processing, Purefarma will deploy its team and devote its efforts towards Heritage's processing activities. Purefarma is strategic to the Company's seed to sale business strategy for its extraction and processing capabilities. At the same time, it will also be working closely with the Company's newest entity, BriteLife Sciences Ltd. ("**BriteLife**").

On December 18, 2018, Heritage incorporated BriteLife (formerly, 1190683 B.C. Ltd.) to support its business objectives by creating products and services which champion an integrative approach to cannabinoid therapy for healthcare consumers and healthcare practitioners. Led by Dr. Chris Spooner, the Company's Chief Science Officer, BriteLife seeks to develop tools, resources and methods to simplify and normalize the use of medical cannabis while at the same time optimizing health outcomes for patients through a personalized and scientific approach to cannabinoid therapy.

Second Quarter Updates

On November 7, 2018, the Company closed a best efforts private placement of 30,000,000 special warrants (each, a "Special Warrant") at a price of $0.25 per Special Warrant for aggregate gross proceeds of $7,500,000. On February 1, 2019, the Company filed a final short form prospectus dated January 31, 2019 and obtained a receipt from the securities regulatory authorities, which resulted in the deemed exercise of the Special Warrants under the private placement for units of the Company, with each unit consisting of one Common Share and one Common Share purchase warrant.

Between February 4 and 11, 2019, the Company announced changes to its management team and board of directors. A new Chief Financial Officer, Erin Prohaska, and a new Chief Operating Officer, Daniel Phaure, were appointed. Mr. Donald Ziraldo and Ms. Celine Arsenault joined the board of directors with Mr. Ziraldo being named as chairman and Ms. Arsenault taking on the role of chairperson of the Audit Committee. The new team brings a diverse background, proven track record and the requisite financial and operational skills to execute on the Company's strategy.

On February 8, 2019, the Company announced, pursuant to its stock option plan, it had granted 5,500,000 incentive stock options to directors/officers/employees and/or consultants. The award of the options and vesting terms was key to ensuring long term alignment of Company's core team with the overall strategy and vision.

During February and March 2019, the Company ordered 5 new Vitalis Q90 extraction units, of which 3 were delivered and received manufacturing certification in the quarter. The remaining two machines were delivered to the CannaCure facility on June 20, 2019.

In March 2019, both Voyage and CannaCure received their Standard Processing Licence and Medical Sales Licence from Health Canada. With the award of these licences, both entities are now fully positioned to fulfill their role in the downstream extraction methodology, distillation and purification, led by the team at Purefarma.

On May 7, 2019, the Company announced the closing of a bought deal offering of 32,660,000 units of the Company (each, a "Unit") at a price of $0.53 per Unit for aggregate gross proceeds of $17,309,800. Each Unit consisted of one (1) Common Share of the Company and one-half (0.5) of one Common Share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one Common Share at a price equal to $0.70 per Common Share for a period of 30 months following the closing date.

The offering was conducted by a syndicate of underwriters led by Cormark Securities Inc., and included PI Financial Corp., Canaccord Genuity Corp., and Desjardins Securities Inc. (the “Underwriters”). The Underwriters fully exercised their over-allotment option on closing to purchase an additional 4,2600,000 Units. In consideration for their services, the Underwriters received a 7% cash commission in the amount of $1,211,686 and an aggregate of 2,286,200 broker warrants (the “Broker Warrants”). Each Broker Warrant is exercisable for one Unit at an exercise price of $0.53 for a period of 36 months from the closing date.

After deducting the cash commission, disbursements and the estimated expenses, the net proceeds from the Offering was approximately $15,816,512. For further details on the Offering or the Company’s plans for the funds raised, refer to the final Short Form Prospectus of the Company dated May 1, 2019 available on www.sedar.com.

In April of 2019, Voyage signed an agency agreement with Cannavolve Inc., an independent, recreational cannabis sales and marketing agency. The agreement will allow Voyage to access Cannavolve’s network and experienced sales team to drive recreational product sales within Canada. All recreational sales are subject to Voyage obtaining its full Sales License from Health Canada.

On May 9, 2019, the Company announced a binding term sheet with Zenabis Global Inc. (“Zenabis”), which will see the two companies work collaboratively to bring cannabis oils to market. Purefarma will provide both toll extraction and custom formulation services to Zenabis. The initial Agreements will see Zenabis deliver a minimum of 500 kg of dried flower and trim to Heritage, and in return Heritage will supply Zenabis with a minimum of 150 kg of Cannabidiol (CBD) or Tetrahydrocannabinol (THC) extracted distillate, both to be delivered by the end of calendar 2019.

On May 10, 2019, the Company announced the exercise of its option to acquire the 122,000 square foot CannaCure facility located at 333 Jarvis Street in Fort Erie, Ontario for a purchase price of $2,200,000. The purchase price will be funded with proceeds on hand.

On May 15, 2019, the Company announced that it hadntered into a letter of intent to acquire a 30% interest in California-based Endocanna Health Inc. (“Endocanna”), a company which has developed a home-based Endocannabinoid DNA test using a saliva collection kit. Under the terms of the agreement, Heritage will: (1) invest USD $2,000,000 into Endocanna and receive 20% of the common shares in the company from treasury, and (2) issue shares of Heritage equivalent to USD $1,000,000 to certain principals of Endocanna in exchange for an additional 10% of the Endocanna common shares outstanding. In furtherance of its vertical integration and as part of this agreement, Heritage will form a joint venture to represent the EndoDNA technology in Canada, working with scientists at Endocanna to create a line of formulations to be jointly branded.

On May 30, 2019, the Company announced that its subsidiary, Purefarma, signed a processing and supply term sheet with Canntab Therapeutics Limited ("Canntab"), pursuant to which Purefarma will provide processing services for hemp supplied by Canntab in connection with Canntab's planned roll out of their ingestible oral cannabis products.

Plans and Milestones

Management is focused on driving revenues and achieving its seed to sale vision. To that end, the following key milestones have been identified as critical success factors and are being actively monitored:

Milestone	Estimated time to completion
Purchase, delivery and installation of oil extraction machines	Q3 – Note 1
Phase 2 CannaCure Facility – cultivation and extraction expansion	Q3- Q4 2019 – Note 2
Falkland Facility – extraction retrofit	Complete
Falkland Facility – cultivation expansion	Ongoing
Voyage & CannaCure – obtain full Sales Licence	Q3 -Q4 2019 – Note 3
Secure long-term tolling contract	Q3 – Note 4

Note 1
On February 1, 2019 the Company entered into an agreement to acquire three new Vitalis extraction systems for a total purchase price of $1,746,242. Two units were delivered to the CannaCure facility in Fort Erie, Ontario, and one unit was delivered to the Falkland Facility where it was paired with the Company's existing extraction system.

In March of 2019, the Company ordered 2 additional machines for the CannaCure Facility in Fort Erie which were delivered June 20, 2019. These additional machines are critical to manage the demand for extraction services/ oil production.

Note 2
Management is in the process of finalizing plans for a Phase 2 build out of its indoor cultivation space. This expansion includes outfitting four new grow rooms which together have a total footprint of approximately 4,000 square feet.

Note 3
On June 14, 2019, Health Canada released new Regulations which could delay the estimated time to completion for attainment of a full Sales Licence. Management is currently reviewing the revisions and evaluating their implications.

Note 4
The Company's term sheet with Zenabis has set the groundwork for completion of this milestone, subject to definitive agreements being reached between the parties.

Results of Operations – 3 month period ended April 30, 2019

For the three month period ended April 30, 2019, the Company recorded a net loss and comprehensive loss of $3,401,473 or $0.01 loss per share compared to a net loss and comprehensive loss of $1,797,436 or $0.01 loss per share for the three month period ended April 30, 2018. Included in the loss for the three month period ended April 30, 2019 is interest and other income of $63,013 as compared to nil in the three month period ended April 30, 2018.

General and administrative expenses for the Company increased from $1,797,436 for the three month period ended April 30, 2018 to $3,314,486 for the current three month period, an increase of $1,517,050. This increase was attributable to the following:

a) Advertising, travel and promotion increased from $7,010 for the three month period ended April 30, 2018 to $166,732 for the three month period ended April 30, 2019. This increase of $159,722 can largely be attributed to the travel requirements associated with being a bicoastal company and the increased allocation of resources towards investor and marketing initiatives. More specifically, the Company is in the process of recruiting and hiring key individuals to fill critical extraction and quality assurance roles within each facility, and in doing so, it is expected that over time the current travel requirements will decline. The Company has historically relied on equity to finance its operations and as such, ongoing management of the Company's perception in the market is key to the success of future capital raises. Management expects these expenses to remain at the current levels for the near term.

b) Amortization expense of $2,376 for the three month period ended April 30, 2018 increased to $409,399 for the current period. This increase of $407,023 is due to the amortization of finite life intangible assets, of which $160,444 is related to the amortization of the Health Canada license acquired in the CannaCure acquisition and $62,296 on the Voyage Health Canada license, and the depreciation of the Company's property, plant and equipment. Neither the Health Canada licenses nor the plant, property and equipment were amortized in the quarter ended April 30, 2018.

c) Consulting fees increased from $167,476 for the three month period ended April 30, 2018 to $542,262 for the three month period ended April 30, 2019, an increase of $374,786. Included in this increase is $50,000 of transaction costs relating to the CannaCure acquisition, $60,000 of fees to a consultant who served on the Company's Advisory Board, and $36,000 to independent directors of the Company's board. The remaining increase, approximately $228,786, is comprised of approximately $52,226 of consulting expenses incurred by CannaCure, Purefarma and Mainstrain Markets for which there is no prior period comparison, and $176,560 related to the increase in Heritage's executive bench strength, and operational capacity, including the onboarding of a new Chief Operating Officer, Chief Financial Officer, Chief Science Officer and Corporate Secretary.

d) Management fees of $45,000 were recorded during the three month period ended April 30, 2019 as compared to $50,000 in the comparable prior three month period. The $5,000 difference is a function of timing, with fees in the previous period vacillating between $10,000 and $20,000 per month.

e) Occupancy, office expense and other expenes increased from $51,673 for the three month period ended April 30, 2018 to $489,415 for the three month period ended April 30, 2019, an increase of $437,742. Occupancy commitments (rent, utilities and property taxes) assumed on the acquisition of Purefarma and CannaCure, for which there is no prior period comparative, amounted to approximately $134,498 of the increase in the quarter. During the 3 months ended April 30, 2019, Heritage occupancy costs increased by $9,584, primarily due to the Company taking on permanent office space in Toronto, Ontario for its new management team, for a total quarterly expense of $7,350. An additional $218,284 of the increase is directly attributable to operating activity in Purefarma and CannaCure, for which there is no prior period comparison. The remaining increase can be explained by the overall increase in activity required to administer and manage the Company, including its Voyage and BriteLife, as it evolves to an operational producer, processor and seller of cannabis. With the exception of the portion of these expenses related to rent at the Fort Erie facility, Management expects the expenses to continue to increase as it builds out its teams and operational capacity.

f) Professional fees increased from $64,812 for the three month period ended April 30, 2018 to $108,147 for the three month period ended April 30, 2019, an increase of $43,335. Of this increase, $13,214 relates to legal and accounting fees incurred by Purefarma, CannaCure, BriteLife and Mainstrain Markets, for which there is no prior period comparable. The remaining increase, approximately $30,000, in professional fees during this three month period, as compared to the same three month period in 2018 is primarily related to the Company doubling its accrual for audit services, expensing approximately $18,000 of audit fees related to 2018 and engaging independent audit advisory services.

g) Regulatory fees increased from $2,005 for the three month period ended April 30, 2018 to $20,738 for the current three month period, an increase of $18,733. In the quarter, the Company incurred $6,757 of costs in connection with its Over the Counter (OTC) regulatory application and an additional $11,000 for services provided by a SEDAR filing agent, a portion of whose fees are directly related to the number of shares outstanding. The remaining difference, approximately $4,000, is the result of an offsetting adjustment recorded in the second quarter of 2018 which effectively reduced the expense reported in the three month period ended April 30, 2018.

h) Shareholder communications increased from a recovery of $408 for the three month period ended April 30, 2018 to $174,806 for the three month period ended April 30, 2019, an increase of $175,214. This increase was due to the Company's engagement of various service providers and investment in digital/social media programs designed to communicate with and update a growing base of current and potential shareholders of new developments happening at Heritage.

i) Share-based payments decreased by $629,673 from $1,446,342 for the three month period ended April 30, 2018 to $816,669 for the three month period ended April 30, 2019. During the three months ended April 30, 2019, 5,500,000 options with a fair value of $1,847,495 were granted, and by their vesting terms, resulted in the recording of approximately $708,000 of stock based compensation for the 3 month period. The Company recorded an additional $32,170 in stock-based payments related to the vesting of: (1) options assumed by the Company on the acquisition of CannaCure corporation in the amount of $5,047 and (2) restricted shares awarded to a director in the amount of $27,123. The remaining variance, approximately $76,000 represents the fair value of stock issued to a technical consultant following CannaCure's first Health Canada approved harvest. By comparison, during the three month period ended April 30, 2018, a total of 3,200,000 incentive stock options were granted to entice and retain key personnel. These options vested at grant and thus, the full expense, as determined using a Black-Scholes option pricing model, was recorded in the quarter. Share-based payments are a non-cash expense.

j) Salaries, wages and benefits increased from $nil for the three month period ended April 30, 2018 to $535,039 for the current three month period. The increase is primarily due to additional payroll from the acquisitions of CannaCure and Purefarma, for which there is no prior period comparison, as well as continued growth in head count across all the subsidiaries, including BriteLife and Voyage.

Results of Operations – 6 month period ended April 30, 2019

During the six month period ended April 30, 2019, the Company reported a loss and comprehensive loss of $7,155,941 or $0.02 per share, as compared to a loss and comprehensive loss of $3,680,789 or $0.02 per share for the six month period ended April 30, 2018. Included in the loss for the six month period ended April 30, 2019 is interest and other income of $81,899 as compared to nil in the six month period ended April 30, 2018.

General and administrative expenses increased from $3,734,439 to $7,087,840, an increase of $3,353,401. This increase was mainly attributable to:

a) Advertising and promotion increased from $18,083 for the six month period ended April 30, 2018 to $268,299 for the six month period ended April 30, 2019. This increase was due to acquisitions of CannaCure and Purefarma, associated elevation in overall business activity, and the incorporation of additional operating companies such as BriteLife, all of which necessitate the need for regular travel. Travel costs for the six month period amounted to $123,085. Meals and entertainment for the same period were $26,389. The six month period also included the November 2, 2018 appointment of Hybrid Financial Ltd. as Investor Relations Consultants. Consistent with the terms of the agreement, the Company recorded an expense of $84,000, being $14,000 per month. No similar services were provided in the six months ended April 30, 2018.

b) Amortization expense increased from $4,751 to $763,195 during the six month period ended April 30, 2019. This increase of $758,44 is due to the amortization of finite life intangible assets, of which $319,085 is related to the amortization of the Health Canada license acquired in the CannaCure acquisition and $125,634 on the Voyage Health Canada license, and the depreciation of the Company's property, plant and equipment. Neither the Health Canada licenses nor the plant, property and equipment were amortized in six months ended April 30, 2018.

c) Consulting fees increased from $392,218 for the six month period ended April 30, 2018 to $922,587 for the six month period ended April 30, 2019, an increase of $530,369. Approximately $104,825 of the increase pertains to consulting expenses incurred by CannaCure, Purefarma and Mainstrain Markets in the ordinary course of their business, and for which there is no prior period comparable. Also included in the six month period ended April 30, 2019 is $100,000 relating to transaction costs from the CannaCure acquisition, $60,000 fees paid to a consultant who served on the Company's Advisory Board, and $36,000 of directors fees. The remaining increase, $229,544, is associated with growth in the management and operational teams at Heritage.

d) Management fees of $90,000 were recorded in both six month periods.

e) Occupancy, office and other expenses increased from $96,391 for the six month period ended April 30, 2018 to $812,091 for the six month period ended April 30, 2019, an increase of $715,700. Occupancy costs (rent, utilities and property taxes) of Purefarma and Cannacure assumed on the acquisitions make up $244,730 of the increase, with the remaining increase attributed to additional business infrastructure needed to support the growth of the Company as it transitions to a fully operational business.

f) Professional fees increased from $119,841 for the six month period ended April 30, 2018 to $295,740 for the six month period ended April 30, 2019. The increase of $175,899 was due to the assistance of legal and accounting professionals in connection with the transactions to acquire CannaCure and Purefarma, including valuation costs, the reimbursement of $68,436 of professional fees incurred by CannaCure, as well as an ongoing increase in the use of these professionals to manage operational risks associated with the business.

g) Regulatory fees increased from $19,861 for the six month period ended April 30, 2018 to $39,081 for the six month period ended April 30, 2019, an increase of $19,220. The increase can predominately be attributed to additional expenses incurred in the three month period ended April 30, 2019 and as described above.

h) Shareholder communications increased from $9,282 for the six month period ended April 30, 2018 to $237,089 for the six month period ended April 30, 2019, an increase of 227,807. This increase, $175,214 of which was incurred during the three month period ended April 30, 2019, was due to the Company's engagement of various service providers and investment in digital/social media programs designed to communicate with and update current and potential shareholders of new developments happening at Heritage.

i) Share-based payments expense decreased by $127,283 from $2,976,919 for the six month period ended April 30, 2018 to $2,849,636 for the six month period ended April 30, 2019. During the period, $2,03,968 of share-based payments were awarded to advisors in connection with the acquisitions of CannaCure and Purefarma, and granted 5,500,000 options, which the vest over the 365 days from grant. By comparison, in the six month period ended April 30, 2018, the Company granted a total of 11,050,000 incentive stock options all of which vested at the time of grant. The immediate vesting, total number of shares granted, and the differing inputs to the Black-shoes model account for the increased expense reported in the six months ended April 30, 2018. Share-based payments are a non-cash expense.

j) Salaries, wages and benefits increased by $785,385 as compared to the six month period ended April 30, 2018 in which there were nil expenses reported. The increase is primarily due to additional payroll from the acquisitions of CannaCure and Purefarma, for which there is no prior period comparison, as well as continued growth in head count across all the subsidiaries, including BriteLife and Voyage.

Overall, the Company's general and administrative expenses increased significantly as compared to the prior six month period. Although large increases came from one-time transaction related costs (refer to changes in Consulting fees, Professional fees and Share-based payments), operational growth and the need to increase resources, has resulted in Management estimating its current burn rate at approximately $655,000 per month. The burn rate reflects ongoing obligations of the Company, including its payroll burden, certain rents assumed on the acquisition of Purefarma and incurred post acquisition, day-to-day operating costs, reflective of the number of entities in the group, an increase in shareholder communications, advertising, branding and marketing costs, and initial production costs as extraction machines and processing come online. Although the Company anticipates revenue from its core extraction business in the fourth quarter of 2019, in the interim and until such time as the Company achieves positive cash flow from operations, there can be no assurance that it will be able to continue to raise funds, and therefore no assurance of its ability to meet its future obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in the interim condensed consolidated financial statements.

Commitments – from Acquisitions

As a result of the acquisition of Cannacure, the Company had an option to purchase the 122,000 square foot facility it operates out of, located at 333 Jarvis Street in Fort Erie, Ontario for $2,200,000 plus applicable sales and land transfer taxes. On May 7, 2019, the Company exercised this option to purchase and the transaction is set to close on or before June 30, 2019.

CannaCure had also made a commitment to issue shares to a third party consultant on the occurrence of a successful harvest of cannabis out of their Fort Erie facility. On March 14, 2019, following the release of results of the harvest (THC averages between 17 and 22%), the shares were issued.

Other Commitments

During the quarter and in conjunction with an October 2014 agreement, the Company purchased 150,000 Class G preferred shares of Voyage from the non-controlling interest for total consideration of $150,000. The commitment to purchase the Class G shares was triggered following the March 8, 2019 issuance of Health Canada processing and medical sales licenses. As part of this agreement, the Company is also committed to purchase the non-controlling interest's remaining 400,000 Class G preferred shares of Voyage for $400,000 upon Voyage meeting certain milestones.

The Company's largest commitment continues to relate to equity settled earn-out payments to the former shareholders of Purefarma, which were structured to represent additional purchase consideration on the acquisition. Details of the earn out are more particularly detailed in Note 15- Commitments of the Interim Condensed Consolidated Financial Statements.

Liquidity

Managing the Company's liquidity and capital structure requires maintaining sufficient cash to fund the Company's operating and strategic growth requirements.

The table below sets out the Company's current assets, short term liabilities and working capital at April 30, 2019.

	As at April 30, 2019	As October 31, 2018
Current Assets	$12,284,123	$1,793,217
Short term liabilities	$3,971,403	$712,331
Working capital	$8,312,720	$1,080,886

Current Assets, as of April 30, 2019, includes a cash position of $10,097,956 (including a $6,500,000 cashable GIC) compared to $1,174,600 of cash at October 31, 2018.

The table below summarizes the Company's cash flows used in and provided from the six month period ending April 30, 2019 and the comparable six month period ending April 30, 2018.

Cash Flows	April 30, 2019	April 30, 2018
Used in Operating Activities	($2,539,117)	($631,247)
Used in Investing Activities	($10,065,244)	($2,340,718)
Provided from Financing Activities	$15,027,717	$3,403,656

The changes in Operating Activities have been described above in the section titled Results of Operations.

During the six month period ended April 30, 2019, investing activities resulted in a total cash outflow of $10,065,244, with the largest outflow being the net purchase of a $6,500,000 GIC. The Company invested $3,145,624 on plant, property and equipment during the quarter; spending which was consistent with the Company's plans to ready itself for production, of which approximately $1,584,064 related to investment on extraction machines. Also during the period, the Company advanced short-term, interest bearing, secured loans amounting to $319,871 to employees of the Company, including one related party and increased its deposit by $90,000 in connection with the outstanding letter of intent to acquire a 20% interest in Stanley Park Digital Ltd.

During the six month period ended April 30,2 019, the Company received total proceeds from financing activities of $15,027,717 for the issuance of share capital and as a result of the exercise of incentive stock options and warrants. Included in the $15,027,717 is $6,803,644 of net cash proceeds from the November 7, 2018 private placement of Special Warrants and $8,417,829 on the exercise of stock options, at prices ranging between $0.14 and $0.35 per share, and warrants, at prices ranging between $0.06 and $0.35 per share. This compares to the comparable six month period ended April 30, 2018 in which the Company received proceeds of $3,403,656 for the exercise of 5,820,000 options (at an average price of $0.15 per share) and 26,178,553 warrants (at an average price of $0.10 per share). Other cash outflows in the period included $150,000 for the purchase of Class G preferred shares of Voyage (refer to Note 15 Commitments of the Interim Condensed Consolidated Financial Statements) and $43,756 relating to the repayment of debt on financed equipment.

Subsequent to April 30, 2019:

- On May 7, 2019, 32,660,000 Common Shares were issued in connection with the bought deal financing which closed on the 7th of the month. Using the residual method, the Company allocated 100% of the proceeds received from the units ($0.53 per unit) to the Common Shares. Gross proceeds from the placement amounted to $17,309,800.

- On May 9, 2019, the Company also issued 500,000 Common Shares for the exercise of 500,000 warrants issued on the November 2018 private placement at a price of $0.35 per share for total proceeds of $175,000 and on May 17, 2019, the Company issued an additional 500 Common Shares for the exercise of 500 whole warrants issued on the most recent financing in May of 2019 at a price of $0.70 per share for proceeds of $350.

- On May 15, 2019, the Company issued a total of 892,376 Common Shares on the exercise of 892,376 options at a price of $0.1961 per share for total proceeds of $175,000. These options were part of the replacement options issued by the Company as purchase consideration on the acquisition of CannaCure Corporation. The exercise of these options also resulted in the transfer of $205,246 from contributed surplus to share capital.

Capital Resources

To date and for the immediate future, the Company expects to finance its operations through debt and equity financing until such time as its operations generate positive cash flows and are self-funding. The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity capital to strengthen its financial position and to provide sufficient cash reserves for growth and development of the business' strategic initiatives. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms to the Company.

The current monthly "burn" rate for general and administrative expenses is approximately $655,000 and is reflective of the Company's accelerated growth and operational footprint in the last two quarters.

In the Short Form Prospectus dated May 1, 2019, Management established a budget of $3,000,000 for the build-out and expansion at the Fort Erie facility, including extraction machines and equipment, an additional $750,000 was allocated to expanding the cultivation footprint at the Falkland Facility and $2,266,000 for the acquisition of the Fort Erie Facility. An additional $2,200,000 was earmarked for the purchase of biomass and extraction related equipment. Funds raised from the equity financing are expected to be deployed towards these business objectives. In addition, Management is assessing opportunities to secure asset-backed financing, that will add additional capital for deployment towards the purchase of biomass, extraction machines and downstream processing equipment.

Transactions with Related Parties

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management compensation transactions for the three and six month periods ended April 30, 2019 and 2018 are summarized as follows:

Key Management Compensation[1]	Three months ended April 30 2019	Three months ended April 30 2018	Six months ended April 30 2019	Six months ended April 30 2018
Management fees	**$ 45,000**	$ 50,000	**$ 90,000**	$ 90,000
Consulting fees	**$ 221,353**	$ 22,500	**$ 302,365**	$ 30,000
Rent	**$ 24,000**	$ nil	**$ 36,645**	$ nil
Loans advanced	**$ 254,408**	$ nil	**$ nil**	$ nil
Cash paid to non-controlling interest [2]	**$ 150,000**	$ nil	**$ 150,000**	$ nil
Salary and short-term benefits	**$ 81,709**	$ nil	**$ 116,551**	$ nil
Share-based payments	**$ 409,398**	$ 327,388	**$ 409,398**	$ 846,462

(1) Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors.

(2) Purchase of 150,000 Class G preferred shares of Voyage from a company controlled by Debra Senger upon meeting certain milestones. Refer to Note 15 – Commitments of the Interim Condensed Consolidated Financial Statements for the six month period ended April 30, 2019 for full disclosure of the nature of this payment.

As of April 30, 2019, Debra Senger, a director of the Company owed the Company net $207,571 (October 31, 2018 - $10,650) which includes an interest bearing loan receivable in the amount of $254,407 and which is secured with shares of the Company. Graeme Staley, a director of the Company, and persons related to him owed the Company $6,383 (2018- $nil) and Peter Yuzek was owed $9,782 (2018 - $nil). At April 30, 2019, the Company was owed $48,831 (2018 - $nil) from a company owned by the former shareholders of Purefarma and controlled by Peter Yuzek, Graeme Staley, and persons related to Graeme Staley. At April 30, 2019, the Company had accounts payable of $75,998 (2018 - $nil) relating to invoiced consulting services rendered by E. Prohaska, D. Phaure, Dr. C. Spooner and E. Thomas or companies related to them. The Company also accrued an additional $37,634 for un-invoiced services (2018 - $nil). The Company also recorded an accrual for $38,362 for expensed director's fees owing to the two external directors (2018 - $nil).

Proposed Transactions

In the normal course of business, the Company evaluates property and business development acquisition transactions and, in some cases, makes proposals to acquire such prospects. These proposals, which are usually subject to Board, regulatory and, sometimes, shareholder approvals, may involve future payments, share issuances and and/or financial obligations. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction. As of this date, the Company has a number of possible transactions that it is examining some of which are described in this MD&A. Management is uncertain whether any of these proposals will ultimately be completed.

Subsequent Events

Please refer to Note 19 - Subsequent Events of the Interim Condensed Consolidated Financial Statements for the three and six month periods ended April 30, 2019 for full disclosure of the subsequent events occurring subsequent to April 30, 2019.

Directors and Officers

The directors and officers of the Company are:

Donald Ziraldo, Independent Director and Chairman
Clint Sharples, President, CEO and Director
Graeme Staley, Director
Celine Arsenault, Independent Director
Debra Senger, Director
Erin Prohaska, CFO
Daniel Phaure, COO
Elizabeth Thomas, Secretary

Conflicts of Interest

Directors are required by law to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

Risks and Uncertainties

The following are certain factors relating to the Company's business which prospective investors should carefully consider before deciding whether to purchase Common Shares in the Company's authorized capital. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones the Company is facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected.

<u>Risks related to operating the Company's business</u>

Additional Financing
From time to time, the Company may require additional financing. The Company's ability to obtain additional financing, if and when required, will depend on investor demand, operating performance, the condition of the capital markets and other factors. If the Company raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of holders of Common Shares, and existing holders of such shares may experience dilution.

Reliance on Licenses
Failure to comply with the Health Canada licensing requirements, pursuant to the Cannabis Act and Cannabis Regulations, any failure to maintain the licenses would have a material, adverse impact on the business, financial condition and operating results of the Company as a whole, including all subsidiaries whether or not they are license holders.

Reliance on Facilities

The Company's existing facilities in Falkland, British Columbia and Fort Erie, Ontario are integral to the Company's grow operations and its ability to integrate the extraction capabilities of Purefarma. Any adverse changes or developments affecting either facility may impact the Company's ability to produce cannabis and cannabis products, its business, financial condition and its results of operations.

Volatile Market Price for Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and price volatility of CBD and THC as active product ingredients;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share prices of cannabis companies that are reporting issuers in Canada. Accordingly, the market price of Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of Common Shares may be materially adversely affected.

Licensing Requirements Under the Cannabis Regulations

The market for cannabis (including medical cannabis) in Canada is regulated by the Controlled Drug and Substances Act, the Cannabis Act and Cannabis Regulations, the Narcotic Control Regulations, and other applicable law. Any applicant seeking to become licensed cultivator, producer and/or seller under the Cannabis Regulations is subject to stringent Health Canada licensing requirements. The government of Canada has only issued to date a limited number of licenses under the Cannabis Regulations to cultivate, process and/or sell cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Holding Company Status

The Company is a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require continued implementation and improvement of its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company, as applicable. External business interests may require significant time and attention of the Company's executive officers and directors. In some cases, executive officers and directors may have fiduciary obligations associated with external business interests that may interfere with their abilities to devote time to the Company's business and affairs, as applicable, and this could adversely affect the Company's operations.

In addition, the Company may also become involved in transactions that conflict with the interests of its respective directors and the officers, who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons, firms, institutions or corporations could conflict with those of the Company. In addition, from time to time, these persons, firms, institutions or corporations may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under the applicable laws and in accordance with Company policies including the Fraud Prevention Policy and the Related Party Transaction Policy. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Litigation

The Company may become party to litigation from time to time in the ordinary course of its business which could adversely affect its operations. Should any litigation in which the Company becomes involved be determined against it, such a decision may adversely affect the Company's ability to continue operating, adversely affect the market price of Common Shares and use significant resources. Even if the Company is involved in litigation and succeeds, litigation can redirect significant company resources. Litigation may also create a negative perception of the Company's brand and the brands of its subsidiaries.

Dividends

The Company's policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Company's businesses. Therefore, the Company does not anticipate paying cash dividends on Common Shares in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of the Company and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of the Company may deem relevant. As a result, investors may not receive any return on investment in the Common Shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Liquidity Risk

The Company's ability to remain liquid over the long term depends on its ability to obtain additional financing. The Company has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Cyber Security

The Company relies on certain internal processes, infrastructure and information technology systems to efficiently operate its business in a secure manner. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, training, processes designed to protect systems, computers, software, date and networks from attack, damage or unauthorized access is a priority. The inability to continue to enhance or prevent a failure of these internal processes, infrastructure or information technology systems could negatively impact the Company's ability to operate its business.

Intellectual Property Risk

The success of the Company's business depends in part on its ability to protect its ideas, technology and proprietary know-how. Even as the Company moves to protect its intellectual property with trademarks and trade processes, patents, copyrights or by other means, it is not assured that competitors will not develop similar technologies, methods or that in the event of an infringement, the Company will be able to exercise its legal rights. Actions taken to protect or preserve intellectual property rights may require significant resources such that said actions meaningfully impact the ability to successful grow the business.

Third Party Transportation

The Company is required to rely on third party transportation services. The Company is exposed to the inherent risks associated with relying on third party transportation service providers, including logistical problems, delays, loss or theft of product and increased shipping costs. Any delay in transporting the product, breach of security or loss of product, could have material adverse effect on the Company's business, financial performance and results of operations. Moreover, any breach of security and loss of product during transport could affect the Company's status as a Licensed Producer.

Risks related to operating in the Cannabis Industry

The Cannabis Industry is Subject to Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial, production and marketing resources and experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

Because of the early stage of the industry in which the Company operates in the cannabis area, the Company expects to face additional competition from new entrants. If the number of users of cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Consumer perception

Consumer perception regarding the safety, efficacy and quality of cannabis can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding consumption of medicinal marijuana products. There can be no assurance that consumer perception will remain positive or that adverse research reports, findings, proceedings, media attention or publicity, with or without merit, will not have a material and adverse impact on the cannabis industry as a whole, or the Company's ability to sell its products.

Regulatory Risks
The Company's subsidiaries operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. The Company's ability to grow, store, process and sell cannabis in Canada is dependent on obtaining licenses from Health Canada and the need to maintain such licenses in good standing. Failure to: (i) comply with the requirements of a license; and (ii) maintain a license would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Environmental Regulations and Risks
The Company's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from the proposed production of cannabis or from proceeding with the development of their operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.
The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also

including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects business, financial condition and results of operations of the Company. The Company endeavours to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, the Company is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines.

On June 30, 2016, the Canadian Federal Government established the Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. On November 30, 2016, the Task Force completed its review and published a report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, which proposes the enactment of the Cannabis Act, to regulate the production, distribution and sale of cannabis for unqualified adult use. On October 17, 2018, the Cannabis Act, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis, came into force.

The Cannabis Act prohibits testimonials and branding and packaging that is appealing to youth. The restrictions on advertising, marketing and the use of logos and brand names could have a material adverse impact on the Company's business, financial condition and results of operation. The legislative framework pertaining to the Canadian adult-use cannabis market is developing and subject to change. In addition, the governments of every Canadian province and territory have, to varying degrees, announced proposed, and in some cases enacted, regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult-use purposes will be enacted according to all the terms announced by such provinces and territories, or at all, or that any such legislation will create the growth opportunities that the Company currently anticipates. While the impact of any new legislative framework for the regulation of the Canadian adult-use cannabis market is uncertain, any of the foregoing could result in a material adverse effect on the Company's business, financial condition and results of operation.

Restrictions on Sales Activities

The industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's respective businesses, operating results and financial conditions.

Risks Inherent in an Agriculture Business

The Company's business involves the growing of cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although the Company grows its products indoors under climate controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

Vulnerability to Rising Energy Costs

The Company's cannabis growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Product Liability
As a manufacturer and distributor of products designed to be ingested or inhaled by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, adversely affect the Company's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of the Company.

Product Recalls
Manufacturers and distributors of products may be subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Operating Risk and Insurance Coverage
The Company has insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. However, the Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon the Company's financial performance and results of operations.

Unfavourable Publicity or Consumer Perception
Management of the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's proposed products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for its proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's proposed products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Other Information

Other information relating to the Company may be found on the Company's website located at www.heritagecann.com, the SEDAR website located at www.sedar.com and the Canadian Stock Exchange website located at www.thecse.com/en.

BY ORDER OF THE BOARD

Heritage Cannabis Holdings Corp.

"*Clint Sharples*"

CEO and Director
June 27, 2019