



Heritage Cannabis Reports Q1 2023, Achieving Continued Growth in Gross Margin for the Quarter

Toronto, ON, March 29, 2023 – [Heritage Cannabis Holdings Corp.](#) (CSE: CANN) (OTCQX: HERTF) (“Heritage” or the “Company”), today announced its financial results as at and for the three-month period ended January 31, 2023. All figures are in Canadian dollars unless otherwise noted.

“In a traditionally slow period, we are very pleased to have achieved gross margin growth - evidence our continued focus to lower our operational costs has been effective. Even with a number of our achievements expecting to positively impact our operations in the coming months, such as our Thrifty brand launch and U.S. investments, we are continuing to remain focused on cost management while improving our market penetration in our core markets”, said David Schwede, CEO of Heritage. “While this past quarter we saw provincial pricing that negatively impacted our results, we feel the majority of this reset is now behind us and we can focus on continued growth by leading in market innovation, focusing on growing our entire portfolio of in-demand products. With our U.S. strategy ramping up and early indications showing positive results ahead of expectations, we are well positioned to see an up-trend in the business in 2023.”

Selected Financial Highlights

Selected financial highlights for the three-month periods ended January 31, 2023 and 2022 include the following:

<i>(in \$CDN)</i>	Jan 31, 2023	Jan 31, 2022
	\$	\$
Gross revenue	9,446,995	9,596,141
Net revenue (net of excise tax)	6,323,412	6,541,211
Cost of sales	4,272,251	4,656,450
Gross margin	2,051,161	1,884,761
General and administrative expenses	4,647,547	5,160,498
Other Income (Expenses)	(177,852)	8,552,812
Comprehensive Income (Loss)	(2,762,960)	6,257,213

Q1 2023 Financial Highlights

- The Company reported gross revenue of \$9,446,995 for the three months ended January 31, 2023, a decrease of \$149,146 compared to the gross revenue of \$9,596,141 for the three months ended January 31, 2022. The decrease in gross revenue was primarily due to negative pricing movements in the period by the provincial boards which impacted the results by over \$125,000.
- Cost of sales for the three months ended January 31, 2023 was \$4,272,251, a decrease of \$384,199, compared to \$4,656,450 for the three months ended January 31, 2022. The

decrease represented a 3% improvement, as a percentage of sales, in the current period. The improvement was a result of a continued refinements to enable more efficient production.

- Gross margin for the three months ended January 31, 2023 was \$2,051,161 compared to gross margin of \$1,884,761 for the three months ended January 31, 2022. The increase of \$166,400 was primarily a result of improved production efficiencies which were partially offset by a higher excise percentage which increased to 33.1% from 31.8% in the prior period. This was driven by a reduction in provincial board pricing previously mentioned.
- For the three months ended January 31, 2023, the Company recorded a comprehensive loss of \$2,762,960 or \$0.00 loss per share compared to a comprehensive income of \$6,257,213 or \$0.01 income per share for the three months ended January 31, 2022. The increase in losses during this period were attributable to the prior period benefiting from unrealized gains which more than offset the improved operational performance by the Company in the current period.

Q1 2023 Growth, Operational, and Corporate Highlights

- During the quarter, Heritage further advanced the relationship with Harvest Care Medical, LLC, ("Harvest Care"), a leading grower, processor, and provider of top-quality medical cannabis products in the state of West Virginia, with ten dispensary licenses. Under the relationship, Heritage has supplied production equipment to Harvest Care as well as training and supervision of staff on the proprietary methods of extraction and manufacturing of Heritage developed and branded products. During the quarter, Heritage completed its first production run in the United States and shipped products to Harvest Care dispensaries, and they became available for purchase.
- Additionally, through a similar relationship with Como Health LLC, doing business as 3Fifteen Primo Cannabis ("3Fifteen"), Heritage completed its first production run and shipment of products to dispensaries in the State of Missouri during the quarter. This marked the start of Heritage product sales in the second state in the United States, with products in both Missouri and West Virginia. Products available to purchase in Missouri include 12 stock keeping units ("SKUs") including RAD distillate vapes, RAD live resin and live rosin, with additional products planned including pre-rolls and blunts, infused pre-rolls and blunts as well as concentrate dispensers.
- On November 1, 2022, Heritage entered into an equity line of credit agreement (the "ELOC Agreement") with Obsidian Global Partners, LLC (the "Investor") whereby the Investor agreed to purchase Common Shares for the aggregate gross proceeds of up to US\$20 million by private placement, at Heritage's discretion (the "Offering"). On closing, Heritage paid the Investor an initial fee in an amount equal to 1.5% of US\$20 million, which was satisfied by the issuance of Common Shares. These Common Shares are subject to a statutory lock-up of four months plus one day from closing (the "Statutory Lock-Up"). An additional fee equal to 1.5% of US\$20 million is due after 50% of the total Offering amount has been drawn by the Company, which amount may be satisfied by cash or the delivery of Common Shares at the option of the Company.

Heritage also advanced 79,030,611 Common Shares to the Investor in escrow (the "Escrow Shares"). The Escrow Shares are subject to the Statutory Lock-Up and will only be released to the Investor in tranches as and when Heritage requests that the Investor purchase Common Shares pursuant to the ELOC Agreement. Any Escrow Shares that are not purchased by the Investor will be subject to cancellation at the end of the term of the ELOC Agreement.

Heritage will use the proceeds of the equity line of credit for general corporate purposes and expenses of the Offering. In accordance with the terms of the ELOC Agreement, at no time shall the Investor be issued Common Shares which would result in the Investor beneficially owning in

aggregate greater than 9.99% of the outstanding Common Shares of the Company.

- During the quarter, the Heritage team focused on further product innovation and the rationalization of SKUs in order to maximize distribution of high performing SKUs. The Heritage innovation team continued to deliver new products and with completed upgrades to the Cannacure facility that enable the manufacturing of gummies Heritage entered the edibles category with the launch of RAD Razzlers, Mad Hatter and White Rabbit.
- Heritage launched many new products across the country in Ontario, BC, Saskatchewan, Manitoba, Nova Scotia, and Newfoundland. Heritage has also focused on growing provincial portfolios with existing products and added SKUs in Manitoba and Saskatchewan.
- Heritage has transitioned to a true product and brand company, creating “forever SKUs” that have seen solid uptake in the Canadian cannabis market. Now with in-house expertise in production, manufacturing, white labelling, pick and pack, and distribution, Heritage has developed several relationships to leverage this expertise. The Company has entered distribution relationships with a number of well known companies and brands including Aurora Medical, Canopy Growth Corp, Violet Tourist, OMG, White Rabbit, Panacea, North 40, and Mad Hatter. To extend Heritage’s capabilities in the cannabis market, the Company will consider opportunities to extend in other areas of the supply chain that will provide vertical integration and positively impact margins.

Financial Statements

The consolidated financial statements of the Company as at and for the three-month period ended January 31, 2023, and accompanying management's discussion and analysis have been filed with the securities regulators and are available on SEDAR at www.sedar.com under the Company’s issuer profile.

About Heritage Cannabis Holdings Corp.

Heritage Cannabis is a leading cannabis company offering innovative products to both the medical and recreational legal cannabis markets in Canada and the U.S., operating under two licensed manufacturing facilities in Canada. The company has an extensive portfolio of high-quality cannabis products under the brands Purefarma, Pura Vida, RAD, Premium 5, Thrifty, feelgood., the CB4 suite of medical products in Canada and ArthroCBD in the U.S.

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

"David Schwede"

David Schwede
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Forward-Looking Statements

This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such



forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information contained herein may include, but is not limited to, assumptions related to cash flow and capital resources, and expectations related to the supply and manufacturing agreements, the intended expansion of the Company, and partnerships and Joint Venture Partnerships.

By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such information and statements.

An investment in securities of the Company is speculative and subject to several risks including, without limitation, the risks discussed under the heading "Risks and Uncertainties" in the Company's annual management discussion and analysis for the year ended October 31, 2022, and dated February 28, 2023. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

In connection with the forward-looking information and forward-looking statements contained in this press release, the Company has made certain assumptions. Although the Company believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. The forward-looking information and forward-looking statements contained in this press release are made as of the date of this press release, and the Company does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws. All subsequent written and oral forward-looking information and statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice.