



Heritage Cannabis Reports Q4 2022 and Year-End Financial Results, Achieving Continued Growth in Top-Line Revenue and Gross Margin for the Quarter, and Year-Over-Year Revenue Growth of 125%

Toronto, ON, February 28, 2023 – [Heritage Cannabis Holdings Corp.](#) (CSE: CANN) (OTCQX: HERTF) ("**Heritage**" or the "**Company**"), today announced its financial results as at and for the three- and twelve-month periods ended October 31, 2022. All figures are in Canadian dollars unless otherwise noted.

"We are very pleased to have achieved another quarter of top line revenue growth that signals the success of our products in market, and with year-over-year revenue growth of 125% we are demonstrating our ability to execute a sustainable growth story. We saw significant growth in gross margins year over year despite the challenging regulatory environment within the cannabis industry. The market continues to be burdened by overcapacity, lack of tax reform and regulation constraints, however we have continued to grow through innovative product launches as well as new brand introduction," said David Schwede, CEO of Heritage. "In particular we remain at the forefront of innovation with our newly launched 'Thrifty' brand and expect a similar market response to the wildly successful 'RAD' brand we launched in 2021. Our strength in the preroll and vape & concentrate categories is a testament to both our ability to be nimble in the market while continuing to produce quality products in a crowded market. Our U.S. ventures have successfully launched, and already operating on a cashflow positive basis. We are looking forward to continuing to build on the success of 2022 in 2023 and are exploring new revenue channels both in the U.S and internationally."

Selected Financial Highlights

Selected financial highlights for the three- and twelve-month periods ended October 31, 2022 and 2021 include the following:

(in \$CDN)	Three months ended		Years ended	
	Oct 31, 2022	Oct 31, 2021	Oct 31, 2022	Oct 31, 2021
	\$	\$	\$	\$
Gross revenue	11,148,059	7,132,942	41,996,297	18,676,958
Net revenue (net of excise tax)	8,038,105	4,649,025	29,566,385	14,059,130
Cost of sales	7,611,993	7,329,654	21,599,867	13,492,997
Gross margin	426,112	(2,680,629)	7,966,518	566,133
General and administrative expenses	5,953,751	(420,566)	20,588,796	18,474,262
Other Income (Expenses)	(22,718,884)	(41,433,121)	14,297,205	(42,563,044)
Comprehensive Income (Loss)	(26,895,045)	(42,685,990)	(23,937,773)	57,685,532

2022 Financial Highlights

- The Company reported gross revenue of \$11,148,059 for the three months ended October 31, 2022, an increase of \$4,015,117 compared to gross revenue of \$7,132,942 for the three months ended October 31, 2021, representing an increase of 56%. The growth was driven by

continued strength in the vape and concentrate category which increased 37%. As the Company continued to penetrate the flower market, its pre-roll and infused offerings have continued to grow especially since the Canadian marketplace remains primarily focused on flower products.

- For the year ended October 31, 2022, the Company recorded gross revenue of \$41,996,297 an increase of \$23,319,339 compared to gross revenue of \$18,676,958 for the year ended October 31, 2021, representing an increase of 125%. The increase in gross revenue was the result of the Company's continued strong listing demand particularly for its flower products which grew over 2000% year over year.
- Cost of sales for the three months ended October 31, 2022 was \$7,611,993, an increase of \$282,339 compared to \$7,329,654 for the three months ended October 31, 2021. Cost of sales, decreased on a percentage of sales basis, as a result of operational efficiencies which increased capacity output, a reduction in outsourced product costs as a result of internalizing manufacturing that was previously outsourced and decreasing the reliance of external oil to offset the internal production scale up.
- Cost of sales for the year ended October 31, 2022 was \$21,599,867, an increase of \$8,106,870, compared to \$13,492,997 for the year ended October 31, 2021. Cost of sales decreased on percentage of gross revenue as a resulting from increased operational efficiencies and significantly less reliance on third party manufacturers.
- Gross margin for the three months ended October 31, 2022 was \$426,112 compared to gross margin of \$(2,680,629) for the three months ended October 31, 2021. The increase of \$3,106,741 was primarily a result of increased sales activity, greater facility productivity, a lower excise percentage and end of year re-classifications. Regulatory taxes continue to be one of the largest expenses of the business.
- Gross margin for the year ended October 31, 2022 was \$7,966,518 compared to gross margin of \$566,133 for the year ended October 31, 2021. The increase of \$7,400,385 was a result of increased sales activity as highlighted in the table above combined with improved operational efficiencies and less third party reliance which were partially offset by a higher excise percentage, which increased by almost 500bps, from the prior period driven by the production of higher THC products as well as increased sales in provinces with higher tax rates.
- For the three months ended October 31, 2022, the Company recorded a net comprehensive loss of \$26,895,045 or \$0.03 loss per share compared to a comprehensive loss of \$42,685,990 or \$0.01 loss per share for the three months ended October 31, 2021. The improvement over the prior period was due to the gross margin gains noted above and the cost management in general and administrative expenses which was partially offset by the intangible asset and goodwill impairment.
- For the year ended October 31, 2022, the Company recorded a comprehensive loss of \$23,937,773 or \$0.03 loss per share compared to a comprehensive loss of \$57,685,532 or \$0.08 loss per share for the year ended October 31, 2021. The decrease in loss was primarily attributable to a lower impairment of intangible assets and goodwill of \$21,215,000 for the year ended October 31, 2022 as compared to \$36,337,826 for the year ended October 31, 2021, and an unrealized gain on contingent consideration payable of \$9,137,267 for the year ended October 31, 2022 as compared to an unrealized loss of \$3,514,865 in 2021.

Q4 2022 Growth, Operational, and Corporate Highlights

- On August 8, 2022, Heritage announced a 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 of which two are currently in operation. Harvest Care was granted one of ten cultivation licenses last year and will contribute the use of the license to the relationship. Similar to Heritage's relationship in Missouri, under the agreement Heritage will supply production equipment to Harvest Care as well as provide training and supervision of staff on the proprietary methods of extraction and manufacturing of Heritage developed and branded products.

Subsequently on October 11, 2022, Heritage announced the commencement of operations in the state of West Virginia after Harvest Care received its processing license from the West Virginia Office of Medical Cannabis. Initial production on vape products and concentrates commenced in the State shortly thereafter. This milestone marks Heritage's second U.S. state where it is operating, and with additional states on the horizon, the U.S. strategy is gaining traction and taking shape as the U.S. moves closer to decriminalizing cannabis.

- On September 9, 2022, Heritage announced that it changed its auditors from Davidson & Company LLP ("Former Auditor") to Welch LLP ("Successor Auditor"). At the request of the Company, the Former Auditor resigned as the auditor of the Company effective September 8, 2022 and the Board appointed the Successor Auditor as the Company's Auditor effective as of September 9, 2022. There were no reservations or modified opinions in the Former Auditor's reports on the Company's financial statements during the period that the Former Auditor acted as the Company's auditor. In addition, there are no reportable events, including disagreements, consultations or unresolved issues (as defined in National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102")) between the Company and the Former Auditor.
- On September 29, 2022, Heritage announced that it entered into a second loan amending agreement (the "Second Amending Agreement") to an original loan agreement dated March 31, 2021, as amended October 6, 2021 with BJK Holdings Ltd. ("BJK") in the total amount of \$19,760,000 across four facilities (collectively the "Loan"). As a result of the Second Amending Agreement, the maturity date on the Loan has been extended to November 30th, 2024 (the "Maturity Date"), and an additional loan facility in the amount of \$4,985,000 has been extended to the Company, bringing the total amount of proceeds that the Company has access to through the Loan to \$19,760,000. A one-time loan amendment fee of \$985,000 was paid to BJK on September 29, 2022.

In connection with the Loan, Heritage issued a new warrant certificate to BJK on September 29, 2022, entitling BJK to subscribe for and purchase up to 50,000,000 common shares in the capital of Heritage at an exercise price of \$0.10 per common share (the "Additional Warrants"). The Additional Warrants have an expiry date of February 28, 2025. Heritage has also agreed to amend an existing warrant certificate held by BJK dated October 6, 2021, which entitled BJK to subscribe for and purchase up to 10,000,000 common shares in the capital of Heritage at an exercise price of \$0.25 per share (the "Existing Warrants"). Effective September 29, 2022, the Company amended the Existing Warrants so that the expiry date for BJK to exercise the Existing Warrants is extended from October 8, 2023 until February 28, 2026.

- On October 3, 2022, Heritage announced the commencement of operations in the state of Missouri after Como Health LLC, doing business as 3Fifteen Primo Cannabis ("3Fifteen"), received an Approval to Operate from the Missouri Section for Medical Marijuana Regulation.

Initial production on vape products, concentrates, and pre-rolls has already commenced in the State.

- On October 4, 2022, Heritage announced the launch of RAD Razzlers, a cannabis gummy that marks the entry into a new product category for Heritage. Following on the immense popularity of other cannabis products sold across the country under the RAD brand, RAD Razzlers are a new addition to the edibles category and offer unique and popular flavour profiles sought after by cannabis consumers, including Cousin Eddies Eggnog which will be a limited edition flavour offered only during the holidays. RAD Razzlers will initially be offered in packages containing a total of 10 mg of THC, with each gummy containing 2.5 mg of THC.
- On September 15, 2022, Heritage acquired the remaining 25% interest in Heritage West and now owns 100% of the issued and outstanding shares in the capital of Heritage West, a holder of various Health Canada cannabis licenses, through a share cancellation acquisition with Estek Ventures Corp. As consideration for the cancellation of 500 Class A Voting Common Shares and 400,000 Class G Non-Voting Preferred Shares in the capital of Heritage West, the Company has issued Estek Ventures Corp. 2,000,000 Common Shares plus an additional CAD\$50,000 in cash.
- On September 16, 2022, Heritage entered into a settlement agreement with the original shareholders of Purefarma Solutions Inc. (the "Original Purefarma Shareholders") to settle all outstanding obligations of Heritage to the Original Purefarma Shareholders pursuant to the terms of a share exchange agreement and share purchase agreement each dated December 7, 2018. In satisfaction of all claims related to earn-out share obligations and contingent cash payment obligations, the Original Purefarma Shareholders directed Heritage to issue 14,728,762 Common Shares to its corporate shareholder, 1187940 B.C. Ltd.

Financial Statements

The consolidated financial statements of the Company as at and for the three- and twelve-month periods ended October 31, 2022, 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
CEO

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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.