

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of CNSX Issuer: HERITAGE CANNABIS HOLDINGS CORP. (the "Issuer").

Trading Symbol: CANN

Number of Outstanding Listed Securities: 204,169,450

Date: NOVEMBER 6<sup>TH</sup>, 2018

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the CNSX.ca website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the CNSX Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

The Company is currently listed as a Life Sciences issuer. Heritage is focused on becoming a vertically integrated cannabis provider that currently has two Health Canada approved licensed producers, through its subsidiaries PhyeinMed Inc. and CannaCure Corp. Both regulated under the Cannabis Act Regulations. Heritage is focused on advancing its scale and technology footprint to compete both domestically and internationally.
2. Provide a general overview and discussion of the activities of management.

During the preceding month, management primarily focused on the evaluation of projects and on general administrative issues.

The Company holds a 75% interest in PhyeinMed Inc. (“PhyeinMed”), PhyeinMed received a license from Health Canada under the ACMPR (Access to Cannabis for Medical Purposes Regulations). PhyeinMed has completed Phase 1 of a multiphase construction project of cannabis grow space in Falkland, BC.

The growing site for growing medicinal marijuana consists of a total of 15,500 sq. ft. of buildings within 13 acres of land located in Falkland, British Columbia (the “**Falkland Facility**”). The building, which has completed Phase 1 construction includes 5 cannabis habitation rooms including growing, propagation, a storage area, packaging and destruction rooms. An existing administration building located on the site includes a reception area, 24/7 on site security offices, meeting rooms and offices.

PhyeinMed intends to initiate an aggressive growth strategy, planning an additional greenhouse expansion on the 13 acre Falkland site. Expansion of the Falkland Facility includes the utilization 100% of the land use capabilities which could allow for a total of over 200,000 sq. ft. of growing capacity. The revised Phase 2 expansion plan includes the acquisition and construction of up to 10 year round green houses for potentially 41,500 square feet additional grow canopy and capacity which is budgeted for a total cost of \$1.25 million. The initial order of the four greenhouses cost approximately \$350,000 which are currently being assembled.

PhyeinMed launched the revised Phase 2 building plan on May 22, 2018, with the first four year-round greenhouses to be completed in the fall of 2018, and additional greenhouses expected to be complete by spring 2019, however greenhouses will be brought online, and growing will commence as soon as they are completed.

Utilizing greenhouses as a cost-effective option will increase production while substantially reducing operational costs. It is anticipated that the first crops will be ready for harvest in Q1 2019. PhyeinMed has plans to take advantage of the additional acreage surrounding our current processing facility and greenhouses by erecting a series of up to 30 additional seasonal small-scale greenhouses. The seasonal greenhouses bode well for exceptional craft grow and extracted isolate products.

In August, 2017 and amended March 28, 2018, PhyeinMed signed an updated Wholesale Agreement with Canopy Growth Corporation (“**Canopy**”) to supply cannabis and cannabis products to the recreational marketplace via Canopy’s various sales channels. PhyeinMed stands to substantially accelerate its speed to market utilizing Canopy’s national framework, in addition to the extensive retail channels. Canopy is widely recognized as leading the way in the Canadian cannabis market, and has a global reputation for providing top quality products and partnering with other top producers. This partnership will allow PhyeinMed to significantly reduce acquisition costs for infrastructure, while driving early revenue.

PhyeinMed does not, directly or indirectly, have any business operations in jurisdictions where cannabis is not federally legal, such as the United States.

PhyeinMed has plans to take advantage of the additional acreage surrounding our current processing facility and greenhouses by erecting a series of up to 30 additional seasonal small-scale greenhouses in the spring of 2019. The seasonal greenhouses bode well for extracted production products.

The Company has made an accepted offer to acquire approximately 100 acres of agriculturally zoned land in Clearview Township, near Collingwood, Ontario. The agreement to acquire the property was made by 1005477 BC Ltd., a wholly owned subsidiary of Heritage, which also owns 75% of PhyeinMed. Terms of the purchase include a total purchase price of \$1.3 million with a targeted closing of June 30, 2018. The offer includes many subjects to the benefit of the buyer, including the award of a Licence to Produce Cannabis. The company has paid a deposit of 10% of the purchase price, with the remainder due at closing being paid by cash on hand. Approval of the second site and licence permitting, construction is scheduled to begin in early 2019, with additional expansion to continue as demand grows.

Clearview is zoned agriculture and is approved for the cultivation of cannabis. There are approximately 85 acres of flat usable land suited for both indoor and outdoor cultivation. PhyeinMed Inc. (“PhyeinMed”), a Health Canada late stage applicant under the ACMPR (Access to Cannabis for Medical Purposes Regulations), has a long-term growth strategy, separated into multiple phases, ultimately culminating in an operation with growing capacity of 3,000,000 square feet, capable of producing in excess of 300,000 kilograms of cannabis per year. The Company is anticipating a large demand for edibles and consumables, whether in candy or infused products, on legalization of this new market. Since the product needed for this market has different characteristics than the current planned cannabis flower products the Company is looking to produce, it will be targeting a combination of indoor and outdoor growth in an effort to be a low-cost producer.

On October 19, 2018 Heritage executed a Definitive Agreement to acquire all of the issued and outstanding shares of CannaCure Corporation (“CannaCure”) in an all-share transaction.

CannaCure, based in Fort Erie, Ontario, is a Health Canada License holder under the Cannabis Act Regulations, and has completed phase one of its three phase build-out plan. The constructed phase one facility is a state-of-the-art 24,260 square foot area, complete with four grow rooms, a fully constructed level 10 vault, propagating rooms and much more. Once completed, all three phases combined will comprise of 122,000 square feet, giving many options for CannaCure in the future. Additionally, included in this transaction is CannaCure’s option to purchase 3.4 million square feet of existing and operating greenhouse space in Leamington, Ontario.

Under the terms of the agreement, shareholders of CannaCure will receive 100 million shares of Heritage with an additional 33 million units subject to an escrow release upon certain milestones in exchange for 100% ownership of CannaCure to Heritage. The transaction is scheduled to close on or before September 28, 2018, and is subject to several conditions including the completion of due diligence, a definitive agreement, regulatory approval, as well as Heritage obtaining a minimum of \$7.5 million for expansion purposes.

Upon completion of this transaction, the board of directors of Heritage will be increased to five members, with CannaCure naming two people (to be determined) to the board.

On September 21, 2018 the Company announced a binding letter of intent, whereby the company intends to acquire all of the issued and outstanding shares of Purefarma Solutions, Inc. in an all share transaction.

Purefarma, based in Kelowna, BC, is a manufacturer and wholesale processor of premium CBD oils. This strategic acquisition provides Heritage an established pathway into the Canadian retail and wholesale, as well as overseas markets. Purefarma brings an experienced extraction team which is a key part of the overall vision for Heritage to provide significant market access to both the existing PhyeinMed LP while positioning itself to utilize CannaCure's scalable production. With revenues last year of approximately \$2 million, and EBITDA of \$500,000, this foundation gives a clear line of sight to expanded revenue. Purefarma has an existing supply agreement for 1,600 acres of hemp available through partner farmers, which will be harvested this season and available for the 2019 consumer market.

Under the terms of this arms-length agreement, shareholders of Purefarma will receive 33,333,333 shares of Heritage at a cost base of \$0.30 per share, resulting in the Purefarma shareholders owning 14% of the issued and outstanding shares of Heritage. Additionally, they have a potential to earn 16,000,000 shares subject an earn out based upon certain gross margin milestones achieved on an annual basis over the next four years. In addition, shareholders of Purefarma will receive certain royalties for 2019 through 2022 on a diminishing basis, based upon achieving certain gross margin milestones. This transaction will provide Heritage with the infrastructure, technology, and expertise in order to more quickly enter the extraction business once a license has been received.

Upon completion of the transaction, Purefarma will be adding one person to the board of directors of Heritage.

The Company has an Advisory Board comprising Michele Cadario, Bob Simmonds and Debra Senger.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

None

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

None

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

Heritage has signed an agreement with GLE Brands Inc ("GLE"), a branding company inclusively representing the 'Cheech's Private Stash' ("Private Stash"), Cannabis brand of Iconic Hollywood actor, stand-up comedian and Cannabis legalization advocate, Cheech Marin. The agreement calls for Heritage to have exclusive rights to use cannabis and cannabis related products utilizing the Private Stash brand throughout Canada for an initial period of two years, with the agreement automatically renewing for an additional year upon achieving various milestones. In addition, Heritage will have the right to supply products for

export as GLE executes on their strategy to expand the Private Stash brand to other countries and appropriate export licences are obtained.

Letter of Intent (LOI) with Stanley Park Digital Ltd. Key terms of the LOI include the development of a Cannabis Supply Chain Management System which will be designed to track and document all aspects of production from ‘seed to sale’. By utilizing a blockchain technology base to underpin an internal management process, it will provide an avenue to guarantee quality and consistency of product, as well as allow traceability and transparency for regulation oversight.

Letter of Intent (“LOI”), effective July 20, 2018 whereby the company intends to acquire all of the issued and outstanding shares of CannaCure Corporation (“CannaCure”) in an all-share transaction.

CannaCure, based in Fort Erie, Ontario, is a Health Canada late stage applicant (Evidence Package submitted) under the ACMPR (Access to Cannabis for Medical Purposes Regulations), and has completed phase one of its three phase build-out plan. The constructed phase one facility is a state-of-the-art 24,260 square foot area, complete with four grow rooms, a fully constructed level 10 vault, propagating rooms and much more. Once completed, all three phases combined will comprise of 122,000 square feet, giving many options for CannaCure in the future. Additionally, included in this transaction is CannaCure’s option to purchase 3.4 million square feet of existing and operating greenhouse space in Leamington, Ontario.

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Under the terms of this arms-length agreement, shareholders of Purefarma will receive 33,333,333 shares of Heritage at a cost base of \$0.30 per share, resulting in the Purefarma shareholders owning 14% of the issued and outstanding shares of Heritage. Additionally, they have a potential to earn 16,000,000 shares subject an earn out based upon certain gross margin milestones achieved on an annual basis over the next four years. In addition, shareholders of Purefarma will receive certain royalties for 2019 through 2022 on a diminishing basis, based upon achieving certain gross margin milestones. This transaction will provide Heritage with the infrastructure, technology, and expertise in order to more quickly enter the extraction business once a license has been received

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer’s affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

Not applicable for the preceding month.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer’s assets that occurred during the preceding month. Provide details of the nature of the assets

acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

Not applicable for the preceding month.

8. Describe the acquisition of new customers or loss of customers.

Not applicable for the preceding month.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

Not applicable for the preceding month.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

Dr. Chris Spooner has joined the management team as Chief Science Officer. Dr. Spooner's clinical experience and insight in the areas of regulation and business development will prove incredibly useful in creating product lines, patient care protocols and customer satisfaction programs. Dr. Spooner is a North Okanagan naturopathic doctor with extensive academic, clinical and business development experience. With over 20 years of experience owning and operating integrative care clinics, Dr. Spooner brings a targeted skill set that encompasses nutraceutical development, patient care protocols and clinic development. He is a member of numerous medical advisory boards, including of Atrium Innovations, a division of Nestlé Health Sciences, Translational Life Sciences and Kisameet Glacial Clay. In addition to this, Dr. Spooner has over a decade of experience on the board of directors of the College of Naturopathic Physicians of British Columbia..

11. Report on any labour disputes and resolutions of those disputes if applicable.

None

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

None

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

None

14. Provide details of any securities issued and options or warrants granted.

<b>Security</b>	<b>Number Issued</b>	<b>Details of Issuance</b>	<b>Use of Proceeds<sup>(1)</sup></b>
Common Shares	700,000	Exercise of options	\$262,000 general working capital

(1) State aggregate proceeds and intended allocation of proceeds.

15. Provide details of any loans to or by Related Persons.
- None
16. Provide details of any changes in directors, officers or committee members.
- Not applicable for the preceding month.
17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.
- a. further to its press releases dated July 5, 2017, August 18, 2017 and November 2, 2017 in connection with the acquisition by the Company of an aggregate 75% interest in PhyeinMed Inc., a late stage Health Canada Access to Cannabis for Medical Purposes Regulations applicant for the purpose of growing, selling and distributing medical cannabis, that it has now completed a change of business transaction (the "Transaction"), within the meaning of such term in the policies of the Canadian Securities Exchange (the "CSE") to a medical marijuana issuer. In connection with the Transaction, the Company has changed its name to "Heritage Cannabis Holdings Corp.". Trading of the Company's common shares will resume trading under the new name and under the new ticker symbol "CANN" (CUSIP #42727B109 and ISIN #CA42727B1094) at the open on Wednesday, January 10, 2018.
  - b. further to its Press Release of February 1<sup>st</sup>, 2018 announcing the purchase agreement on 100 acres for Ontario farmland. The expansion into Ontario is part of the long-term strategy of becoming a significant producer in the Canadian Cannabis marketplace. We are anticipating demand will outpace supply in the foreseeable future as legalization in Canada gets nearer to completion, and we intend to execute on our plan to ensure we can comfortably supply our customers with high quality products which will include all facets of the cannabis market for years to come"
  - c. The former MMPR has been replaced by the new Access to Cannabis for Medical Purposes Regulations (the "ACMPR"). On December 19, 2016, Health Canada amended the Issuer's license to allow the sale of "starting materials" or marijuana plants immediately to legally authorized patients under the ACMPR.
  - d. The Issuer's business involves certain risks and uncertainties that are inherent to the Company's industry. For disclosure on risks related to an investment in the Issuer, please refer to the Company's Listing Statement, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated November 6, 2018

Clint Sharples

\_\_\_\_\_  
Name of Director or Senior Officer



\_\_\_\_\_  
Signature

President & CEO

\_\_\_\_\_  
Official Capacity

<b>Issuer Details</b>	For Month	Date of Report
Name of Issuer	End	YY/MM/D
Heritage Cannabis Holdings Corp.	October 2018	18/11/06
Issuer Address		
929 Mainland Street		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
Vancouver, BC V6B 1S3	(604) 628-0129	(604) 628-1767
Contact Name	Position	Contact Telephone No.
Andrew Prowse	Admin	(604) 628-1767
Contact Email Address	Web Site Address	
<a href="mailto:arp@heritagecann.com">arp@heritagecann.com</a>	<a href="http://www.heritagecann.com">www.heritagecann.com</a>	