

## FORM 7

### **MONTHLY PROGRESS REPORT**

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

Trading Symbol: CANN

Number of Outstanding Listed Securities: 786,128,570

Date: NOVEMBER 5, 2021

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 Issuer is currently listed as a Life Sciences issuer. The Issuer is a cannabinoid company focused on the production and sale of medical and recreational hemp-based and cannabis-based products and services. In Canada, Heritage operates through its subsidiaries Voyage Cannabis Corp. and CannaCure Corp., both regulated under the Cannabis Act Regulations. Produced and distributed under these subsidiaries are the Purefarma, Pura Vida, Premium 5, RAD, feelgood., ArthroCBD, and CB4 brands. Heritage focuses on extraction and the creation of derivative products for recreational consumers, as well as the formulation of cannabis based medical solutions. In the U.S., Heritage operates under Opticann Inc., a Colorado based oral and topical cannabinoid company with the rights to exclusively sell CBD and CBG products made with the patented VESIsorb® drug delivery system for optimized absorption and stability. As the parent

company, Heritage is focused on providing the resources for its subsidiaries to advance their products or services to compete both domestically and internationally.

a) The Issuer announced its subsidiary Opticann has signed two supply agreements with two well established Australian companies for the supply of medical cannabis products. The first shipment of medical cannabis CBD/CBDA filmstrips totaling \$60,000 was recently completed. Please see the Issuer's press release dated October 4, 2021.

b) The Issuer announced it entered into an amended non-revolving loan agreement (the "Amended Loan Agreement") with BJK Holdings Ltd. ("BJK"), improving the terms of its existing loan with BJK entered into on March 29, 2021, and further supporting its growing business.

Under the terms of the Amended Loan Agreement, the original loan amount of \$7.0 million has been increased to \$7.175 million, and its maturity date was extended from September 29, 2022 to February 1, 2023 (the "Increased Initial Loan"). In connection with this Increased Initial Loan, the Company paid a one-time extension fee of \$175,000 to BJK on October 12, 2021 (the "Closing Date").

Additionally, pursuant to the Amended Loan Agreement, BJK advanced \$2.6 million to the Company on the Closing Date, at the Royal Bank of Canada prime lending rate plus 1.25%, adjusted automatically with each quoted or published change in rate, until the entire Loan is repaid on February 1, 2023 (the "Additional Loan"). This Additional Loan was advanced to help fund the Company's capital asset acquisitions and general corporate purposes.

To further support the Company's operations and growth, a revolving line of credit (the "Line of Credit") has been established, up to a maximum of \$5.0 million, with an interest rate of 18% per annum, calculated daily and payable monthly.

In total, through the Increased Initial Loan, the Additional Loan, and the Line of Credit (collectively, the "Loan"), the Company has access to a total of \$14.775 million through its Amended Loan Agreement with BJK. Accordingly, on the Closing Date, the Company granted to BJK a promissory note in the principal amount of \$14.775 million together with interest, to represent the amount to be repaid on or before February 1, 2023. If the Company repays the Loan in its entirety on or before October 1, 2022, BJK will repay the Extension Fee to the Company.

Furthermore, in connection with this Amended Loan Agreement, the Company has also granted BJK 10.0 million warrants at an exercise price of \$0.25 per share for a period of 24 months. Please see the Issuer's press release dated October 13, 2021.

c) The Issuer announced it entered into an exclusive partnership between its subsidiary Opticann and C.A.R.P. (formerly the Canadian Association of Retired Persons), Canada's largest advocacy association for *Canadians As We Age*. In conjunction with the partnership, C.A.R.P., ZoomerMedia Limited and Opticann will be creating tailored education for the 320,000+ C.A.R.P. members through C.A.R.P. affiliate ZoomerMedia's TV, radio, print, and digital channels including VisionTV, The New Classical FM, Zoomer Radio, and Zoomer Magazine. Opticann will carry the trusted C.A.R.P. *Recommended* Seal and C.A.R.P. members will receive an exclusive 15 percent discount

when they purchase any of the Opticann CB4 medical cannabis products. Please see the Issuer's press release dated October 14, 2021.

d) The Issuer announced that it signed a joint venture sales and processing agreement with Noble Growth Corp. ("Noble"), a cannabis cultivator focused on creating beneficial strains that contain sought after cannabinoid, flavonoid, and terpene profiles for both recreational and medical usage. Please see the Issuer's press release dated October 19, 2021.

e) The Issuer provided an update on recent sales and market share data in Canada, along with the achievement of a key milestone in the US expansion. Recent sales results and market share highlights include:

- #4 in Canadian Sales of Concentrates
- #6 in Canadian Sales of Oils
- #9 in Canadian Sales of Vapes
- Accelerating Sales Growth in All Key Product Categories

Despite restricted operations at the Voyage facility in August as a result of local forest fires in the area, unaudited sales for the month of August were approximately \$2.5 million. Along with strong provincial re-orders, Heritage continues to see improvements in both market penetration and new listings, setting the stage for further growth in the coming months.

In Ontario, Heritage gained seven new listings across multiple categories, giving Heritage a total of 16 SKUs in Canada's largest market. Sales to the OCS in calendar Q3 more than doubled over calendar Q2. Retailer feedback has been positive, and the Company anticipates adding additional SKUs in November.

Western Canada remains the largest market for Heritage, where the Company continues to see excellent re-order rates and continued acceptance for new listings resulting in additional growth. Alberta has recently executed a significant launch of Heritage products, with the Company shipping 28 new SKUs to the province in September and October. In BC, Heritage claimed 3% of total cannabis sales, while also increasing orders by 33% from calendar Q2 to calendar Q3. Orders in Saskatchewan rose by 190% sequentially in calendar Q3, with first flower products expected to be in market in November, fueling further sales growth heading into Fiscal 2022.

Heritage launched 10 pre rolls and 6 flower skus in multiple provinces with encouraging provincial orders and plans on having distribution across Canada by the end of calendar Q1 2022. Entry into the largest market will inevitably continue to drive overall market share and revenue growth for Heritage.

The facility buildout at 3Fifteen Primo Cannabis' ("3Fifteen") licensed manufacturing facility has begun. Construction on the extraction area is underway and the Company is evaluating equipment. First revenue in Missouri is expected in the first quarter of calendar 2022.

Please see the Issuer's press release dated October 20, 2021.

f) The Issuer announced that further to its press release of September 13, 2021 regarding its term sheet with Merida Capital Partners III LP ("Merida Fund III") and Merida Capital Partners IV LP

("Merida Fund IV") to fund the Company's entry into the state of Missouri, it has entered into a Note and Warrant Purchase Agreement, dated October 18, 2021, pursuant to which Merida Fund III and Merida Fund IV have loaned the Company an aggregate amount of USD\$1,500,000.

On closing, the Company issued a promissory note to Merida Fund III (the "Note") for a principal amount of USD\$660,000 (the "Principal Amount"), set to mature on October 18, 2023. The Note has an interest rate of 15%, which shall be paid in common shares of the Company (the "Common Shares" and such shares issuable as interest payment, the "Interest Shares"). The price of these shares will be the greater of (i) 90% of the volume weighted average price per Common Share as reported on the Canadian Securities Exchange (the "CSE") for the 5 consecutive trading days preceding such issuance, and (ii) the minimum price per Common Share permitted pursuant to applicable securities laws and CSE regulations. The Principal Amount may be repaid in Common Shares (the "Conversion Shares") at a conversion price equal to the greater of: (i) the closing market price of the Common Shares on the CSE on the trading day prior to the earlier of dissemination of a news release disclosing the issuance of the Conversion Shares or the posting of notice by the Company to the CSE website of the proposed issuance of Conversion Shares, and (ii) CAD\$0.07. The Company also issued warrants to each of Merida Fund III and Merida Fund IV equal to 50% of the aggregate number of Conversion Shares that would be received upon conversion of 100% of the aggregate amount of principal outstanding under the Note.

The Company also issued 696,942 shares to each of Merida Fund III and Merida Fund IV as a commitment fee for this transaction, representing USD\$31,250 divided by 90% of the volume weighted average price per Common Share as reported on the Canadian Securities Exchange for the 30 consecutive trading days preceding such issuance (the "Commitment Fee"). The shares issued in connection with the Commitment Fee were issued at a price of CAD\$0.0556 per share.

All securities referenced above, specifically, the Interest Shares, the Conversion Shares, and the Commitment Fee, are subject to a standard four-month hold under applicable securities laws. Please see the Issuer's press release dated October 21, 2021.

**2. Provide a general overview and discussion of the activities of management.**

During the month the Issuer's management continued to focus on operating activities, including developing the recreational and medical cannabis business in the United States, evaluating international opportunities (e.g., Australia), the acquisition growth strategy, the processing of cannabis, and the methods in which to scale the Company's current facilities.

Additionally, the Company expanded product development and engaged in discussions with various parties to develop strategic partnerships, including expanding the distribution of medical products.

Management has been continually monitoring the COVID-19 health threat in Canada and based on guidance provided by various public health authorities, the Company continues to operate at its production facilities and adjusted procedures in order to ensure the health and safety of its employees, families and local communities.

**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.**

Heritage launched 10 pre rolls and 6 flower skus in multiple provinces with encouraging provincial orders and plans on having distribution across Canada by the end of calendar Q1 2022. Entry into the largest market will inevitably continue to drive overall market share and revenue growth for Heritage. Please see the Issuer's press release dated October 20, 2021.

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.

Not applicable for the preceding month.

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.

The Issuer announced its subsidiary Opticann has signed two supply agreements with two well established Australian companies for the supply of medical cannabis products. The first shipment of medical cannabis CBD/CBDA filmstrips totaling \$60,000 was recently completed. Please see the Issuer's press release dated October 4, 2021.

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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.

Heritage is continuing its due diligence in respect to the proposed acquisition of Capna Intellectual/dba Bloom Brands ("Bloom"), which was previously announced on June 1, 2021.

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 hiring's, terminations or lay-offs with details of anticipated length of lay-offs.

Not applicable for the preceding month.

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

Not applicable for the preceding month.

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.**

Not applicable for the preceding month.

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

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On closing, the Company issued a promissory note to Merida Fund III (the "Note") for a principal amount of USD\$660,000 (the "Principal Amount"), set to mature on October 18, 2023. The Note has an interest rate of 15%, which shall be paid in common shares of the Company (the "Common Shares" and such shares issuable as interest payment, the "Interest Shares"). The price of these shares will be the greater of (i) 90% of the volume weighted average price per Common Share as reported on the Canadian Securities Exchange (the "CSE") for the 5 consecutive trading days preceding such issuance, and (ii) the minimum price per Common Share permitted pursuant to applicable securities laws and CSE regulations. The Principal Amount may be repaid in Common Shares (the "Conversion Shares") at a conversion price equal to the greater of: (i) the closing market price of the Common Shares on the CSE on the trading day prior to the earlier of dissemination of a news release disclosing the issuance of the Conversion Shares or the posting of notice by the Company to the CSE website of the proposed issuance of Conversion Shares, and (ii) CAD\$0.07. The Company also issued warrants to each of Merida Fund III and Merida Fund IV equal to 50% of the aggregate number of Conversion Shares that would be received upon conversion of 100% of the aggregate amount of principal outstanding under the Note.

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All securities referenced above, specifically, the Interest Shares, the Conversion Shares, and the Commitment Fee, are subject to a standard four-month hold under applicable securities laws. Please see the Issuer's press release dated October 21, 2021.

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

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common shares	696,942	Issued to Merida Capital Partners III LP	Commitment fee for Note and Warrant Purchase Agreement to fund the Company's entry into the state of Missouri
Common shares	696,942	Issued to Merida Capital Partners IV LP	Commitment fee for Note and Warrant Purchase Agreement to fund the Company's entry into the state of Missouri

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

15. Provide details of any loans to or by Related Persons.

Not applicable for the preceding month.

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) On Tuesday, February 2, 2021, U.S. lawmakers led by Democratic Senators Cory Booker, Ron Wyden and Chuck Schumer, said they plan to introduce legislation to reform how cannabis is treated under U.S. law.
- (b) The U.S. House of Representatives passed the Marijuana Opportunity Reinvestment and Expungement (MORE) Act to remove cannabis from the U.S. Controlled Substances Act, a meaningful legislation aimed at ending the U.S. federal prohibition on cannabis.
- (c) On October 17, 2018, the Cannabis Act came into effect providing for the legalization and regulation of recreational cannabis use in Canada.
- (d) The Company's business is subject to a variety of laws, regulations and guidelines relating to marketing, distribution, cultivation, management and sale and disposal of medical marijuana but also laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines may cause adverse effects to the Company's operations.
- (e) The legislative framework pertaining to the Canadian recreational cannabis market will be subject to significant provincial and territorial regulation.
- (f) The progression of the COVID-19 could have an impact on the Issuer's business and operations.
- (g) 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 dated December 21, 2017, 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 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 2, 2021

David Schwede

Name of Director or Senior Officer

*"David Schwede"*

Signature

CEO

Official Capacity

<b>Issuer Details</b>	For Month End	Date of Report YY/MM/D
Name of Issuer Heritage Cannabis Holdings Corp.	October 2021	21/11/02
Issuer Address 77 Bloor Street West		
City/Province/Postal Code Toronto ON, M5S 1M2	Issuer Fax No. n/a	Issuer Telephone No. 1-888-940-5925
Contact Name Kelly Castledine	Position Investor Relations	Contact Telephone No. 647-660-2560
Contact Email Address kcastledine@heritagecann.com	Web Site Address <a href="http://www.heritagecann.com">www.heritagecann.com</a>	