



## Heritage Cannabis Reports Q3 2022 Financial Results and Sixth Consecutive Quarter of Increased Revenue

**Toronto, ON, September 28, 2022** – [Heritage Cannabis Holdings Corp.](#) (CSE: CANN) (OTCQX: HERTF) (“**Heritage**” or the “**Company**”), today announced its financial results as at and for the three- and nine-month periods ended July 31, 2022 (“**Q3 2022**”). All figures are in Canadian dollars unless otherwise noted.

“What we have accomplished in the third quarter is a tremendous achievement by the entire team at Heritage. Given the sector headwinds and after normalizing for isolated events in the quarter, we are proud to state that we have marked our second consecutive quarter of positive EBITDA. It is also our sixth consecutive quarter of increasing revenue which has been driven by the team focusing on growing revenue through the addition of sales channels and the further expansion of our already successful portfolio of products,” said David Schwede, CEO of Heritage. “Our platform approach has protected us from significant challenges across the industry and we will continue to execute on our business strategy, focusing on cost management and driving revenue which was up over 165% from the same time a year ago. Our team is driven to innovate and propel growth, and the delivery of positive financials this past quarter represents an important milestone for the Company and what is ahead for us. Through multiple new brand and product launches on the near-term horizon, as well as the imminent launch of product sales in the U.S. contributing to revenue, Heritage is on a clear path for success.”

### Selected Financial Highlights

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

| (in \$CDN)                          | Three months ended |               | Nine months ended |               |
|-------------------------------------|--------------------|---------------|-------------------|---------------|
|                                     | July 31, 2022      | July 31, 2021 | July 31, 2022     | July 31, 2021 |
|                                     | \$                 | \$            | \$                | \$            |
| Gross revenue                       | 10,799,784         | 5,111,945     | 30,848,238        | 11,544,016    |
| Net revenue (net of excise tax)     | 7,495,885          | 4,314,314     | 21,528,280        | 9,410,105     |
| Cost of sales                       | 5,025,046          | 3,069,069     | 13,987,874        | 6,163,343     |
| Gross margin                        | 2,470,839          | 1,245,245     | 7,540,406         | 3,246,762     |
| General and administrative expenses | 5,390,047          | 8,335,897     | 14,635,045        | 18,894,828    |
| Other Income (Expenses)             | 54,380             | (527,022)     | 8,421,679         | (1,129,923)   |
| Comprehensive Income (Loss)         | (2,793,327)        | (6,637,449)   | 2,957,272         | (14,999,542)  |

### Q3 2022 Financial Highlights

- The Company reported gross revenue of \$10,799,784 for the three months ended July 31, 2022, an increase of \$5,687,839 compared to gross revenue of \$5,111,945 for the three months ended July 31, 2021, representing an increase of 111%. The growth was driven by a continued increase in the Company’s vape and concentrate offerings as well as the launch of

the flower vertical. The increase from the prior year is a direct result of increasing our provincial listings and the continued advancement of our inclusion on third party medical platforms although the positive impact was partially offset in the quarter due to the The British Columbia General Employees' Union (BCGEU) labour strike given sales to the province were 39% lower than the average of the previous two quarters.

- For the nine-month period ended July 31, 2022, the Company recorded gross revenue of \$30,848,238 an increase of \$19,304,222 compared to gross revenue of \$11,544,016 for the nine months ended July 31, 2021, representing an increase of over 167%. The increase in gross revenue was the result of the Company continued strong listing demand through the provincial boards in spite of the BCGEU labour strike and continued focus on cash management practices which are focused on managing inventory growth and availability.
- Cost of sales for the three months ended July 31, 2022 was \$5,025,046, an increase of \$1,955,977 compared to \$3,069,069 for the three months ended July 31, 2021. Cost of sales decreased on a percentage of sales basis as a result of improved operational efficiencies, which although were negatively impacted by system inventory corrections relating to the inventory system management launch and refinement. It is anticipated that these one-time negative impacts will be reduced or eliminated over the next quarter.
- Cost of sales for the nine months ended July 31, 2022 was \$13,987,874, an increase of \$7,824,531, compared to \$6,163,343 for the nine months ended July 31, 2021. Cost of sales increased as a function of the increased sales results and improved on a percentage of sales basis as a result of a continued focus on improving facility efficiencies.
- For the three months ended July 31, 2022, the Company recorded a comprehensive loss of \$2,799,327 or \$0.00 loss per share compared to a comprehensive loss of \$6,637,449 or \$0.01 loss per share for the three months ended July 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 combined with a \$416,000 unrealized decrease in loss on contingent payables.
- For the nine months ended July 31, 2022, the Company recorded a comprehensive income of \$2,957,272 or \$0.00 income per share compared to a comprehensive loss of \$14,999,542 or \$0.02 loss per share for the nine months ended July 31, 2021. The decrease in loss was primarily attributable to a non-cash accounting policy-related gain of \$8,571,429 due to the change in fair market value between the share price used for the Premium 5 first milestone payment and the quoted share price at the time of award combined with the improvements in the operating business noted above.

### **Q3 2022 Growth, Operational, and Corporate Highlights**

- On June 6, 2022, Heritage announced that it had signed a definitive agreement for the supply of its products for sale on the medical platform of a major LP with one of the leading market shares in Canada. The major LP completed its initial purchase of Heritage brands, including RAD, Premium 5, and CB4, and are now offering Heritage products on the platform with the first shipment of 12 stock keeping units ("SKUs") completed in May. The relationship will also encompass white labelling of some products based on Heritage's product quality, variety, consistency, industry proven technology and innovation.
- The third quarter of 2022 continued to see growing sales across Heritage's portfolio of innovative products and expanded distribution channels, including the launch of Heritage products on two of the largest market share online medical platforms in Canada. As sales

momentum builds, the Company remains focused on increasing margins and cost containment. Spending and capital expenditures by Heritage are measured by their expected return on investment and ability to generate near-term revenues.

- Heritage continues to add new stock keeping units ("SKUs") across all Canada and is participating in regular product calls by the provinces. Heritage proactively manages its offerings to stay price competitive in all segments, while also delivering innovative products and new flavour profiles to keep up with consumer demands, and successfully win provincial product calls.
- On June 17, 2022, the Company announced that 7,109,090 Common shares in the capital of the Company (the "Bonus Shares") were issued at a deemed price of \$0.055 as compensation bonus to certain executive employees and consultants (the "Parties") based on corporate measures and individual performance of those individuals in 2021. The fair value of shares issued were measured at \$355,455, determined based on the quoted share price at the issuance date, and recorded as share-based payment in the unaudited interim condensed consolidated financial statements for the three- and nine-month periods ended July 31, 2022.

The Bonus Shares were issued in reliance on certain prospectus exemptions available under National Instrument 45-106 – Prospectus Exemptions, and are subject to a four month and one day statutory hold period. As 3,745,454 of the Bonus Shares were issued to the Parties of the Company, the issuance of Bonus Shares (the "Compensation Bonus") constituted a "related party transaction" pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company relied on exemptions from the formal valuation and minority approval requirements of MI 61-101 (pursuant to subsections 5.5(a) and 5.7(a)) as the fair market value of the securities distributed to, and the consideration received from, the related party did not exceed 25% of the Company's market capitalization. The Compensation Bonus was approved by the Company's board of directors. No special committee was established in connection with the Compensation Bonus or the participation of the applicable officers and directors in the Compensation Bonus, and no materially contrary view or abstention was expressed or made by any director of the Company in relation thereto.

## **Financial Statements**

The consolidated financial statements of the Company as at and for the three- and nine-month periods ended July 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](http://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, 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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*The Canadian Securities Exchange does not accept responsibility for the adequacy or accuracy of this release.*

**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, 2021, and dated May 10, 2022. 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.*