



FOR IMMEDIATE RELEASE

Inner Spirit Holdings Announces \$7.5 Million Offering of Secured Convertible Debenture Units

Financing to enable cannabis retailer to further build out national expansion of Spiritleaf brand

CALGARY, Alberta (May 8, 2019) – Inner Spirit Holdings Ltd. ("**Inner Spirit**" or the "**Company**") (CSE:ISH) is pleased to announce that it has filed and been receipted for a preliminary short form prospectus with securities regulatory authorities in all provinces of Canada (except Québec) in connection with a proposed "commercially reasonable efforts" offering (the "**Offering**") of up to 7,500 convertible debenture units of the Company (the "**Initial Units**") at a price of \$1,000 per Initial Unit for aggregate gross proceeds of up to \$7,500,000. The Offering is being made through a syndicate of agents, co-led by Acumen Capital Finance Partners Limited, as sole bookrunner, and Canaccord Genuity Corp. (the "**Co-Lead Agents**"). The completion of the Offering is expected to take place on or about May 24, 2019, or such other date or dates as may be agreed upon by the Company and the Co-Lead Agents (the "**Closing Date**").

The Company has also granted to the Agents an over-allotment option (the "**Over-Allotment Option**"), exercisable from time to time in whole or in part, in the sole discretion of the Agents, up to 30 days from the Closing Date, to arrange for the sale of up to an additional 2,500 convertible debenture units (the "**Additional Units**", and together with the Initial Units, the "**Debenture Units**") for additional gross proceeds of up to \$2,500,000 (or a total of \$10,000,000 in aggregate gross proceeds if the Over-Allotment Option is exercised in full), on the same terms as the Initial Units to cover over-allotments, if any, and for market-stabilization purposes.

Each Debenture Unit will consist of (i) one 12% senior secured convertible debenture of the Company in the principal amount of \$1,000 (each, a "**Debenture**") with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2020, and maturing on June 30, 2022 (the "**Maturity Date**"), and (ii) 2,000 common share purchase warrants (each, a "**Warrant**") of the Company, each Warrant entitling the holder thereof to purchase one common share in the capital of the Company (a "**Common Share**") at an exercise price equal to \$0.25 for a period of eighteen (18) months following the Closing Date.

The Company intends to use the net proceeds of the Offering to (i) fund the build-out of six additional wholly-owned corporate Spiritleaf-branded retail cannabis stores; (ii) purchase cannabis inventory for corporate Spiritleaf-branded retail cannabis stores; (iii) acquire and maintain real estate leases in the Province of Ontario; (iv) purchase Spiritleaf custom inventory for sale to franchisees of Spirit Leaf Inc., the Company's wholly-owned subsidiary; (v) repay existing indebtedness; and (vi) for working capital and general corporate purposes.

"Our first six Spiritleaf franchise locations are now open across Canada, with a seventh store scheduled to open in Edmonton, Alberta on May 10. Our objective for the coming year is to open 10 corporate outlets in high-traffic locations in Calgary, Edmonton, Canmore, Jasper and Fort McMurray, as well as an additional 50-plus franchise stores throughout the country as regulatory and product supply issues are ironed out. We were recently informed that Spiritleaf has been accepted to participate in the next round of the Manitoba license lottery with results expected on May 15. We believe our continued expansion will provide us with a truly national network with strong brand recognition and quality in-store experiences for Canada's recreational cannabis consumers," said Darren Bondar, President and CEO of Inner Spirit.

The principal amount of each Convertible Debenture (the "**Principal Amount**") will be convertible, for no additional consideration, into Common Shares ("**Debenture Shares**") at the option of the holder at any time



prior to the close of business on the earlier of: (i) the business day immediately preceding the Maturity Date, (ii) if called for Redemption (as defined below), on the business day immediately preceding the Redemption Date (as defined below), and (iii) the business day immediately preceding the fifth business day prior to a Change of Control Purchase Date (as defined below) for a Debenture Purchase (as defined below) upon a change of control, at a conversion price equal to \$0.25 (the "**Conversion Price**"), subject to Mandatory Conversion (as defined below).

Each holder of Convertible Debentures will have the right (the "**Change of Control Right**"), exercisable at any time not later than five business days prior to the Change of Control Purchase Date and in its sole discretion, to require the Company to either: (i) purchase the Convertible Debentures (the "**Debenture Purchase**") at a price equal to 100% of the Principal Amount, plus any accrued and unpaid interest and plus an amount equal to the interest that would have otherwise accrued on the Convertible Debentures to the Maturity Date but for the Debenture Purchase ("**Effective Interest**"), or (ii) convert the Principal Amount plus any accrued and unpaid interest and plus the Effective Interest at the Conversion Price (the "**Change Conversion**"). In the event that a Convertible Debenture holder does not exercise the Change of Control Right, the Company will have the right, but not the obligation, to carry out the Debenture Purchase or the Change Conversion, in its sole discretion, on the Change of Control Purchase Date. The "**Change of Control Purchase Date**" will be the date that is 30 business days after the date that written notice of a change of control is delivered by the Company to holders of Convertible Debentures.

On or after December 31, 2020, the Company will be entitled to force the conversion (the "**Mandatory Conversion**") of the Principal Amount of the then outstanding Convertible Debentures and any accrued and unpaid interest thereof at the Conversion Price on not less than 30 days' prior written notice should the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange (the "**CSE**") be equal to or greater than \$0.35 for 20 consecutive trading days, subject to the Mandatory Conversion being permitted under the policies of the CSE for any trading of the Convertible Debentures and Common Shares at that time.

On or after December 31, 2020, the Company will be entitled to redeem the Convertible Debentures (the "**Mandatory Redemption**"), in whole or in part, on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the Principal Amount of the Convertible Debentures being redeemed plus accrued and unpaid interest thereon, if any, up to but excluding the date set for redemption, provided that the daily volume weighted average trading price of the Common Shares on the CSE is equal to or greater than \$0.35 for the 20 consecutive trading days preceding such notice, subject to the Mandatory Redemption being permitted under the policies of the CSE for any trading of the Convertible Debentures and Common Shares at that time.

The Company has agreed to pay a cash commission (the "**Agents' Fee**") to the Agents equal to 7% of the gross proceeds of the Offering, including any exercise of the Over-Allotment Option, other than on the gross proceeds from the sale of up to 3,750 Debenture Units that may be purchased by certain purchasers identified by the Company (the "**President's List Purchasers**"), for which the Agents will receive a cash commission of 3%, and which aggregate fee will be paid upon closing of the Offering. In addition, the Company has agreed to issue the Agents, on the completion of the Offering, as additional compensation, non-transferrable compensation options (the "**Compensation Options**") entitling the Agents to purchase such number of Common Shares (the "**Compensation Shares**") as is equal to (i) 7% of the number of Debenture Shares that would be issued assuming the conversion of all of the Convertible Debentures making up the Debenture Units sold pursuant to the Offering to purchasers other than President's List Purchasers (including any Debenture Units sold pursuant to the exercise of the Over-Allotment Option); plus (ii) 3% of the number of Debenture Shares that would be issued assuming the conversion of all of the Convertible Debentures making up the



Debenture Units sold pursuant to the Offering to the President's List Purchasers (including any Debenture Units sold pursuant to the exercise of the Over-Allotment Option). Each Compensation Option will entitle the holder thereof to acquire during the eighteen (18) months following the Closing Date, one Compensation Share at an exercise price of \$0.25 per Compensation Share.

The Company will give notice to the CSE to list the Convertible Debentures, the Debenture Shares, the Warrants, the Common Shares issuable upon the exercise of Warrants, and the Compensation Shares on the CSE. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE. The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory and stock exchange approvals, and the entering into of an agency agreement by the Company and the Agents.

This press release is not an offer of the securities for sale in the United States. The securities may not be offered or sold in the United States absent registration or an exemption from registration. The securities will not be publicly offered in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, or any state securities laws.

About Inner Spirit

Inner Spirit is establishing a network of recreational cannabis stores under its Spiritleaf brand. Supporting local entrepreneurs by applying its award-winning franchise and retail models, Inner Spirit has more than 100 franchise agreements in place for potential Spiritleaf locations and plans to operate corporate outlets in certain jurisdictions. The Company is simultaneously developing a diverse portfolio of proprietary quality and curated lifestyle cannabis products positioning the company to be an iconic Canadian brand and the most trusted source for recreational cannabis. Key industry partners and shareholders include Auxly Cannabis Group Inc. (TSX.V:XLY), Newstrike Brands Ltd. (TSX.V:HIP) and Tilray, Inc. (NASDAQ:TLRY). More information can be found on Inner Spirit's website at www.innerspiritholdings.com.

Forward-looking statements

This press release contains statements and information that, to the extent that they are not historical fact, may constitute "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information may include financial and other projections, as well as statements regarding future plans, objectives or economic performance, or the assumption underlying any of the foregoing. In some cases, forward-looking statements can be identified by terms such as "may", "would", "could", "will", "likely", "except", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook", "potential", or the negative thereof or other similar expressions concerning matters that are not historical facts. Examples of such statements include, but are not limited to, statements with respect to the objectives and business plans of the Company; the establishment of recreational cannabis stores in Canada; the receipt of necessary licenses and permits to open recreational cannabis stores and the timing thereof; the Offering, including the receipt in a timely manner of regularly and other required approvals and clearances; the number of Debenture Units to be sold under the Offering; the gross proceeds of the Offering; the payment of interest and the principal amount, and the conversion or exercise of other rights attached to the Convertible Debentures, the Warrants and the Compensation Options; the listing of the Convertible Debentures, Debenture Shares, Common Shares to be issued upon the exercise of Warrants, and Compensation Options on the CSE; the exercise of the Over-Allotment Option; the use of the net proceeds of the Offering; and the intention to grow the Company's business and operations. Actual results could differ materially from those currently anticipated due to a number of factors and risks, including but not limited to, fluctuations in the market price of the Common Shares; the risk that additional stores may not open due to national retail cannabis supply issues; risks relating to the dilution of the Common Shares; risks and uncertainties relating to the actual use of the net proceeds of



the Offering; changes in market conditions; and the risks identified In the Company's filings with the applicable Canadian securities regulators, including, without limitation, all risks in and incorporated by reference into the Company's preliminary short-form prospectus in respect of the Offering. Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. The forward-looking statements included in this news release are made as of the date of this news release and the Company does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.

For further information

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