



FOR IMMEDIATE RELEASE

## Inner Spirit Holdings Announces First Quarter 2020 Financial Results and Provides Corporate Update

*Canada's largest retail cannabis brand network set to open new Spiritleaf stores  
in Toronto, Ottawa, Guelph and St. John's this month*

**CALGARY, Alberta (June 17, 2020)** – Inner Spirit Holdings Ltd. (“**Inner Spirit**” or the “**Company**”) (CSE:ISH), a Canadian company that has established a national network of Spiritleaf retail cannabis stores, today announced it has filed its interim Financial Statements (the “**Financial Statements**”) and corresponding Management’s Discussion and Analysis (the “**MD&A**”) for the quarter ended March 31, 2020. The Financial Statements and MD&A are available for review on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com) and the Company’s website at [www.innerspiritholdings.com](http://www.innerspiritholdings.com). The filings were postponed due to delays caused by the COVID-19 pandemic outbreak.

### FINANCIAL RESULTS

“The Company’s financial results for the first quarter show impressive year over year growth with more than \$17 million recorded in system-wide retail sales<sup>1</sup> for the Spiritleaf network. We are making steady progress with our business strategy and towards achieving profitability. We continue to expand the Spiritleaf network of franchised and corporate-owned stores due to the excellent support and loyalty of our customers, investors, franchise partners, strategic partners and employees. We have built a strong platform which we will leverage in 2020 to generate future growth and opportunity with more than 30 additional store locations projected to be added by the end of the year,” said Darren Bondar, President and CEO of Inner Spirit.

Due to the wind-down of its wholly owned subsidiary Watch It! Consolidated Ltd. on December 31, 2019, the Company is required to report the historical operations of Watch It! Consolidated Ltd. as discontinued operations. The Financial Statements filed today reflect this classification, as does the financial data provided below.

Inner Spirit reported the following financial highlights for the quarter ended March 31, 2020:

- System-wide retail sales<sup>1</sup> was \$17.2 million, an increase of 814% compared with \$1.9 million in the first quarter of 2019<sup>2</sup> and an increase of 24% compared with \$13.9 million in fourth quarter of 2019
- Total revenue was \$4.1 million, an increase of 840% compared with \$0.4 million in the first quarter of 2019<sup>2</sup>
- Gross profit was \$2.0 million or a gross margin of 47.6%, compared with \$0.2 million or a gross margin of 53.6% in the first quarter of 2019<sup>2</sup>
- Adjusted EBITDA<sup>1</sup> loss was \$0.1 million compared with an Adjusted EBITDA<sup>1</sup> loss of \$1.5 million in the first quarter of 2019<sup>2</sup>
- Total net loss was \$1.9 million, or \$0.01 per share, compared with \$2.0 million, or \$0.01 per share, in the first quarter of 2019<sup>2</sup>
- Cash and cash equivalents of \$3.8 million at the end of the period, which includes a short-term deposit of \$1.2 million that is redeemable into cash at any time

### CORPORATE UPDATE

The Company also announced that five franchise partners who secured Retail Store Authorizations (“**RSAs**”) from the Alcohol and Gaming Commission of Ontario (“**AGCO**”) to operate Spiritleaf cannabis stores in Toronto, Ottawa and Guelph are expected to open this month. Additionally, the franchise partner planning to operate Spiritleaf stores in Newfoundland and Labrador is expected to open a first location in St. John’s.



Opening dates for these Spiritleaf stores are as follows:

- Guelph (Edinburgh Market Place) – June 17
- St. John's (Topsail Road) – June 20
- Ottawa (Wellington West Village) – June 20
- Toronto (Don Mills) – June 24
- Toronto (Little Italy) – June 25
- Toronto (Bloor West Village) – June 27

Please visit [www.spiritleaf.ca](http://www.spiritleaf.ca) for additional information on specific opening times as well as store operating hours.

"We are excited to continue our expansion of the Spiritleaf brand into Newfoundland and Labrador and into Ontario as well as to complete the acquisition of the Spiritleaf store in Kingston which had previously operated under a licensing agreement with one of the province's initial lottery winners. Along with recognizing these store openings and for being the first retailer to surpass the 50-store milestone in Canada, we are pleased to announce our third contribution to the Gord Downie & Chanie Wenjack Fund as a legacy partner in this important venture. With a portion of every sale invested back into our communities, it's great to be putting roots into additional communities and to provide a premier retail cannabis experience to customers with our educated and passionate local owners and employees," said Bondar.

The Company also noted that six additional Spiritleaf stores have completed construction and are in the final stages of licensing in Calgary and Red Deer, Alberta and in Toronto, Ottawa and London, Ontario.

The Spiritleaf retail cannabis store network includes franchised and corporate-owned stores operating in Alberta, British Columbia, Saskatchewan, and Ontario. Due to the COVID-19 pandemic, Spiritleaf stores are operating with enhanced customer service processes to ensure the safety of employees and customers. Spiritleaf's Select & Collect service enables customers to pre-shop and order online prior to pick-up. Customers can also connect with their local Spiritleaf store through The Collective customer benefits program to further streamline and individualize their shopping experience.

<sup>1</sup> System-wide retail sales and Adjusted EBITDA are Non-IFRS financial measure. For more detail, see the "Non-IFRS Financial Measures" section below.

<sup>2</sup> The comparative period has been restated to reflect discontinued operations as discussed in Note 21 of the December 31, 2019 annual audited Financial Statements.

### **About Inner Spirit**

Inner Spirit Holdings Ltd. (CSE:ISH) is a franchisor and operator of Spiritleaf recreational cannabis stores across Canada. The Spiritleaf network includes franchised and corporate locations, all operated with an entrepreneurial spirit and with the goal of creating deep and lasting ties within local communities. Spiritleaf aims to be the most knowledgeable and trusted source of recreational cannabis by offering a premium consumer experience and quality curated cannabis products. The Company is led by passionate advocates for cannabis who have years of retail, franchise and consumer marketing experience. Spiritleaf holds a Franchisees' Choice Designation from the Canadian Franchise Association for its award-winning national support centre. The Company's key industry partners and investors include Auxly Cannabis Group Inc. (TSX.V:XLY), HEXO Corp (TSX:HEXO), Tilray, Inc. (NASDAQ:TLRY) and Prairie Merchant Corporation. Learn more at [www.innerspiritholdings.com](http://www.innerspiritholdings.com) and [www.spiritleaf.ca](http://www.spiritleaf.ca).

### **Non-IFRS Financial Measures**

In this news release, the Company reports "system-wide retail sales" and "Adjusted EBITDA", financial measures that are not determined or defined in accordance with the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"). Such financial measures do not have standardized



meanings prescribed by IFRS and Inner Spirit's methods of calculating these financial measures may differ from methods used by other companies. Accordingly, such non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies. These measures are provided as additional information to complement IFRS by providing a further understanding of operations from management's perspective and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

System-wide retail sales represents the sum of the revenue reported to Inner Spirit by (i) franchisees of Spiritleaf retail cannabis stores, (ii) the Company's Spiritleaf retail partner in Ontario, and (iii) Company-owned Spiritleaf retail cannabis stores. This measure is useful to management and the investment community in evaluating brand scale and market penetration and is used by management of Inner Spirit to assess the financial and operational performance of the Company and the strength of the Company's market position relative to its competitors.

Management defines Adjusted EBITDA as the income (loss) for the period, as reported, before accretion and interest, tax, and adjusted for removing the share-based compensation expense, depreciation and amortization, unrealized gains and losses on securities, and includes lease liability payments that would have been excluded from profit and loss due to the application of IFRS 16 accounting standards. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash basis before the impact of non-cash items.

### **Forward-looking statements**

This news 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 is typically, but not always, identified by the use of words such as "expected", "projected", "planning", "will", "poised" and similar words, including negatives thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking information in this news release includes, but is not limited to, statements regarding: the Company's projected opening of 30 additional Spiritleaf retail cannabis stores by the end of the year; the Company being well poised for future sales and revenue growth; the company's plan to generate future growth and opportunity in 2020; the new Spiritleaf retail cannabis stores expected to open in Ontario later this month and in Newfoundland and Labrador. Such forward-looking information is based on various assumptions and factors that may prove to be incorrect, including, but not limited to, assumptions with respect to: the ability of the Company to successfully implement its strategic plans and initiatives and whether such strategic plans and initiatives will yield the expected benefits; and the receipt by the Company and its franchise partners of necessary licences from regulatory authorities. Although the Company believes that the assumptions and factors 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 it will prove to be correct or that any of the events anticipated by such forward-looking information will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. Actual results could differ materially from those currently anticipated due to a number of factors and risks including, but not limited to: the risk that the Company and its franchisees do not receive the necessary retail cannabis licences or that they are not able to open additional retail cannabis stores as anticipated or at all; the ability of management to execute its business strategy, objectives and plans; the impact of general economic conditions in Canada. The forward-looking information included in this news release is made as of the date of this news release and the Company does not undertake an obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise, unless required by applicable securities legislation.

### **For further information**

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