



FOR IMMEDIATE RELEASE

Inner Spirit Holdings Announces Second Quarter 2020 Financial Results with Over \$20 Million in System-Wide Retail Sales¹, Record Total Revenue and Positive Adjusted EBITDA¹

Canada's largest single brand network of recreational cannabis stores achieves positive cash flow from operations

CALGARY, Alberta (August 24, 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 and corresponding Management’s Discussion and Analysis for the three months and six months ended June 30, 2020. The filings are available for review on the Company’s SEDAR profile at www.sedar.com and the Company’s website at www.innerspiritholdings.com.

“The Company’s financial results for this year’s second quarter show impressive year over year growth with over \$20 million recorded in system-wide retail sales¹ for the Spiritleaf network. This performance comes at a time when the country is facing ongoing challenges related to the COVID-19 pandemic. The retail cannabis sector has been fortunate to be considered an essential service in our operating markets, and we have been able to continue advancing our business strategy this year. For the second quarter and for the first half year of 2020, we achieved positive Adjusted EBITDA¹ and positive cash flow from operations. We know that operating effectively and efficiently will be key in the fast-growing retail cannabis sector, and we like our position and the positive impression we are making on our stakeholders,” said Darren Bondar, President and CEO of Inner Spirit.

Inner Spirit reported the following financial highlights for the three months and six months ended June 30, 2020:

- System-wide retail sales¹ was \$20.5 million in the second quarter of 2020, an increase of 343% compared with \$4.6 million in the second quarter of 2019 and an increase of 19% compared with \$17.1 million in the first quarter of 2020.
- System-wide retail sales¹ was \$37.6 million for the first six months of 2020, an increase of 479% compared with \$6.5 million in the comparable period in 2019.
- Total revenue was \$5.4 million in the second quarter of 2020, an increase of 575% compared with \$0.8 million in the second quarter of 2019 and an increase of 31% compared with \$4.1 million in the first quarter of 2020.
- Total revenue was \$9.6 million for the first six months of 2020, an increase of 669% compared with \$1.2 million in the comparable period in 2019.
- Adjusted EBITDA¹ was \$0.5 million in the second quarter of 2020, compared with an Adjusted EBITDA¹ loss of \$2.5 million in the second quarter of 2019 and an Adjusted EBITDA¹ loss of \$0.1 million in the first quarter of 2020.
- Gross profit was \$2.5 million or a gross margin of 47% in the second quarter of 2020, compared with \$0.5 million or a gross margin of 57% in the second quarter of 2019 and \$2.0 million or a gross margin of 48% in the first quarter of 2020.
- Total net loss was \$1.2 million in the second quarter of 2020, or \$0.01 per share, compared with \$2.8 million, or \$0.02 per share, in the second quarter of 2019.
- Cash was \$3.4 million at June 30, 2020.
- Cash flow from operations for the first six months of 2020 was positive at \$0.03 million compared with cash flow used in operations of \$3.70 million in the comparable period in 2019.

The Company has been active with store openings and market expansion activity during the second quarter of 2020 and subsequently. New Spiritleaf stores opened recently bring the number of locations to 58 across the country – the most cannabis stores being operated under a single retail brand in Canada.



"We are continuing to expand the Spiritleaf footprint with recent store openings in Alberta, Ontario, and Newfoundland and Labrador. We are able to grow the Spiritleaf network of franchised and corporate-owned stores due to the excellent support and loyalty of our customers, franchise partners, employees, investors and strategic partners. We have built a strong platform that we will further leverage as we expect to add some 20 additional store locations by the end of the year. We are focused on providing a premium and educational shopping experience to consumers and being the knowledgeable, authentic and trusted voice for the cannabis experience in our communities," said Bondar.

Additional potential store locations have been conditionally secured in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Newfoundland and Labrador. These stores will further solidify Spiritleaf as a true Canadian brand and coast-to-coast retailer. Please visit www.spiritleaf.ca for information on store locations.

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 in store. Customers can also connect with their local Spiritleaf store through the Collective customer benefits program to further streamline and individualize the shopping experience. The fast-growing Spiritleaf Collective program now has over 95,000 members.

An updated version of Inner Spirit's investor presentation has been added to www.innerspiritholdings.com/invest/.

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

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 and 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.

Adjusted EBITDA is defined as the net and comprehensive income (loss) for the period, as reported, adjusted for right-of-use asset depreciation, depreciation and amortization, unrealized and realized gain (loss) on marketable securities, gain



(loss) on sublease arrangement, financial guarantee liability expense, finance income, interest expense (accretion) - leases, interest expense, convertible debenture accretion, share-based compensation, taxes, and other non-cash and non-recurring items. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance prior to consideration of how operations are financed, how the results are taxed, and how the results are impacted by non-cash charges and charges that are irregular in nature or not reflective of the Company's core operations. The following table reconciles the Company's net loss and comprehensive loss, being the most directly comparable measure calculated in accordance with IFRS, to Adjusted EBITDA.

	Three Months Ended	
	June 30, 2020 (\$)	June 30, 2019 (\$)
Net loss and comprehensive loss for period	(1,229,588)	(2,809,683)
Right of use asset depreciation	170,644	143,820
Depreciation and amortization	369,328	111,491
Unrealized loss (gain) on marketable securities	-	(208,991)
Realized loss on marketable securities	3,046	-
Gain on sublease arrangement	(533)	-
Financial guarantee liability expense	(27,845)	-
Finance income	(289,353)	-
Interest expense (accretion) - leases	462,282	-
Interest expense	199,884	254,737
Convertible debenture accretion	532,080	-
Share-based compensation	323,412	55,111
Adjusted EBITDA	513,357	(2,453,515)

Forward-Looking Information

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", "will" 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 expectation that 20 additional store locations are added by the end of this year. Such forward-looking information is based on various assumptions and factors that may prove to be incorrect, including, but not limited to, factors and 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, and the timing thereof. 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; and the impact of general economic conditions and the COVID-19 pandemic 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

Darren Bondar, President and CEO

Email: invest@spiritleaf.ca

Phone: 1 (403) 930-9300

www.innerspiritholdings.com