



FOR IMMEDIATE RELEASE

Inner Spirit Holdings Announces System-Wide Retail Sales for Spiritleaf Retail Cannabis Stores Exceeded \$29 Million in 2019

*Canada's largest retail cannabis brand raising funds
for corporate-owned retail store expansion in Ontario and Saskatchewan*

CALGARY, Alberta (January 10, 2020) – Inner Spirit Holdings Ltd. (“**Inner Spirit**” or the “**Company**”) (CSE:ISH), a Canadian company establishing a national network of retail cannabis stores under its Spiritleaf brand, today announced that it achieved more than \$29 million in system-wide retail sales¹ and served approximately 740,000 customers in 2019. With 43 stores operating to start 2020 and with additional locations set to open, the Company is well poised for future sales and revenue growth as a leading Canadian retailer in the recreational cannabis industry.

In addition to the previously planned nine additional franchise locations which the Company anticipates opening in Alberta and British Columbia in 2020, Inner Spirit will also be pursuing expansion in other provinces. With the Ontario and Saskatchewan governments announcing late in 2019 that they are moving to an open licensing system, the Company intends to apply for additional retail operator licenses in those provinces at the time applications are able to be submitted. Within the recent Alcohol and Gaming Commission of Ontario (the “**AGCO**”) announcement that Ontario will be making changes to the allocation of cannabis retail licensing was a modification that will enable Licensed Producers (“**LPs**”) to own or control up to 25% of a corporation holding a cannabis Retail Operator Licence (an increase from 9.9%).

Inner Spirit has been well supported by its strategic LP partners including Auxly Cannabis Group Inc., HEXO Corp. and Tilray, Inc. With current LP ownership sitting just above 25%, the Company is working to adjust that percentage below 25% as well as raise additional capital to support opening corporate-owned retail cannabis stores in Ontario and Saskatchewan, if and when doing so is permitted under applicable laws and regulations. As an initial step, Inner Spirit has closed a private placement offering (the “**Offering**”) for gross proceeds of \$1,085,454, issuing 10,854,542 common shares of the Company to a prestigious UK-based independent private equity firm. The common shares of the Company issued under the Offering are subject to a four month hold period in accordance with applicable securities laws.

“The recent opportunities that presented in Ontario and Saskatchewan represent significant growth potential for our Company. Although for some time we had been planning to open additional licensed and franchised locations in Ontario, we may now be able to add corporate-owned stores throughout the province and open up to 30 total Spiritleaf locations in the country’s largest market by the end of 2020. We anticipate expansion into new markets will have a positive impact on long-term revenues,” said Darren Bondar, President and CEO of Inner Spirit.

The Company also detailed several corporate activities that are driving Spiritleaf’s business strategy forward at this time.

- The effective execution and roll-out of Cannabis 2.0 products across the retail store network.
- The launch of the Spiritleaf Collective members’ program, initially available only in Alberta, which has enrolled more than 14,700 customers in just the first few weeks.
- Ongoing attention to its in-store and overall customer experience as Spiritleaf stores enjoy an average-weighted Google ranking of 4.4 out of 5 stars².



- The submission of 15 Retail Operator Licences representing 20 potential retail store locations in Ontario (pending all regulatory and operating approvals) in response to AGCO opening up the application process for cannabis retail licensing in the province as of January 6, 2020.

“We made great progress on our business strategy in 2019 as the Spiritleaf team opened stores across the country to serve local communities in jurisdictions where permissible. We expect the coming year will be just as eventful for us as we continue to open stores and enter new markets. We have developed Spiritleaf to be a leading cannabis retail brand and expect the open licensing systems in Ontario and Saskatchewan will be a significant catalyst for us and for the Canadian cannabis industry as a whole. I look forward to ongoing support and commitment from our investors, franchise partners, employees, partners and customers,” said Bondar.

The Spiritleaf retail cannabis store network includes 43 franchised, licensed and corporate-owned stores in Alberta, British Columbia, Saskatchewan and Ontario. The most recent addition was a franchised Spiritleaf store in West Kelowna, British Columbia which opened on December 28, 2019. Please visit www.spiritleaf.ca for further information on store locations and operating hours.

For those interested in Canada’s cannabis industry, the Spiritleaf team will be exhibiting and presenting at the Lift & Co. Cannabis Expo at the Vancouver Convention Centre in Vancouver, British Columbia on January 10 and 11, 2020.

⁽¹⁾ System-wide retail sales is a Non-IFRS financial measure. For more information, see the "Non-IFRS Financial Measures" section below.

⁽²⁾ The average-weighted Google ranking is a measure included in Fundamental Research Corp.’s report (the "FRC Report"), which can be viewed at <https://www.researchfrc.com/website/inner-spirit-holdings-ltd-cse-ish-initiating-coverage-a-leader-in-canadas-cannabis-retail-industry/>. While the Company believes the average-weighted Google ranking information provided in the FRC Report to be reliable, it has not independently verified such information and readers should not place undue weight on such information.

About Inner Spirit

Inner Spirit Holdings Ltd. (CSE:ISH) has established a growing network of recreational cannabis stores across Canada under its Spiritleaf brand. The Spiritleaf network includes franchised and corporate-owned stores as well as an Ontario retail partnership, all operated with an entrepreneurial spirit and with the goal of creating deep and lasting ties within their 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. Key industry partners and shareholders include Auxly Cannabis Group Inc. (TSX.V:XLY), HEXO Corp (TSX:HEXO) and Tilray, Inc. (NASDAQ:TLRY). 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", a financial measure that is not determined or defined in accordance with the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"). Such non-IFRS financial measure does not have a standardized meaning prescribed by IFRS and Inner Spirit's methods of calculating this financial measure may differ from methods used by other companies. Accordingly, such non-IFRS financial measure may not be comparable to similarly titled measures presented by other companies. This measure is 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, as presented in this news release, 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.

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 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 information 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: additional Spiritleaf retail cannabis stores being set to open; the Company being well poised for future sales and revenue growth; the Company’s plans to pursue expansion in provinces other than Alberta and British Columbia; the intention of the Company to apply for additional retail operator licenses in Saskatchewan and Ontario when applications may be submitted; the plans of the Company to raise additional capital to support opening corporate-owned retail cannabis stores in Ontario and Saskatchewan, if and when doing so is permitted under applicable laws and regulations; the Company being able to add corporate-owned stores throughout Ontario and open up to 30 Spiritleaf locations in the province by the end of 2020; the anticipation that expanding into new markets will have a positive impact on long-term revenues; the Company effectively executing and rolling-out Cannabis 2.0 products across its retail network; the expectation that the open licensing systems in Ontario and Saskatchewan will be a significant catalyst for the Company and for the Canadian cannabis industry as a whole. 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 or its franchisees do not receive retail cannabis licenses or are not able to open additional retail cannabis stores; the risk that the licensed Spiritleaf retail cannabis stores intended to be opened do not open as anticipated or at all; the risk that Cannabis 2.0 products do not become available as anticipated, and if they do become available, the risk that the actual benefits from Cannabis 2.0 products will not be as anticipated; the risk that corporate-owned and franchised Spiritleaf retail cannabis stores do not perform as anticipated; the risk that the open retail cannabis licensing framework announced by the Government of Ontario and the Government of Saskatchewan are not adopted as anticipated, and if adopted, the risk that the Company and its franchisees do not benefit from such system as anticipated or at all; the risk that the Company is not able to raise additional capital to support opening corporate-owned retail cannabis stores in Ontario and Saskatchewan, and if additional capital is raised, the risk that the terms on which such capital is raised are not favourable to the Company; and other factors outside of the Company’s control. Readers are cautioned that the foregoing list of factors and risks is not exhaustive. 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 it involves 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 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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