

# Newstrike Resources Ltd. to Make Strategic Investment in Retail Distribution

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TORONTO, May 23, 2018 - [Newstrike Resources Ltd.](#) (TSXV:HIP) ("Newstrike" or the "Company") is pleased to announce that it has entered into an investment agreement with Inner Spirit Holdings Ltd. ("Inner Spirit") dated May 18, 2018 (the "Agreement"), pursuant to which both Newstrike and Inner Spirit will acquire equity interests in each other and enter into a companion strategic alliance agreement for the retail distribution of Up Cannabis products and the creation and operation of Up Cannabis-branded customer lounges or "Experiential Hubs" in each of Inner Spirit's stores

"We believe this investment and strategic alliance have the potential to effectively elevate the profile of the Up Cannabis brand and increase consumer access to Up's full line of cannabis and related products", commented Jay Wilgar, Newstrike's CEO. "We look forward to working with Spiritleaf to enhance Up's distribution reach and successfully building our businesses in a complementary and strategically aligned manner."

Inner Spirit has extensive franchise, marketing, real-estate and retail experience that it intends to capitalize on by establishing a chain of branded adult-use cannabis dispensaries across Canada under the "Spiritleaf" banner. To date, Spirit Leaf is the only Canadian retail cannabis company to be granted membership into the Canadian Franchise Association and has over 100 franchises in various stages of development.

"Partnering with Newstrike & Up Cannabis is a unique opportunity for both organizations to showcase the amazing initiatives that they have undertaken. It will allow our mutual customers to visit Spiritleaf stores and, through each Up Cannabis Experiential Hub, experience how cannabis, music, education and community can come together and have a positive impact", said Darren Bondar, President & CEO of Inner Spirit.

Under the proposed strategic alliance, Newstrike and Spirit Leaf will create and operate Up Cannabis Experiential Hubs within Spiritleaf's stores where consumers can enjoy the Company's quality lifestyle brands. The store-in-store experiences will complement the existing Spiritleaf design elements and provide education about cannabis, showcase both companies' love of music and their various community and charitable endeavours.

## Mutual Investment

On closing, Newstrike will make an aggregate investment in Inner Spirit valued at \$2.25 million comprised of:

- \$1,125,000 in cash; and
- Newstrike common shares with an aggregate value \$1,125,000.

The Newstrike common shares to be issued on closing will be issued at a price of \$.90 which is equal to the five-day volume weighted average price (VWAP) calculated as at May 18, 2018, being the date that the investment agreement was executed. Newstrike will also issue up to 1,125,000 warrants to purchase Newstrike common shares (the "Newstrike Warrants"). The Newstrike Warrants will have an exercise price of \$.99, which represents a premium of 10% to the issue price of the Newstrike common shares. The Newstrike Warrants will have a term of 24 months and will vest on a performance-based schedule triggered by the opening of a pre-determined number of future Spirit Leaf locations, all of which is subject to the approval of the TSX Venture Exchange ("TSX-V") and in accordance with applicable securities laws

In consideration for Newstrike's investment in Inner Spirit, Inner Spirit will issue to Newstrike, subject to approval of the Canadian Securities Exchange ("CSE") and in accordance with the applicable securities laws, 15,000,000 units of Inner Spirit ("Units") on the same terms as such securities are to be offered under Inner Spirit's proposed initial public offering at a price of \$0.15 per Unit. Each Unit will be comprised of one common share of Inner Spirit and one-half of a common share

purchase warrant, exercisable at \$0.30 per share for a period of two (2) years following the date of issuance, subject to adjustment.

## **Distribution**

The strategic alliance agreement will include terms providing for, subject to applicable regulations governing retail distribution of cannabis, including without limitation, the approval and Royal Assent of Bill C-45, the Cannabis Act, and requisite retail licensing of Spiritleaf outlets, the preferential distribution of Up Cannabis products and merchandising opportunities, as well as a commitment by Inner Spirit to the Gord Downie and Chanie Wenjack Fund.

## **Closing**

The closing of the transaction is subject to certain customary conditions, including but not limited to: the completion of satisfactory due diligence, the receipt of all necessary approvals, the approval of the TSX-V and the CSE, the approval of applicable securities regulatory authorities and the execution of a mutually agreeable strategic alliance agreement. The closing date is expected to be immediately prior to the closing of the proposed initial public offering of Inner Spirit's common shares on the CSE.

## **About Newstrike and Up Cannabis**

Newstrike is the parent company of Up Cannabis Inc., a licensed producer of cannabis that is licensed to both cultivate and sell cannabis in all acceptable forms. Up Cannabis is in turn the parent company of Up Cannabis Niagara Inc. Newstrike, through Up Cannabis and together with select strategic partners, including Canada's iconic musicians The Tragically Hip, is developing a diverse network of high quality cannabis brands. For more information visit [www.up.ca](http://www.up.ca) or [www.newstrike.ca](http://www.newstrike.ca).

## **About Inner Spirit and Spirit Leaf**

Dedicated to creating cultural hubs in every community in which it operates, Inner Spirit is establishing a chain of recreational cannabis dispensaries under its Spiritleaf brand. Supporting local entrepreneurs by applying its award-winning franchise and retail models, Inner Spirit has more than 100 partnerships in place for Spiritleaf locations across BC, Alberta and Saskatchewan. Inner Spirit will also operate multiple corporate dispensaries. With a diverse portfolio of quality and curated lifestyle cannabis products - including Spiritleaf's own locally and sustainably sourced lines – Spiritleaf is positioned to be an iconic Canadian brand and the most trusted source for recreational cannabis. More information can be found on Inner Spirit's website at [www.innerspiritholdings.com](http://www.innerspiritholdings.com).

## **Forward-Looking Information**

*This news release contains forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Newstrike to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These forward-looking statements include, but are not limited to, statements relating to Newstrike's expectations with respect to the closing of the proposed transaction, the going public transaction of Inner Spirit, the receipt of retail licences by Spirit Leaf and the performance and achievements of Up Cannabis. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this press release. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties.*

*Actual results could differ materially from those currently anticipated due to a number of factors and risks. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this news release are made as of the date of this release and, accordingly, are subject to change after such date.*

*Newstrike does not assume any obligation to update or revise any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, except as required by applicable*

*law.*

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

**For further information, please contact:**

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