

## Newstrike Brands Ltd. Announces Second Quarter 2018 Results

TORONTO, August 9, 2018 -- Newstrike Brands Ltd. (TSXV:HIP) (the “Company” or “HIP”) announced today the achievement of significant milestones and a strengthened financial position for the three and six months ended June 30, 2018. The Company’s wholly-owned subsidiary, UP Cannabis Inc. (“Up Cannabis”), is a licensed producer of cannabis and related products under the Access to Cannabis for Medical Purposes Regulations (the “ACMPR”). The Company is pleased to report that its interim financial statements and management’s discussion and analysis for the three and six months ended June 30, 2018 and its amended and re-stated interim financial statements and management’s discussion and analysis for the three and six months ended June 30, 2017 (the “Amended Statements”) are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### SECOND QUARTER ENDED JUNE 30, 2018 HIGHLIGHTS:

- Completed bought-deal equity offering raising net proceeds of approximately \$48.4 million; bringing cash and cash equivalents to approximately \$124.5 million, further enhancing the Company’s strong financial position to drive its growth strategies;
- Entered into an investment agreement with Inner Spirit Holdings Ltd. (“Inner Spirit”) pursuant to which the Company and Inner Spirit agreed to 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;
- Completed the divestiture of Enderlein Nurseries Ltd. (“Enderlein”), which was previously identified as a non-core/non-strategic asset;
- Continued and accelerated the construction and expansion of the Company’s Niagara Facility (defined below);
- Engaged in numerous branding and marketing activities to build Up Cannabis brand and consumer awareness; and
- Appointed a new Chief Financial Officer and an independent lead director to the Board of Directors.

### SELECTED SUMMARY OF QUARTERLY RESULTS:

	Q2 2018 QTD (\$)	Q2 2017 QTD (\$)	% change	Q2 2018 YTD (\$)	Q2 2017 YTD (\$)	% change
<b>Unrealized gain on changes in fair value of Biological Assets</b>	<b>1,098,557</b>	<b>-</b>	<b>-</b>	<b>1,995,377</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>	<b>(9,911,843)</b>	<b>(1,134,994)</b>	<b>773%</b>	<b>(16,704,949)</b>	<b>(1,810,899)</b>	<b>822%</b>
<b>Other items</b>	<b>180,758</b>	<b>(7,322,460)</b>	<b>(102%)</b>	<b>9,170,358</b>	<b>(7,269,056)</b>	<b>(226%)</b>
<b>Net and comprehensive loss</b>	<b>(8,632,528)</b>	<b>(8,457,454)</b>	<b>2%</b>	<b>(5,539,214)</b>	<b>(9,079,955)</b>	<b>(39%)</b>
<b>Net and comprehensive loss per share (basic and diluted)</b>	<b>(0.02)</b>	<b>(0.06)</b>	<b>(69%)</b>	<b>(0.01)</b>	<b>(0.10)</b>	<b>(88%)</b>

The Company recorded a net and comprehensive loss of \$8,632,528 in the quarter and a net and comprehensive loss of \$5,539,214 year-to-date.

The Company’s major costs relate to: branding and marketing efforts of \$2,729,604 for the quarter and \$3,266,461 year-to-date; share-based compensation charges of \$3,454,246 for the quarter and \$7,194,855 year-to-date; wages and benefits of \$1,769,010 for the quarter and \$2,390,449 year-to-date; consulting and professional fees of \$927,877 for the quarter and \$2,204,718 year-to-date; and other growth-related costs including travel, telecommunications and information technology.

The above noted expenses were partially offset by the favorable revaluation of biological assets of \$1,098,557 for the quarter and \$1,995,377 year-to-date.

Included in other items is the \$180,758 gain for the quarter as a result of interest income of \$175,153 and the divestiture of Enderlein of \$139,321, partially offset by accretion expense of (\$27,660) and a fair market value change recognized on a strategic investment made in another cannabis business (\$107,500). The loss of \$7,322,460 in the prior quarter was due to the listing fee for the acquisition of HPI Holdings Ltd. and reverse takeover of the Company (\$7,099,152), accretion and interest expenses (\$200,808) and unrealized losses on marketable securities (\$22,500). The gain of \$9,170,358 year-to-date was due to a termination fee paid to the Company related to the CanniMed Therapeutics Inc. transaction (the "Termination Fee") of \$9,500,000, interest income of \$224,506, the divestiture of Enderlein of \$139,321, partially offset by accretion and interest expenses (\$614,648) and the fair market value change recognized on a strategic investment made in another cannabis business (\$107,500). The loss of (\$7,269,056) in the prior year-to-date was due to the listing fee (\$7,099,152), accretion and interest expenses (\$147,404), and unrealized losses on marketable securities (\$22,500).

#### **STRONG FINANCIAL POSITION:**

On June 19, 2018, the Company completed a bought deal equity offering issuing 69 million common shares, including an over-allotment option, at \$0.75 per share, and 34.5 million common share purchase warrants at an exercise price of \$1.00 exercisable within 60 months, for total net proceeds of approximately \$48.4 million. 4.1 million compensation warrants exercisable within 24 months at an exercise price of \$0.75 were also issued as part of this bought deal equity offering. The June 19, 2018 equity offering followed the February 22, 2018 bought deal equity offering, whereby the Company issued a total of 69.7 million common shares, including an over-allotment option, at \$1.32 per share, and 73.8 million common share purchase warrants (which included 4.2 million compensation warrants) at an exercise price of \$1.75 exercisable within 24 months, for total net proceeds of approximately \$86.0 million.

As at June 30, 2018 the Company had total assets of \$163.2 million, including cash and cash equivalents of \$124.5 million, up from total assets of \$24.9 million, including cash and cash equivalents of \$0.8 million, as at December 31, 2017. The increase is due to the net proceeds from the two bought deal equity offerings, the receipt of the Termination Fee, and the positive revaluation of biological assets.

#### **SIGNIFICANT MILESTONES ACHIEVED:**

The Company has accumulated dried and finished goods cannabis inventory valued at \$8.2 million as at June 30, 2018. The inventory increase, combined with the licensing of the Niagara greenhouse facility (the "Niagara Facility") for the cultivation of cannabis and the pending approval of the Niagara Facility sales licence amendment application, further positions the Company to capitalize on growing demand for its products in anticipation of the legalization of adult-use cannabis.

The Company has continued the construction and expansion of its Niagara Facility, engaged in various marketing initiatives, and added experienced production and management personnel to build the Company's Up Cannabis brand and consumer awareness.

The Company currently operates cannabis production facilities of approximately 167,600 square feet of indoor and greenhouse production capacity, in the aggregate, of which approximately 7,600 square feet is currently operating at or near full production capacity at its Brantford Facility and approximately 160,000 square feet at its Niagara Facility that is currently being retrofitted. The Company has broken ground and begun construction on the Phase II Niagara expansion which includes 40,000 square feet of processing space and 160,000 square feet of additional greenhouse space dedicated to cannabis production.

#### **THE AMENDED STATEMENTS:**

The Amended Statements have been amended to correct errors in the original interim financial statements and management's discussion and analysis. Certain line items in the statements of financial position, comprehensive loss, cash flows, and changes in shareholders' equity have been reclassified according to the nature of the transactions. Corresponding amendments were also made to the Company's management's discussion and analysis.

**FOR MORE INFORMATION:**

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**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. 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).

**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 its performance and achievements including expected sales and construction timeline and completion. 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.**