



**SUGARBUD CRAFT GROWERS CORP. PROVIDES UPDATE REGARDING MANAGEMENT CHANGES AND ADDITIONS, FUNDING OF CANNABIS OPERATIONS, INSIDER PARTICIPATION IN RIGHTS OFFERING, INVESTMENT IN INNER SPIRIT HOLDINGS LTD. AND ANNOUNCES OPTION GRANT**

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TSX-Venture Exchange: **RRL**

CALGARY, ALBERTA, August 9, 2018 – SugarBud Craft Growers Corp. (“**SugarBud**” or the “**Company**”) is pleased to announce that it has appointed Mr. Craig Kolochuk, SugarBud’s President, to the position of President and Chief Executive Officer, Mr. Sander Steer to the position of Vice President, Growing Operations, Infrastructure and Technology and Mr. Corey Scott to the position of Master Cultivator. SugarBud is also pleased to provide an update regarding its credit facilities and funding of cannabis operations, anticipated insider participation of approximately \$1.5 million in its upcoming rights offering (“**Rights Offering**”) and its investment in Inner Spirit Holdings Ltd. (“**ISH**”), which has increased substantially in value subsequent to ISH’s successful initial public offering (“**IPO**”).

**Management Changes**

SugarBud is pleased to announce that it has appointed Mr. Craig Kolochuk, President of SugarBud, to the position of President and Chief Executive Officer, effective immediately. Mr. Swiatek, SugarBud’s former Chief Executive Officer, will continue to serve as a director on the Company’s board of directors.

Mr. Kolochuk has 20 years of experience in the Canadian oil and gas industry, holding roles in land, business development, acquisitions and divestitures and management. He was a co-founder of Cardinal Energy Ltd. and played a significant role in acquiring over \$800 million of high quality oil and gas assets, ultimately building a large, publicly traded, dividend paying entity with a market capitalization of nearly \$1 billion at its peak. Mr. Kolochuk has been SugarBud’s President since April, 2018 and has been instrumental in advancing the Company’s cannabis operations to date.

SugarBud is also pleased to announce the addition of Mr. Sander Steer to the management team as the Vice President, Growing Operations, Infrastructure and Technology and Mr. Corey Scott as the Master Cultivator.

Mr. Steer has spent much of the last 25 years constructing and operating critical environments, buildings and other facilities. He brings to the team an extensive background in steam and power engineering, HVAC, electrical and mechanical systems, distributed energy systems, construction and operations. Mr. Steer previously held the position of Chief Technology Officer at Sponsor Energy Inc. and, prior thereto, the position of Senior Director, Operations at Shaw Communications Inc.

Mr. Scott is an experienced Access to Cannabis for Medical Purposes Regulations (“**ACMPR**”) medical cannabis grower. Mr. Scott has extensive experience with aeroponics, hydroponics and soil growing mediums, the selection and development of top-tier genetics, the production of organic cannabis and ACMPR level quality assurance mandates. Mr. Scott will play a key role in the finalization of the design of the cultivation facility in Stavely, Alberta (the “**Stavely Project**”), the selection and procurement of

SugarBud's cannabis strains, the development of the Company's extraction program and the production of SugarBud's cannabis upon receipt of the Company's Health Canada cultivation license.

Mr. Dan Wilson, Chairman of SugarBud, stated: "The promotion of Mr. Kolochuk and the addition of Mr. Steer and Mr. Scott further strengthens our already formidable team. Mr. Kolochuk has been instrumental to our current success, having made strong contributions to building our team, negotiating and executing the Grunewahl and ISH deals and managing our day-to-day operations. Mr. Steer has broad experience in managing critical environments and construction projects and he has the skills and ability to build the Stavely Project on-time and on-budget. Mr. Scott's experience with numerous growing mediums and his focus on quality assurance and top-tier cannabis genetics aligns with our vision of growing hand crafted, select batch, ultra-premium bud. We expect Messrs. Kolochuk, Steer and Scott to provide significant value to SugarBud's shareholders as we continue to execute on our business plan, which is focused on obtaining our cannabis cultivation and sales licenses from Health Canada and, thereafter, the production and distribution of premium cannabis products."

### **Credit Facility and Funding of Cannabis Operations**

Given the capital requirements associated with SugarBud's cannabis operations, the Company has elected, on its own accord, to cancel its existing oil and gas credit facility (the "**Facility**") with ATB Financial. The voluntary cancellation of the Facility allows SugarBud to pursue a material credit facility for its cannabis operations. At the time of cancellation, the Facility, which could be used solely for oil and gas operations, was undrawn and had a credit limit of \$3 million.

SugarBud is currently in advanced negotiations with two Canadian financial institutions regarding a syndicated cannabis facility in the amount of approximately \$20 million. The cannabis facility will allow SugarBud to fund the Stavely Project with non-dilutive capital. It is expected that the remainder of the Stavely Project will be funded with current working capital, equipment financing and the Company's previously announced Rights Offering.

### **Anticipated Insider Participation in Rights Offering**

SugarBud is expecting strong Rights Offering participation from its board of directors, officers and other key shareholders (the "**Insider Group**"), amounting to expected proceeds from the Insider Group of approximately \$1.5 million. The maximum proceeds of the Rights Offering is approximately \$7.4 million. Subsequent to closing the Rights Offering, if fully subscribed for, insiders of SugarBud are expected to own approximately 20% of SugarBud's then issued and outstanding common shares of the Company ("**Common Shares**").

Please see SugarBud's press release dated May 31, 2018 for further details regarding the Rights Offering, which will close on September 12, 2018. The rights offering notice will be mailed to shareholders in connection with the Rights Offering as soon as practicable following the August 13, 2018 record date.

### **Inner Spirit Holdings Ltd. Investment Update**

SugarBud is pleased to announce that its strategic down-stream retail partner ISH has closed its IPO and is now trading on the Canadian Securities Exchange under the symbol "ISH". As previously announced, SugarBud currently holds 7,500,000 common shares and 3,750,000 warrants of ISH (the "**First**

**Investment**”), with the warrants entitling SugarBud to acquire one ISH common share at a price of \$0.30 per ISH Share (the **“Warrants”**).

At the closing ISH market price of \$0.27 on August 8, 2018, the market value of the First Investment was \$2,025,000, representing a gain of 80% compared to the purchase price of \$1,125,000.

Under the terms of an investment agreement between SugarBud and ISH (**“Investment Agreement”**), ISH has agreed to issue to SugarBud an additional 7,500,000 units at \$0.15 per unit (**“Units”**) (the **“Second Investment”**). In exchange for the additional Units, the Company will provide ISH with: (i) 8,108,108 Common Shares, each with an issue price of \$0.13875; and (ii) 1,125,000 Common Share purchase warrants (**“SugarBud Warrants”**) exercisable at \$0.30 per Common Share for a period of 24 months from the date of issuance. The SugarBud Warrants are subject to vesting conditions related to ISH achieving certain operational milestones based on the number of Spiritleaf retail dispensaries opened over a period of time.

Upon closing of the Second Investment, SugarBud will hold an aggregate of 15,000,000 ISH common shares, representing approximately 9% of ISH’s issued and outstanding common shares and 7,500,000 Warrants (the **“Total ISH Investment”**). At the closing ISH market price on August 8, 2018 of \$0.27, the Total ISH Investment would have a market value of \$4,050,000.

SugarBud and ISH will also enter into a strategic alliance agreement (**“Strategic Alliance Agreement”**) which will provide for the following principal terms: (i) SugarBud will have the right, but not the obligation, to supply the retail locations of Spirit Leaf Inc. (**“Spiritleaf”**), a subsidiary of ISH, with SugarBud’s cannabis products in an amount equal to 10% of the required product supply in respect of each Spiritleaf retail location; (ii) SugarBud will have the exclusive right to supply ISH with the cannabis inputs in respect of ISH’s premium Prairie Flower Alberta craft cannabis brand, in an amount equal to 10% of the required cannabis product supply in respect of each Spiritleaf retail location; (iii) ISH shall provide free advertising and promotion regarding SugarBud’s cannabis products and ISH’s Prairie Flower brand in accordance with applicable regulations; and (iv) the parties will agree to collaborate and explore other opportunities to further their respective and mutual business objectives.

The Second Investment is expected to close, and the Strategic Alliance Agreement is expected to be executed, upon all of the conditions contained in the Investment Agreement being satisfied or waived and upon receipt of all required approvals, including the approval of the TSX Venture Exchange (the **“TSX-V”**) of change of business pursuant to the policies of the TSX-V.

Mr. Darren Bondar, the President and Chief Executive Officer of ISH, will be nominated to join SugarBud’s board of directors upon receipt of TSX-V approval of the change of business. Mr. Bondar has been the President and Chief Executive Officer of ISH and its predecessor since March 16, 2017. Mr. Bondar was the President and Chief Executive Officer of Watch It! Incorporated and Comfortable Image Inc., consumer retail and franchising businesses, from 2004 to 2017 and 1999 to 2017, respectively.

ISH has extensive franchise, marketing, real-estate and retail experience that it intends to capitalize on by establishing a chain of branded cannabis dispensaries across Canada. ISH is the parent company of Spiritleaf, which aims to be a market leader in the franchising of retail cannabis dispensaries in jurisdictions in Canada when the private distribution of recreational cannabis is legalized. To date, Spiritleaf is the only Canadian retail cannabis company to be granted membership into the Canadian Franchise Association. ISH has currently executed over 100 franchise agreements in Canada for proposed Spiritleaf retail locations.

## **Option Grant**

The Company announces that, pursuant to the terms and conditions of its stock option plan, it has granted 1,500,000 stock options to purchase Common Shares to Mr. Sander Steer pursuant to his appointment as Vice President, Growing Operations, Infrastructure and Technology. The options expire five years from the date of grant and are exercisable at a price of \$0.10 per Common Share. The options vest as to one third on the grant date and one third on each of the first and second anniversaries of the grant date.

## **About SugarBud**

SugarBud is a Calgary based emerging cannabis and oil and natural gas company engaged in the development, acquisition and production of cannabis and natural gas and crude oil reserves in Alberta.

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## **Forward Looking and Cautionary Statements**

This news release may include forward-looking statements including opinions, assumptions, estimates, the Company's assessment of future plans and operations, and, more particularly, statements concerning the Stavely Project, the cannabis facility, ISH, including the Second Investment and the Strategic Alliance Agreement, the appointment of Darren Bondar to the Company's board of directors, the Rights Offering, including the participation of the Insider Group and potential proceeds therefrom and the approval of the TSX-V of the Company's change of business. When used in this document, the words "will," "anticipate," "believe," "estimate," "expect," "intent," "may," "project," "should," and similar expressions are intended to be among the statements that identify forward-looking statements. The forward-looking statements are founded on the basis of expectations and assumptions made by the Company which include, but are not limited to, the timing of the receipt of the required TSX-V, regulatory and third party approvals. Forward-looking statements are subject to a wide range of risks and uncertainties, and although the Company believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including, but not limited to: regulatory and third party approvals not being obtained in the manner or timing anticipated; the ability to implement corporate strategies; the state of domestic capital markets; the ability to obtain financing; changes in general market conditions; industry conditions and events; the size of the medical marijuana market and the recreational marijuana market; government regulations, including future legislative and regulatory developments involving medical and recreational marijuana; competition from other industry participants; and other factors more fully described from time to time in the reports and filings made by the Company with securities regulatory authorities. Please refer to SugarBud's annual information form for the year ended December 31, 2017 (the

“AIF”) for additional risk factors relating to the Company. The AIF can be accessed under the Company’s profile on [www.sedar.com](http://www.sedar.com).

Except as required by applicable laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements.

***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.***

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