



## **Sproutly Announces a Business Transformation Plan and Investment by Infusion Biosciences**

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- **Announces a substantial change to its business strategy to focus on its proprietary APP Technology for Cannabis 2.0 opportunities and away from the capital-intensive cannabis cultivation business**
- **Dr. Arup Sen, CEO of Infusion Biosciences, Chief Science Officer of Sproutly Canada Inc. and inventor of the APP Technology, is appointed as CEO of Sproutly to implement the Business Transformation Plan**
- **Explores strategic alternatives with respect to its cultivation facility that is a Licensed Producer under the Cannabis Act of Health Canada**
- **Secures an additional capital investment from Infusion Biosciences, owner of the APP technology and the largest shareholder of Sproutly**
- **Continues discussions with Moosehead Breweries to restructure the agreement focusing on Infuz<sub>2</sub>O sales, eliminating capital investment by Sproutly, and allowing broad commercialization of the APP technology via formulation and sale of unique custom ingredients for cannabis products**
- **Implements cost-cutting initiatives that better aligns its expenses with current market conditions, including a reduction of staff by approximately 75%**

**VANCOUVER, BC, May 14, 2020** – Sproutly Canada, Inc. (CSE: SPR) (OTCQB: SRUTF) (FSE: 38G) (“**Sproutly**” or the “**Company**”) announces a business transformation plan that will shift the Company’s resources away from cannabis cultivation to focus on the commercialization of its proprietary APP Technology (the “**Business Transformation Plan**”). As part of the implementation of the Business Transformation Plan, Infusion Biosciences Inc. (“**Infusion Biosciences**”) has committed to further investment into the Company and to provide additional human capital resources to execute on the new plan.

### **Business Transformation Plan**

The Business Transformation Plan includes:

- Transforming the business strategy into an ‘asset light’ technology model focused on generating revenues via technology licensing, ingredient supply agreements, and partnership opportunities;

- Scaling down the Company's capital-intensive business of cultivating cannabis to significantly reduce cash burn;
- Assessing strategic alternatives for the Company's THR facility, which may include an outright sale;
- Appointing Dr. Arup Sen as CEO to implement the Business Transformation Plan;
- Commitment from Infusion Biosciences' to allocate key personnel to implement Sproutly's new business strategy; and,
- Reducing existing corporate and operational staff to reduce cash expenses.

### *Revised Business Strategy*

The Business Transformation Plan is a response to persistent industry headwinds and operational challenges that have made owning and operating a small scale cannabis cultivation facility cost prohibitive. Under the Business Transformation Plan, the Company's core focus will be on commercializing the APP Technology via the production, formulation, and sale of specialized ingredients made using proprietary water soluble cannabinoids ("**Infuz<sub>2</sub>O**") and Bio-Natural Oils ("**BNO**"). Sproutly's strategy will be to leverage the existing infrastructure and distribution networks of Licensed Producers selling Cannabis 2.0 products in Canada and similar products in other jurisdictions.

Sproutly had previously allocated significant capital and human resources to its cannabis cultivation business, which has been an impediment to the launch of its Cannabis 2.0 products.

### *Cost Cutting Initiatives and Addition of Infusion Biosciences' Personnel*

Given the current market environment, the Company believes it is prudent to reduce costs substantially to minimize cash expenses. The Company's proactive response includes an already implemented reduction in its staffing by 75% and cutback in cultivation output. These initiatives have eased Sproutly's capital requirements while it assesses and pursues strategic alternatives related to THR.

Infusion Biosciences will contribute up to six of its key personnel to lead and assist in the day-to-day operations of Sproutly. These key personnel have succeeded in forming partnerships and licensing for APP technology in the United States where Sproutly does not hold the rights to APP technology. This allocation of human capital is expected to increase the organization's capabilities to accelerate Sproutly's commercialization efforts.

### *Strategic Alternatives Process for the Cultivation Facility*

The industry is facing significant headwinds related to challenging market conditions for cannabis flower in Canada. The impact of COVID-19 has further exaggerated these negative headwinds for the Company's cannabis cultivation business. As such, Sproutly has undertaken a thorough review of its business operations in response to these conditions and has begun exploring strategic alternatives for its cultivation facility.

Given Sproutly's revised business strategy is not dependent on owning a cultivation facility or the accompanying Health Canada licenses the strategic alternatives may include the sale of the facility.

The Company will provide customary updates from time to time as this process advances.

## *Appointment of New CEO*

Dr. Arup Sen has been appointed Chief Executive Officer of Sproutly. Dr. Sen is the inventor of the APP Technology and was the first scientist to discover naturally water soluble cannabinoids in cannabis plants.

Keith Dolo will step down from the Board of Directors and as Chief Executive Officer, to assume a role as Strategic Advisor to the chairman of the Board of Directors.

“Our primary objective has always been to bring the APP Technology and unique, standalone products to market,” said Keith Dolo. “This business transformation is yet another step towards streamlining our strategy to focus on the technology and what sets us apart. As I step into the new role as Strategic Advisor, I look forward to the leadership and guidance that Dr. Sen will provide to the organization.”

“Having Keith’s continued support is extremely helpful, and I look forward to seeing us unleash the potential for our technology, both under this re-focused approach and the expertise of Dr Sen.” Said Con Constandis, Chairman of the Board of Directors of Sproutly.

Dr. Sen is the CEO of Infusion Biosciences and the inventor of the APP Technology. His business career started in the biotechnology and biopharmaceutical industry in 1982. He has managed R&D, intellectual property strategy and corporate development (negotiating and managing licenses and joint ventures) with domestic and international companies (J&J, Biomet, GCC and Tokuyama Soda of Japan, Sandoz/Novartis and others). He also has taken three companies from start-up through public trading and has served as the CEO of public and private companies. He received his Ph.D. in biochemistry from Princeton University. Dr. Sen has also had more than a decade long academic career as a faculty member at the National Cancer Institute (Bethesda, Maryland) and at the Scripps Research Institute (La Jolla, California) focused on cancer research. Dr. Sen has published several dozen papers in top ranking international journals and authored a book on bone diseases. He is an inventor on a number of US patents and numerous international patents and pending patent applications in the fields of cancer therapeutics, bone repair biologics, medical therapeutic devices, and molecular diagnostics.

## **Infusion Biosciences Investment**

Infusion Biosciences has provided a letter of intent to invest up to an additional \$855,000. The investment will be made by way of issuance of convertible debentures (the “**Convertible Debentures**”). The Convertible Debentures will bear an accrued interest rate of 15% and be exchangeable into units at a price of \$0.07 per unit (the “**Units**”). The Units consist of one common share and one common share purchase warrant, with each warrant allowing the holder to purchase one common share at a price of \$0.08.

## **Moosehead Update**

Given the change of strategy to become an ingredient supplier to the cannabis industry, the Company is in discussions with Moosehead Breweries Inc. (“**Moosehead**”) to restructure the beverage partnership from the previously announced 50/50 joint venture into a non-exclusive licensing or supply agreement for Infuz20. Under any revised agreement, the new structure will need to be compliant with all relevant Health Canada guidelines and will require Moosehead to utilize a Health Canada licensed co-packing manufacturer for the production of cannabis infused beverages.

The benefits to the Company of a revised structure include:

- eliminating the need for additional capital investment by Sproutly;
- reducing dependence of Infuz<sub>2</sub>O sales on one customer to launch products;
- diversifying the customer base, from one customer/ brand to potentially multiple customers/ brands;
- improving the working capital cycle by earning upfront revenues from sales of Infuz<sub>2</sub>O versus solely relying on profit share based joint venture structures; and,
- Broadening potential revenue streams by providing formulation work under a fee-for-service model.

### **About Sproutly Canada, Inc.**

Sproutly's core objective is to become the leading supplier of unique ingredients and customized formulations to the cannabis beverage and edibles market. Our water-soluble Infuz<sub>2</sub>O and BioNatural Oils will deliver revolutionary brands to international markets that are striving to produce differentiated consumer products. Sproutly's business focus is to execute on partnerships with local and globally established consumer brands to leverage their existing customer bases, further expand brand loyalty, assist with marketing, and support distribution networks to deliver this scientific breakthrough with speed and efficiency worldwide.

For more information on Sproutly, please visit: [www.sproutly.ca](http://www.sproutly.ca).

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### **Forward-Looking Statements**

Cautionary Note Regarding Forward-Looking Statements: This release includes certain statements and information that may constitute forward-looking information within the meaning of applicable Canadian securities laws or forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to future events or future performance and reflect the expectations or beliefs regarding future events of management of Sproutly. Generally, forward-looking statements and information can be identified by the use of forward-looking terminology such as "intends" or "anticipates", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would" or "occur". This information and these statements, referred to herein as "forward-looking statements", are not historical facts, are made as of the date of this news release and include without limitation, statements regarding discussions of future plans, estimates and forecasts and statements as to management's expectations and intentions with respect to, among other things, timing relating to the formation of the Joint Venture, the qualities of the Infused Beverages and the Company realizing anticipated benefits and synergies from the Joint Venture. These forward-looking statements involve numerous risks and uncertainties and actual results might differ materially from results suggested in any forward-looking statements. These assumptions, risks and uncertainties include, among other things, the Company's inability to successfully develop and produce the Infused Beverages, the Company's inability to obtain any necessary regulatory approvals, failure to complete or realize anticipated benefits and synergies from the Joint Venture; potential negative consumer, investor or public perception of a party's respective current brand or company; changes in consumer preferences and product trends; and political, legal and regulatory uncertainty relating to

cannabis products generally. In making the forward looking statements in this news release, the Company has applied several material assumptions, including without limitation, that the Company will be successful in completing the development and production of the Infused Beverages, the Company will obtain all applicable regulatory approvals from global jurisdictions including Health Canada and the Company will be able to successfully satisfy all of the conditions in the Joint Venture Agreement. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Readers are cautioned that reliance on such information may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statement, forward-looking information or financial outlook that are incorporated by reference herein, except in accordance with applicable securities laws. We seek safe harbor.