



March 28, 2023

Trading Symbol: YY

## News Release

### Yellow Stem Closes Transactions with Sweet Poison Spirits

**Vancouver, British Columbia – Yellow Stem Tech Inc.** (CSE: YY) (“Yellow Stem” or the “Company”) announces that it has closed its previously disclosed business transactions with Sweet Poison Spirits S de RL de CV, a Mexican company headquartered in Guadalajara, Mexico, and Sweet Poison Spirits LLC, a California limited liability corporation headquartered in San Diego, California (collectively, “Sweet Poison”).

As announced in its news release of December 1, 2022, the Company entered into a Product Distribution Agreement (the “Distribution Agreement”) with Sweet Poison, which granted the Company the worldwide distribution rights to Sweet Poison’s premium Tequila and Mezcal products under the “Sweet Poison” brand names for an initial period of ten years, renewable for a further ten years and beyond.

In consideration of the rights and licences granted by Sweet Poison to the Company, Yellow Stem has issued an aggregate of 5,000,000 common shares (the “Shares”) at a deemed price of US\$0.20 per share, subject to resale restrictions as follows:

- (i) 25% of the Shares will become free-trading four months following the date of issuance (“Closing”);
- (ii) an additional 25% of the Shares will become free-trading 12 months following Closing;
- (iii) an additional 25% of the Shares will become free-trading 18 months following Closing; and
- (iv) the remaining 25% of the Shares will become free-trading 24 months following Closing.

The Distribution Agreement also provides for the Company to engage two principals of Sweet Poison as consultants on terms to be negotiated, and for Sweet Poison to have board representation with two directors being appointed to Yellow Stem’s Board.

Concurrent with the Distribution Agreement, the Company also entered into an agreement (the “Option Agreement”) with the shareholders of Sweet Poison, whereby the Company was granted the option to acquire all of the shares of Sweet Poison subject to the Company fulfilling its obligations under the Distribution Agreement. The terms of the Option Agreement include:

1. The option price is US\$1,000,000;
2. The option may be exercised by the Company at any time after 24 months from the date of the Option Agreement and prior to 36 months;
3. The option price will be payable as to US\$400,000 in cash and US\$600,000 in common shares of Yellow Stem (the “Shares”), as follows:

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- (i) one-third (US\$133,333 in cash and US\$200,000 in Shares) upon exercise of the option, based on a share price of US\$0.20 per share;
- (ii) an additional one-third (US\$133,333 in cash and US\$200,000 in Shares) on or before 12 months following the exercise of the option, based on a share price calculated as the volume weighted average price per Share for the 10 trading days prior to issue (“VWAP”); and
- (iii) the remaining one-third on or before 18 months following the exercise of the option, based on the then current VWAP.

The Company will pay Finder’s Fees of 10% on each of the Sweet Poison transactions, such Finder’s Fees payable over time in the form of Yellow Stem shares at a deemed price of US\$0.20 per share.

The Company has prepared and filed under its profile on the CSE website (and on SEDAR) a Listing Statement in the form prescribed by the CSE. Readers are encouraged to review the Listing Statement in its entirety for details of Sweet Poison, the terms of the Distribution Agreement and the Option Agreement, and the business of the Company to be carried out thereunder.

The Company closed the transactions with Sweet Poison after obtaining shareholder approval by way of consent resolution, which was signed by Yellow Stem shareholders holding a total of 50.64% of the Company’s outstanding shares.

#### **About Sweet Poison Spirits:**

Sweet Poison Spirits are creators and distributors of premium quality spirits. The company is committed to respecting traditional and ancestral processes, sustainability and the environment. For more on Sweet Poison, visit [www.sweetpoisonspirits.com](http://www.sweetpoisonspirits.com)

#### **ON BEHALF OF THE BOARD**

*Signed “Robert Eadie”*

Robert Eadie, President, Chief Executive Officer and Director

FOR FURTHER INFORMATION PLEASE CONTACT:

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*Certain statements and information herein, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable securities laws. Such forward-looking statements or information include but are not limited to statements or information with respect to closing of agreements and future operations.*

*Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. There is no assurance the Company will be successful in (i) profitably marketing and distributing Sweet Poison's products, or (ii) exercising its option to acquire Sweet Poison. There are numerous risk factors which could impact on such future events, including, but not limited to: risks associated with the business of Sweet Poison; general business and economic conditions in certain jurisdictions or globally; the supply and demand for project*

*inputs; changes in interest and currency exchange rates; risks relating to unanticipated operational difficulties (including import and export licenses and permits, government action or delays in the receipt of government approvals, industrial disturbances or other job action, and unanticipated events related to health, safety and environmental matters); and other risk factors as detailed from time to time in the Company's continuous disclosure documents filed with Canadian securities administrators. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.*