

Chalice Brands Ltd. Reports Record First Quarter 2021 Revenues of \$5.5 million and Consecutive Positive Adjusted EBITDA(1)

Focus on recapitalization, pipeline growth, and optimization of run stage in Oregon

PORTLAND, Ore., May 25, 2021 (GLOBE NEWSWIRE) -- Chalice Brands Ltd., formerly Golden Leaf Holdings Ltd. (CSE:CHAL) (OTCQB:GLDFF) ("Chalice" or the "Company"), a premier consumer-driven cannabis company specializing in retail, production, processing, wholesale, and distribution, today announces its financial and operating results for the first quarter 2021. All amounts stated are in US Dollars unless otherwise noted.

Q1 2021 Financial Highlights:

- Record quarterly revenues from continuing operations of \$5.5 million, a 18% year-over-year increase compared to \$4.7 million for the same period in 2020.
- Gross profit for Q1 2021 of \$2.5M or 45% gross margin compared to \$1.7M or 37% gross margin in 2020. Gross margin improvements are due to increased sales of vertical products manufactured by Chalice, including 6.5% of retail sales of our own Bald Peak flower.
- Adjusted EBITDA¹ of approximately 7% or \$370,000, continues the trend from Q4 2020, demonstrating that Oregon covers corporate overhead costs.

Q1 2021 Accomplishments:

- Entered a letter of intent which recently closed May 19, 2021 for a transformational acquisition of Homegrown Oregon, a chain of five retail stores in Oregon. Homegrown will add \$11 million in annual revenues and over \$2 million in Adjusted EBITDA¹ after optimization and vertical integration, representing a 50% growth from fiscal 2020 revenues of \$21.9 million.
- On a pro-forma basis, had Homegrown been included, first quarter 2021 revenues for GLH would have been US\$8.2 million with a 47% gross margin and Adjusted EBITDA¹ of approximately US\$722,000.
- Strengthened the Company's balance sheet by restructuring its convertible debentures due November 16, 2021 to extend the term one year to November 16, 2022 and to reprice the conversion features from C\$0.30 to US\$0.06.
- Financed the Company's focus on footprint growth in the Oregon market by completing two private placement transactions for total gross proceeds of \$10.5 million.
- Continued optimization of the Bald Peak grow facility resulting in consistent monthly output of 250lbs of finished flower and biomass.

Subsequent Events:

- A record 412 million shareholders voted at the Company's annual general meeting held on May 10th, 2021, with over 95% approving the Company's name change to Chalice Brands Ltd. along with the share consolidation effective as of May 25, 2021.
- C\$3.7M of convertible debentures converted to equity during the first quarter of 2021, reducing balance outstanding to C\$4.4M.
- On April 8, 2021 the Company announced its 80% acquisition of CBD skincare brand Fifth & Root with a national presence in over 400 retail outlets across the United States.

Jeff Yapp, Chief Executive Officer of Chalice Brands, commented, "Continued profitable operations and accretive acquisitions should set us up for a record breaking second half of 2021. We continue to look forward to favorable federal regulation changes while we grow Fifth & Root to showcase our brand portfolio nationally. Our team is energized and focused on growth as we remain disciplined in our allocation of capital."

Fiscal First Quarter Ended March 31, 2021 Financial Results

For the three months ended March 31, 2021 ("Q1 2021"), total revenue from continuing operations was \$5.5 million, as compared to \$4.7 million for the same period in 2020 ("Q1 2020"). The 18% year-over-year increase largely reflects overall improvements in the Oregon retail and wholesale businesses.

Gross profit was \$2.5 million, or 45% of total revenue for Q1 2021, compared with \$1.7 million, or 37% of total revenue, in Q1 2020. Operating expenses were \$2.7 million for Q1 2021, compared with \$3.3 million in Q1 2020, an improvement of \$534,000, or 18%. Operating expenses of \$2.7 million in Q1 2021 were 49% of total revenue, compared with \$3.3 million in Q1 2020, or 70% of total revenue. The reduction in operating expenses was driven largely by decreases in share-based compensation and general and administrative expenses. The reduction in operating expenses was due primarily to decreased salaries, wages and share-based compensation.

Adjusted EBITDA¹ was approximately \$370,000 for Q1 2021, compared with a loss of \$700,000 for Q1 2020, continuing the

positive EBITDA trend since Q4 2020 demonstrating that Oregon covers corporate overhead costs. This measure is primarily driven by the increase in gross profit and the reduction in cash-based operating expenses for the period. The Company considers Adjusted EBITDA an important operational measure for the business and look to grow this important measure as the business scales.

The Company's interim financial statements for the first quarter 2021 and related MD&A have been filed on SEDAR and are available for review.

¹Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation and amortization, non-cash compensation expenses, one-time transaction fees and other non-cash charges that include impairments, start-up costs and extraordinary operational curtailment charges and excluding fair value changes related to biological assets.

CHALICE BRANDS LTD.

Interim Condensed Consolidated Statements of Financial Position (Unaudited)

As at March 31, 2021 and December 31, 2020

(Expressed in U.S. dollars)

		March 31, 2021	December 31, 2020
CURRENT			
Cash		\$ 10,475,394	\$ 905,149
Accounts receivable	Note 5	272,288	108,308
Other receivables	Note 5	593,133	737,185
Notes receivable		919,488	919,488
Sales tax recoverable		35,673	89,033
Biological assets	Note 6	511,277	455,045
Inventory	Note 6	2,818,333	2,304,501
Prepaid expenses and deposits		573,137	555,597
Total current assets		16,198,723	6,074,306
Property, plant and equipment	Note 7	2,220,922	2,361,357
Other receivables	Note 5	656,718	656,718
Right-of-use assets, net	Note 8	4,002,018	4,132,035
Intangible assets	Note 9	10,737,423	10,737,423
Goodwill	Note 9	4,056,172	4,056,172
	Note 31	DTA	
Total assets		\$ 37,871,976	\$ 28,018,011
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 3,652,595	\$ 3,404,425
Interest payable		48,138	28,100
Income taxes payable		1,263,604	1,003,604
Deferred income tax payable		55,039	55,039
Sales tax payable		213,856	217,789
Current portion of long-term debt	Note 11	18,189	22,171
Notes payable	Note 10	48,414	119,533
Convertible debentures carried at fair value	Note 10	-	5,575,273
Lease liability	Note 11	993,053	949,496
Total current liabilities		6,292,888	11,375,430
Long-term debt	Note 11	53,501	134,675
Long-term lease liability	Note 11	4,054,491	4,372,395
Warrant liability	Note 12	5,154,149	-
Convertible debentures carried at fair value	Note 10	2,805,895	-
Consideration payable - cash portion	Note 11	1,872,654	1,824,533
Consideration payable - equity portion	Note 11	4,838,780	4,838,780
Total liabilities		25,072,358	22,545,813

SHAREHOLDERS' EQUITY

Share capital	Note 13	161,085,272	149,754,502
Warrant reserve	Note 14	204,484	1,079
Convertible debenture equity component	Note 12	374,437	
Share option reserve	Note 15	3,763,065	4,070,474
Contributed surplus		2,329,997	2,329,997
Deficit		(154,957,637)	(150,683,854)
Total shareholders' equity		12,799,618	5,472,198
Total liabilities and shareholders' equity		\$ 37,871,976	\$ 28,018,011

CHALICE BRANDS LTD.

Interim Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

For the three months ended March 31, 2021 and 2020

(Expressed in U.S. dollars)

		For the three months ended March 31,	
		2021	2020
Revenues			
Product sales	Note 20	\$ 5,033,314	\$ 4,239,582
Royalty and other revenue	Note 20	462,141	430,722
Total Revenue		5,495,455	4,670,304
Inventory expensed to cost of sales	Notes 6, 20	3,180,925	2,964,192
Gross margin, excluding fair value items		2,314,530	1,706,112
Fair value changes in biological assets included in inventory sold		(84,329)	-
Gain on changes in fair value of biological assets	Notes 6, 20	(81,763)	(20,714)
Gross profit		2,480,622	1,726,826
Expenses			
General and administration		2,134,017	2,045,274
Share based compensation	Note 15	69,050	129,579
Sales and marketing		316,123	535,026
Depreciation and amortization	Note 7	224,931	568,345
Total expenses		2,744,121	3,278,224
Loss before items noted below		(263,499)	(1,551,398)
Interest expense	Notes 10, 11	429,221	551,101
Transaction costs		34,620	-
Other loss (income)		84,466	(20,617)
Loss on change in fair value of warrant liabilities	Note 12	2,974,493	-
Gain on change in fair value of convertible debentures	Note 12	172,956	-
Loss on debt extinguishment	Note 10	88,079	-
Loss before income taxes		(4,047,334)	(2,081,882)
Current income tax expense		275,000	358,284
Net loss		\$ (4,322,334)	\$ (2,440,166)
Comprehensive loss		\$ (4,322,334)	\$ (2,440,166)
Basic and diluted loss per share from continuing operations		\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding		1,117,610,381	873,783,951

CHALICE BRANDS LTD.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

For the three months ended March 31, 2021 and 2020

(Expressed in U.S. dollars)

		For the three months ended March 31,	
		2021	2020
Cash (used in) provided by:			
OPERATING ACTIVITIES:			
Net loss		\$ (4,322,334)	\$ (2,440,166)
Depreciation of property, plant and equipment	Note 7	257,240	369,360
Lease amortization		204,385	198,985
Interest expense		429,221	416,146
Income tax expense		275,000	382,326
Share based compensation	Note 15	69,050	129,579
Transaction costs		34,620	-
Loss on debt extinguishment	Note 10	88,079	-
Loss on fair value adjustment to warrant liabilities	Note 10	2,974,493	-
Loss on fair value adjustment to debt		172,956	-
Gain on fair value of biological assets	Note 6	(166,092)	(20,714)
Other non-cash transactions		(214,346)	41,338
Changes in working capital items			
Accounts receivable	Note 5	(53,452)	(92,246)
Other receivables	Note 5	33,524	(4,372)
Sales tax recoverable		53,360	(11,465)
Accounts payable and accrued liabilities		154,256	570,573
Sales tax payable		(3,933)	(176,238)
Biological assets	Note 6	109,860	(75,136)
Inventory	Note 6	(349,486)	(740,465)
Prepaid expenses and deposits		(17,540)	(233,140)
Cash used in operating activities		(271,139)	(1,685,635)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	Note 7	(131,824)	(66,364)
Cash used in investment activities		(131,824)	(66,364)
FINANCING ACTIVITIES			
Issuance of common shares	Note 13	10,700,119	-
Payment of share issuance costs		(200,063)	-
Payment of lease liabilities		(310,573)	(149,822)
Repayment of long-term debt	Note 11	(156,275)	(6,231)
Interest paid	Note 11	(60,000)	(80,048)
Other non-cash transactions		0	-
Cash provided (used) in financing activities		9,973,208	(236,101)
Decrease in cash during the period		9,570,245	(1,988,100)
Cash, beginning of period		905,149	3,531,202
Cash, end of period		\$ 10,475,394	\$ 1,543,102

See accompanying notes to these interim condensed consolidated financial statements

Adjusted EBITDA		
	For the three months ended	
	March 31, 2021	March 31, 2020
Loss before income taxes	\$ (4,047,334)	\$ (2,081,882)
Adjustments:		
Net impact, fair value of biological assets	(81,763)	(20,714)

Depreciation and amortization	461,625	831,230
Fair value changes on debt and equity instruments	3,235,528	-
Share based compensation	69,050	129,579
Interest expense, net	429,221	551,101
Transaction costs	34,620	-
Nevada curtailment expenses and other ⁽¹⁾	73,252	-
Start-up costs ⁽²⁾	110,528	-
Impairments and other	84,466	(20,617)
Adjusted EBITDA income (loss)	\$ 369,193	\$-\$ (611,303)

⁽¹⁾ Losses experienced in Nevada due to unexpected shut down and facility abandonment due to COVID-19

⁽²⁾ Write-off of significant start up costs related to the Company's California business

Investor Conference Call

Chalice Brands management, led by Mr. John Varghese, Executive Chairman, and Mr. Jeff Yapp, Chief Executive Officer, will hold a conference call on Tuesday, May 25th at 4:30 PM EDT to report its financial results for first quarter 2021.

REGISTRATION: Please visit [click here to register](#) and stream the conference call, or use the following dial-in information as follows:

Program Title: Chalice Brands – First Quarter 2021 Earnings Call

Canada & US: 1-877-407-0784

International: 1-201-689-8560

Once dialed in, participants must request the “Chalice Brands - First Quarter 2021 Earnings Call”.

Replay

A replay of the audio webcast will be available online on the Company’s website at investors.chalicebrandsltd.com where it will be archived for one year. A replay of the conference call will also be available at 7:30 PM EDT on May 25, 2021 and will be accessible until June 8th, 2021. For access to replay:

Canada/US: 1-844-512-2921

International: 1-412-317-6671

Conference PIN: 13719831

About Chalice Brands Ltd., Formerly Golden Leaf Holdings Ltd.

Chalice Brands is a premier consumer-driven cannabis company specializing in production, processing, wholesale, distribution and retail, with seven dispensaries in Portland, Oregon. The Company is committed to developing a dynamic portfolio built around the recognized brands of Chalice Farms, with a focus on health and wellness. Chalice operates nationally through Fifth and Root and has operations in Oregon and California. Visit investors.chalicebrandsltd.com for regular updates.

Investor Relations:

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

Disclaimer: This press release contains “forward-looking information” within the meaning of applicable securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the Company’s future business operations, the opinions or beliefs of management and future business goals. Generally, forward looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “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”. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. These risks include but are not limited to general business, economic and competitive uncertainties, regulatory risks, market risks, risks inherent in manufacturing and retail operations such as unforeseen costs and production shutdowns, difficulties in maintaining brand loyalty, and other risks of the cannabis industry. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in 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 information 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 information. Forward-looking information is provided herein for the purpose of presenting information about management's current expectations relating to the future and readers are cautioned that such information may not be appropriate for other purpose. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws. This press release does not constitute an offer of securities for sale in the United States, and such securities may not be offered or sold in the United States absent registration or an exemption from registration or an exemption from registration.

Adjusted EBITDA Disclaimer: Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation, amortization, non-cash compensation expenses, one-time transaction costs and other non-cash charges that include impairments. Adjusted EBITDA is a non-GAAP financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. The Company considers this Adjusted EBITDA an important figure to show the true day to day operational picture of the business. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with the IFRS.