

## **Chalice Brands Ltd. Reports over 300% improvement in Adjusted EBITDA (1) as part of Record Third Quarter 2021 Financial Results**

***Third Quarter 2021 Revenues of \$8.0 Million Marks another Record and Fourth Consecutive Quarter of Positive Adjusted EBITDA<sup>(1)</sup>***

PORTLAND, Ore., Nov. 23, 2021 (GLOBE NEWSWIRE) -- Chalice Brands Ltd. (CSE: CHAL) (OTCQB: CHALF) ("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 third quarter 2021. All amounts stated are in US Dollars unless otherwise noted.

### **Third Quarter Highlights:**

- Record quarterly revenues from continuing operations of \$8.0 million, a 29% year-over-year increase compared to \$6.2 million for the same period in 2020, in part driven by a full quarter of revenues from the Company's Homegrown Oregon stores.
- 63.7% growth in gross profit for third quarter 2021 of \$3.6 million, or 45% gross margin, compared to \$2.2 million or 36% gross margin for the same period in 2020. Gross margin improvements are due to an increased share of our vertical product growth and retail sales of our own Bald Peak flower.
- Chalice branded products in the Homegrown stores have risen in the quarter from 3% pre-acquisition to 24%. In the Chalice branded retail stores, Chalice products reached a high of over 43% for the quarter compared to 20% for the same period in 2020, demonstrating a 115% year-over-year growth.
- Record positive Adjusted EBITDA<sup>1</sup> of approximately \$600,000 represents the fourth consecutive quarter of achieving positive Adjusted EBITDA<sup>1</sup> and is over a 300% improvement compared to a loss of \$260,000<sup>1</sup> for the same period in 2020.
- Record year-to-date revenue of \$20.4 million for the nine months ended September 30, 2021, an increase of 25% compared to \$16.4 million for the same period in 2020 and almost matching total revenue for fiscal 2020 of \$21.9 million.
- For the nine months ended September 30, 2021, Adjusted EBITDA<sup>1</sup> was approximately \$1.6 million, compared with a loss of approximately \$1.9 million for the same period in 2020.
- On September 16, the Company announced its Cannabliss & Co. retail acquisition from Acreage Holdings Inc. of four retail dispensaries located in Portland, Eugene, and Springfield, Oregon for total consideration of US\$6.5 million. The Company continues to operate these stores under a management services agreement pending OLCC approval.
- Subsequent to third quarter, on October 7, the Company announced the promotion of Meghan Miller to Chief Operating Officer (COO).

"The third quarter was another outstanding performance for Chalice as we accomplished record revenues and our most profitable quarter to date. During the quarter, we closed a transformative acquisition in Oregon of four retail dispensaries from Acreage, bolstering our retail footprint by 130% in the fiscal year. By maintaining our focus on profitable operations and accretive acquisitions, Chalice has immediately impacted the vertical contribution within the new stores ahead of schedule. The Chalice team is motivated by our strategic mission to capitalize on untapped opportunities in Oregon and other markets with significant room for consolidation, synergies, and vertical leverage," commented Jeff Yapp, President and Chief Executive Officer of Chalice Brands.

### **Fiscal Third Quarter Ended September 30, 2021 Financial Results**

For the three months ended September 30, 2021 ("Q3 2021"), total revenue from continuing operations was \$8.0 million as compared to \$6.2 million for the same period in 2020 ("Q3 2020"). The 29% year-over-year increase is strongly attributed to a full quarter realizing Homegrown Oregon sales. Gross profit was up 63.7% compared to Q3 2020 at \$3.6 million, or 45% of total revenue for Q3 2021, compared with \$2.2 million, or 36% of total revenue, in Q3 2020.

Adjusted EBITDA<sup>1</sup> was approximately \$600,000 for Q3 2021, compared with a loss of approximately \$260,000 for Q3 2020, continuing the positive trend since fourth quarter 2020. This move to profitability was primarily driven by continued cost controls, increased contribution from Homegrown, and increased vertical product contribution in both Chalice and Homegrown. The Company considers Adjusted EBITDA an important operational measure for the business and looks to continue to grow this important metric as the business scales.

For the nine months ended September 30, 2021, total revenue from continuing operations was \$20.4 million, as compared to \$16.4 million for the same period in 2020.

For the nine months ended September 30, 2021, gross profit was \$9.2 million, or 45% gross profit margin compared to \$5.1 million or 31% for the same period in 2020.

For the nine months ended September 30, 2021, Adjusted EBITDA<sup>1</sup> was approximately \$1.6 million, compared with a loss of approximately \$1.9 million for the same period in 2020.

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

"Chalice is proud to have accomplished record revenue growth and profitable operations for four consecutive quarters. We remain diligent in executing our conservative capital allocation strategy which will ensure the Company is well positioned and prepared for both short and long-term growth and expansion. Despite the ongoing challenges facing the cannabis industry, our financial performance has never been stronger. For the remainder of the year and beyond, we will continue to focus on strengthening Chalice in a sustainable and profitable manner," noted John Varghese, Executive Chairman.

<sup>1</sup>Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation and amortization, non-cash compensation expenses, non-recurring promotional and investor relations expenses, one-time transaction fees and other non-cash charges that include impairments, start-up costs and extraordinary operational curtailment charges. Prior period amounts have been adjusted for the inclusion of fair value changes related to biological assets effective for Q3 2021 and forward.

## CHALICE BRANDS LTD.

Interim Condensed Consolidated Statements of Financial Position (Unaudited)

As at September 30, 2021 and December 31, 2020

(Expressed in U.S. dollars)

		September 30, 2021	December 31, 2020
<b>CURRENT</b>			
Cash		\$ 491,170	\$ 905,149
Accounts receivable	Note 5	323,793	108,308
Other receivables	Note 5	414,970	737,185
Notes receivable		1,576,206	919,488
Sales tax recoverable		32,813	89,033
Biological assets	Note 6	566,655	455,045
Inventory	Note 6	4,603,057	2,304,501
Prepaid expenses and deposits		618,213	376,080
<b>Total current assets</b>		<b>8,626,877</b>	<b>5,894,789</b>
Property, plant and equipment	Note 7	2,621,088	2,361,357
Other receivables	Note 5	842,440	836,235
Right-of-use assets, net	Note 8	5,307,935	4,132,035
Intangible assets, net	Note 9	13,568,738	10,737,423
Goodwill	Note 9	13,398,793	4,056,172
<b>Total assets</b>		<b>\$ 44,365,871</b>	<b>\$ 28,018,011</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities		\$ 4,070,488	\$ 3,432,525
Interest payable		43,619	-
Income taxes payable		2,046,841	1,003,604
Deferred income tax payable		510,007	55,039
Sales tax payable		652,796	217,789
Current portion of long-term debt	Note 12	25,846	22,171
Current portion of notes payable	Note 12	417,338	119,533
Convertible debentures carried at fair value	Note 10	-	5,575,273
Consideration payable - cash portion	Note 12	713,280	-
Consideration payable - equity portion	Note 12	4,566,390	-
Lease liability	Note 11	1,054,621	949,496
<b>Total current liabilities</b>		<b>14,101,226</b>	<b>11,375,430</b>
Notes payable	Note 12	1,706,243	-

Long-term debt	Note 12	119,683	134,675
Long-term lease liability	Note 11	5,408,452	4,372,395
Warrant liability	Note 13	1,627,495	-
Derivative liability	Note 10	170,742	-
Convertible debentures carried at amortized cost	Note 10	2,832,208	-
Consideration payable - cash portion	Note 12	1,569,758	1,824,533
Consideration payable - equity portion	Note 12	39,390	4,838,780
<b>Total liabilities</b>		<b>27,575,197</b>	<b>22,545,813</b>

#### EQUITY

Share capital	Note 14	164,336,386	149,754,502
Warrant reserve	Note 15	170,901	1,079
Share option reserve	Note 16	3,944,102	4,070,474
Contributed surplus		2,329,997	2,329,997
Deficit		(154,347,596)	(150,683,854)
<b>Equity attributable to shareholder of the Company</b>		<b>16,433,790</b>	<b>5,472,198</b>
<b>Equity attributable to noncontrolling interests</b>		<b>356,884</b>	<b>-</b>
<b>Total equity</b>		<b>16,790,674</b>	<b>5,472,198</b>
<b>Total liabilities and equity</b>		<b>\$ 44,365,871</b>	<b>\$ 28,018,011</b>

#### CHALICE BRANDS LTD.

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

For the three and nine months ended September 30, 2021 and 2020

(Expressed in U.S. dollars)

		For the three months ended September 30,		For the nine months ended September 30,	
		2021	2020	2021	2020
Revenues					
Product sales	Note 21	\$ 7,564,444	\$ 5,765,970	\$ 19,183,649	\$ 15,318,207
Royalty and other revenue	Note 21	447,463	430,086	1,252,414	1,064,886
<b>Total Revenue</b>		<b>8,011,907</b>	<b>6,196,056</b>	<b>20,436,063</b>	<b>16,383,093</b>
Inventory expensed to cost of sales	Note 6, 21	4,608,488	4,033,002	11,960,838	11,038,401
<b>Gross margin, excluding fair value items</b>		<b>3,403,419</b>	<b>2,163,054</b>	<b>8,475,225</b>	<b>5,344,692</b>
Fair value changes in biological assets included in inventory sold	Note 6, 21	323,803	(14,125)	286,194	(48,483)
(Gain) loss on changes in fair value of biological assets	Note 6, 21	(551,401)	98,853	(1,037,581)	295,009
<b>Gross profit</b>		<b>3,631,017</b>	<b>2,078,326</b>	<b>9,226,612</b>	<b>5,098,166</b>
Expenses					
General and administration		3,197,464	2,215,291	8,165,255	6,714,321
Share-based compensation	Note 16	99,789	41,517	298,727	264,793
Sales and marketing		373,205	478,724	1,149,241	1,552,778
Depreciation and amortization	Note 7, 9	484,721	239,751	933,392	775,489
<b>Total expenses</b>		<b>4,155,179</b>	<b>2,975,283</b>	<b>10,546,615</b>	<b>9,307,381</b>
<b>Loss before items noted below</b>		<b>(524,162)</b>	<b>(896,957)</b>	<b>(1,320,003)</b>	<b>(4,209,215)</b>
Interest expense	Note 10,11,12	519,713	350,265	1,404,348	1,449,109
Transaction costs		248,349	127	334,889	41,178
Loss on disposal of assets	Note 7	-	(10,139)	6,233	307,700
Other losses		12,453	70,249	100,566	32,029
Gain on change in fair value of warrant liabilities	Note 13	(2,377,547)	-	(1,092,337)	-
Loss on change in fair value of convertible					

debentures	Note 10	-	565,328	172,956	565,328
(Gain) loss on change in fair value of derivative liabilities	Note 10	(278,141)	-	96,118	-
Loss on debt extinguishment	Note 10	-	-	88,079	-
Income (loss) before income taxes		1,351,011	(1,872,787)	(2,430,855)	(6,604,559)
Current income tax expense		600,650	848,379	1,418,095	1,511,595
Net income (loss)		750,361	(2,721,166)	(3,848,950)	(8,116,154)
Other comprehensive loss					
Items that will be reclassified subsequently to profit or loss					
Comprehensive loss attributable to noncontrolling interests		\$ (39,377)	\$ -	\$ (54,431)	\$ -
Comprehensive income (loss)		\$ 789,738	\$ (2,721,166)	\$ (3,794,519)	\$ (8,116,154)
Basic and diluted income (loss) per share from continuing operations		\$ 0.01	\$ (0.07)	\$ (0.07)	\$ (0.22)
Weighted average number of common shares outstanding		59,237,024	38,322,636	55,300,678	37,427,844

Adjusted EBITDA	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Loss before income taxes	\$ 1,351,011	\$ (1,872,787)	\$ (2,430,855)	\$ (6,604,559)
Adjustments:				
Depreciation and amortization	725,356	476,733	1,638,563	1,548,121
Fair value changes on debt and equity instruments	(2,655,688)	565,328	(735,184)	565,328
Share based compensation	99,789	41,517	298,727	264,793
Interest expense, net	519,713	350,265	1,404,348	1,449,109
Transaction costs	248,349	127	334,889	41,178
Start-up costs <sup>(1)</sup>	211,939	59,924	382,685	179,120
Nevada curtailment expenses and other <sup>(2)</sup>	12,222	60,093	115,519	276,883
Non-cash non-recurring investor relations	40,898	-	128,925	-
Restructuring and severance cost	30,895	-	39,249	-
Non-recurring promotional costs <sup>(3)</sup>	-	-	297,443	-
Costs related to share consolidation and name change	-	-	26,442	-
Impairments and other	12,453	60,110	106,799	339,729
Adjusted EBITDA	\$ 596,938	\$ (258,690)	\$ 1,607,551	\$ (1,940,298)

(1) Write-off of significant start up costs related to the Company's California business and Fifth & Root

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

(3) Promotional costs include non-recurring discounts and promotional campaigns

### Q3 2021 Conference Call Details

Chalice Brands management, led by Mr. John Varghese, Executive Chairman, and Mr. Jeff Yapp, Chief Executive Officer, will hold a conference call for investors to discuss the results on Tuesday, November 23, 2021, at 5:00 p.m. ET followed by a webinar for shareholders providing a corporate update and a summary of the second quarter.

**REGISTRATION:** Please visit [click here to register](#) and stream the conference call.

Once registered, registrants will receive an email for this event inclusive of a calendar invite and details on how to connect. A replay of the webcast will be available online immediately following the call on the Company's website at [investors.chalicebrandsltd.com](http://investors.chalicebrandsltd.com) where it will be archived for one year.

### About Chalice Brands Ltd.

Chalice Brands is a premier consumer-driven cannabis company specializing in production, processing, wholesale, distribution and retail, with twelve owned and four managed dispensaries in and around 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 & Root and has operations in Oregon and California. Visit [investors.chalicebrandsltd.com](http://investors.chalicebrandsltd.com) for regular updates.

### Investor Relations:

John Varghese  
Executive Chairman  
Chalice Brands Ltd.  
971-371-2685  
[ir@chalicebrandsltd.com](mailto:ir@chalicebrandsltd.com)

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*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.*