

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1 Name and Address of Company

Chalice Brands Ltd. (the "**Company**")
82 Richmond Street East
Toronto, Ontario
M5C 1P1

Item 2 Date of Material Change

November 23, 2021

Item 3 News Release

A news release with respect to the material change referred to in this report was disseminated through Globe Newswire on November 23, 2021 and subsequently filed on SEDAR.

Item 4 Summary of Material Change

The Company announced that it closed its previously announced brokered private placement of unsecured convertible debenture units and equity units (the "**Offering**") led by Canaccord Genuity Corp. ("**Canaccord Genuity**" or the "**Agent**") as sole agent and bookrunner.

Item 5 Full Description of Material Change

On November 23, 2021, the Company announced that it closed its previously announced Offering led by Canaccord Genuity as sole agent and bookrunner.

Pursuant to the Offering, the Company issued, for gross proceeds of \$5.7 million: (a) 4,025 debenture units (the "**Debenture Units**") of the Company, each Debenture Unit comprised of (i) one C\$1,000 principal amount unsecured convertible debenture (each, a "**Debenture**" and collectively, the "**Debentures**") and (ii) 500 warrants of the Company (each warrant, a "**Warrant**"); and (b) 2,285,933 equity units (the "**Equity Units**") of the Company, at a price equal to C\$0.75 per Equity Unit (the "**Equity Issue Price**"), with each Equity Unit comprised of (i) one common share of the Company (each, a "**Common Share**") and (ii) one-half (1/2) of one Warrant. An aggregate of 200,000 of such Equity Units were issued in a concurrent non-brokered placement.

The Debentures will mature on November 23, 2024 (the "**Maturity Date**") and bear interest at a rate of 10% per annum from the closing date, calculated and payable on a semi-annual basis. The principal sum of the Debentures, or any portion thereof, may be converted at the election of the holder thereof into Common Shares at a conversion price of C\$1.00 per share (the "**Conversion Price**") at any time prior to the Maturity Date. The Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures at maturity by delivery of that number of Common Shares obtained by dividing the principal amount of the Debentures to be so satisfied by 95% of the volume weighted average trading price (the "**VWAP**") for the 30 consecutive trading days ending five trading days preceding the Maturity Date, subject to the minimum price permitted by the policies of the Canadian Securities Exchange (the "**CSE**"). In addition, the Company may elect to satisfy and pay accrued but unpaid interest on the Debentures by delivering: (i) cash, or (ii) that number of Common Shares obtained by dividing the interest amount by 95% of the VWAP for the 20 consecutive trading days ending five trading days preceding the applicable date, or any combination thereof, subject to the minimum price permitted by the policies of the CSE.

If, at any time following the date that is four (4) months following the closing date, the VWAP of the Common Shares is greater than C\$1.50 for 10 consecutive trading days, the Company shall have the option to convert all the principal amount of the then outstanding Debentures at the Conversion Price.

Each Warrant shall entitle the holder thereof to acquire one Common Share (a "**Warrant Share**") at a price of C\$1.10 per Warrant Share for a period of 24 months from the closing date of the Offering.

The Company: (i) paid the Agent a cash fee equal to 5% of the aggregate gross proceeds raised from the sale of Debenture Units (reduced to 2% for subscribers identified on the Company's president's list) and 7% of the aggregate gross proceeds raised from the sale of Equity Units (reduced to 2% for subscribers identified on the Company's president's list); and (ii) issued to the Agent such number of non-transferable compensation warrants (the "**Agent's Warrants**") as is equal to 5% of the aggregate gross proceeds raised from the sale of Debenture Units divided by the Equity Issue Price (reduced to 2% for subscribers identified on the Company's president's list) and 7% of the number of Equity Units issued in the Offering (reduced to 2% for subscribers identified on the Company's president's list). Each Agent's Warrant will entitle the holder thereof to acquire one Equity Unit at an exercise price equal to the Equity Issue Price for a period of 24 months from the closing date of the Offering.

The Company intends to use the net proceeds of the Offering for strategic retail license acquisitions and for general corporate purposes

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Andrew Marchington, Chief Financial Officer; Tel: 971-269-6092

Item 9 Date of Report

December 1, 2021

CHALICE BRANDS LTD.

By: *Signed* "Andrew Marchington"
Andrew Marchington
Chief Financial Officer