

Chalice Brands Ltd. Enters Into Amended Agreement to Acquire Cannabliss & Co. Retail Locations

PORTLAND, Ore., July 05, 2022 -- Chalice Brands Ltd. (CSE: CHAL) (OTCQB: CHALF) (the “Company” or “Chalice Brands”), a premier consumer-driven cannabis company specializing in retail, production, processing, wholesale, and distribution, today announces that the Company signed an amending agreement July 1, 2022 (the “Amending Agreement”), to improve the terms of its previously disclosed Asset Purchase Agreement (the “Original Agreement”), which was originally executed on September 16, 2021, to acquire four retail stores branded Cannabliss & Co. (“Cannabliss”) from Acreage Holdings, Inc. (“Acreage”), for total consideration of US\$6,500,000. The closing of the transaction as amended by the Amending Agreement (the “Transaction”) is subject to approval by the Oregon Liquor and Cannabis Commission (“OLCC”) and the satisfaction of other closing conditions. The OLCC approval is expected to occur within the next 30 days.

“Amending the original transaction allows us to better match the considerations to be paid with the expected cashflows of Cannabliss. This transaction represents an important step as we continue to increase our presence in Oregon and refine the performance of Cannabliss’ stores under the guidance of our leadership team,” said Jeff Yapp, President and Chief Executive Officer of Chalice Brands. “We look forward to favourably leveraging this transaction to drive revenue growth for our shareholders, employees, and the communities we serve.”

Transaction Agreement

- Upon execution of the Amending Agreement, Chalice Brands will acquire the assets of the four Cannabliss branded retail locations for total consideration of US\$6,500,000 (the “Purchase Price”), consisting of a US\$250,000 payment already made at the time the original agreement was signed, plus an additional US\$100,000 in cash at closing, offset by a deduction of US\$300,000 from the Purchase Price to settle the accounts payable to Chalice Brands. Chalice Brands will pay the balance owed of US\$5,850,000, by way of a 36-month secured promissory note (the “Note”) carrying accrued interest at a rate per annum equal to 12%. Chalice Brands shall make the following balloon payments to Acreage: (i) US\$1,000,000 on January 1, 2024 and US\$1,000,000 on January 1, 2025, and (ii) on January 1, 2026, Chalice Brands shall pay all amounts owed to Acreage under this Note, if any.
- Chalice Brands acquires four Cannabliss & Co. retail locations further expanding our statewide retail footprint in Oregon to a total of 18 locations with iconic dispensary locations added such as the Fire Station store in Southeast Portland.

“As stores struggle to stand out in today’s increasingly competitive market, bringing Chalice Farms’ quality standards to more dispensaries makes the industry as a whole, better and more established. This acquisition marks a huge accomplishment for our team and valued partners as we increase the visibility of our commitment to the plant, planet, and people,” commented Meghan Miller, Chief Operating Officer of Chalice Brands.

“This renegotiated deal structure provides Chalice with a longer time frame to service the debt obligations while avoiding dilution to shareholders. To date, we have only recorded management fee revenue. Upon OLCC approval, we will start recognising the full revenue generated by these stores. Management is confident we can scale product mix, thus increasing margins and improve our top line to achieve positive cash flow for the transaction enabling Chalice to self-fund the acquisition,” noted John Varghese, Executive Chairman of the Company. “We strongly believe consolidation is critical strategy towards being a true leader in Oregon’s cannabis industry with an established platform for growth in addition markets.”

About Chalice Brands Ltd.

Chalice Brands is a premier consumer-driven cannabis company specializing in production, processing, wholesale, distribution and retail, with 12 owned and 6 managed dispensaries in and around Portland, Oregon. The Company is committed to developing a dynamic portfolio built around the recognized brands of Chalice Brands, including Chalice Farms, Left Coast Connection, Homegrown Oregon and Cannabliss & Co., with a focus on health and wellness. Chalice operates nationally through Fifth & Root and has operations in Oregon and California. Visit investors.chalicebrandsltd.com/ for regular updates.

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