

Chalice Obtains Initial Order under Companies' Creditors Arrangement Act (Canada) and Commences State Receivership under Oregon State Law

Orders Stay Creditors from Enforcing Claims

TORONTO, May 23, 2023 -- Chalice Brands Ltd. (CSE: CHAL) ("**Chalice**" or the "**Company**") announced today that the Company has obtained an order (the "**Initial Order**") from the Ontario Superior Court of Justice (Commercial List) (the "**Court**") granting protection under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") as well as commenced a process in the Circuit Court of the State of Oregon for an order (the "**Receivership Order**") granting the appointment of an Oregon state receiver over certain of Chalice's subsidiaries (the "**Receivership Entities**" and the process, the "**State Receivership**").

In accordance with the Initial Order, all creditors of Chalice, as well as creditors of all of the Company's subsidiaries (such subsidiaries, the "**Non-Filing Affiliates**"), will be stayed from enforcing their claims. The Initial Order provides for a stay of proceedings in favour of the Company and the Non-Filing Affiliates for an initial period of 10 days, subject to such extensions as the Court may subsequently order, and the appointment of KSV Restructuring Inc. as Monitor in the CCAA proceeding.

The Receivership Order, if granted, will approve the appointment of Kenneth Eiler as receiver (the "**Receiver**") over the businesses, assets and property of the Receivership Entities and grant the Receivership Entities a broad stay of proceedings against them or their property. The intent of the State Receivership proceeding is to, among other things, ensure that the parties are able to effect a coordinated restructuring effort and support the CCAA proceeding.

After reviewing a number of options, Chalice's Board of Directors determined that commencing the CCAA proceeding and State Receivership proceedings is in the best interests of the Company and its stakeholders. The stays of proceedings in the Initial Order and the Receivership Order, if granted, will provide Chalice with additional time to consider potential restructuring transactions, including a sale and investment solicitation process to explore potential strategic options and alternatives. Chalice intends to continue its work with the Monitor, the Receiver and their advisors in connection with its consideration of potential restructuring transactions. Chalice anticipates providing a further update once additional details regarding potential restructuring transactions are available, though it can offer no assurance that any potential restructuring transactions will be available on terms acceptable to the Chalice and the courts, or at all. There can also be no assurance that any potential restructuring transactions will result in any transactions or the outcome of the proceedings will provide any residual value for the benefit of holders of the Company's Common Shares.

The Company hopes to exit CCAA protection well-positioned to rebuild its stakeholders' trust and deliver high-quality, farm-to-table products to its customers. Despite the efforts by Chalice's management and Board of Directors to preserve the Company's cash liquidity while seeking to restore the Company to profitability, the Company's future remains uncertain. Chalice continues to be delayed in the filing of its December 31, 2021 audited annual financial statements together with the Company's quarterly interim financial statements thereon and all associated materials.

Trading in Chalice's Common Shares on the Canadian Securities Exchange (the "**CSE**") has been subject to a cease trade order and halted since May 2022 as a result of the Company failing to file its audited annual financial statements for the year-ended December 31, 2021. The Company expects that trading of the Common Shares will remain halted indefinitely.

A comeback hearing in respect of the relief granted pursuant to the Initial Order will be scheduled within ten days (the "**Comeback Hearing**"). Interested parties that wish to bring a motion at the Comeback Hearing are required to provide notice to the affected parties prior to the Comeback Hearing pursuant to the requirements set forth in the Initial Order.

Forward-Looking Information

This news release includes forward-looking information and statements, which may generally be identified by the use of the words "will", "continues", "anticipates" and "intends" and variations or similar expressions which include, but are not limited to, information and statements regarding or inferring the future business, operations, financial performance, prospects, and other plans, intentions, expectations, estimates, and beliefs including, without limitation, the date of any future court appearance or update; the Company's plans with respect to potential restructuring transactions; and potential benefits of a restructuring transaction.

Forward-looking information and statements involve and are subject to assumptions and known and unknown risks, uncertainties, and other factors which may cause actual events, results, performance, or achievements of Chalice to be materially different from future events, results, performance, and achievements expressed or implied by forward-looking information and statements herein. Such assumptions, risks, uncertainties and other factors include, but are not limited to, that the stay will have the effect contemplated by Chalice in providing it with additional time to consider and restructuring transactions and that changes in the CCAA proceeding, the restructuring process and Chalice's ability to meet its obligations proceed on the basis anticipated by Chalice or at all. Although Chalice believes that any forward-looking information and statements herein are reasonable, in light of the use of assumptions and the significant risks and uncertainties inherent in such information and statements, there can be no assurance that any such forward-looking information and statements will prove to be accurate, and accordingly readers are advised to rely on their own evaluation of such risks and uncertainties and

should not place undue reliance upon such forward-looking information and statements. Any forward-looking information and statements herein are made as of the date hereof, and except as required by applicable laws, Chalice assumes no obligation and disclaims any intention to update or revise any forward-looking information and statements herein or to update the reasons that actual events or results could or do differ from those projected in any forward looking information and statements herein, whether as a result of new information, future events or results, changes in the CCAA proceeding or otherwise, except as required by applicable laws.

The Canadian Securities Exchange has not reviewed, approved or disapproved the content of this news release.

For more information regarding the Company's CCAA Proceeding

A copy of the Initial Order and other information will be available on the Monitor's website at www.ksvadvisory.com/experience/case/chalice-brands-ltd.

Additional enquiries for the Monitor may be directed to:

KSV Restructuring Inc.

In its capacity as Court-appointed Monitor of Chalice Brands Ltd.

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