

# CHALICE™

— BRANDS LTD —

## NEWS RELEASE

### **Chalice Brands Ltd. Acquires Cannabliss & Co. Retail Chain from Acreage Holdings Inc., Increasing Retail Footprint to 16 Stores in Oregon**

**Portland, OR – September 16, 2021** – 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, has entered into an asset purchase agreement and a services agreement effective September 16, 2021 (the “Agreement”) to acquire four retail stores branded Cannabliss & Co. from Acreage Holdings, Inc. (“Cannabliss”), located in Portland, Eugene, and Springfield, Oregon for total consideration of US\$6.5 million (less US\$500,000 working capital surplus required to be left by the seller) or 0.8 times FY 2020 annualized revenue. With the Cannabliss acquisition, Chalice strengthens its customer base in the Oregon market, while also significantly increasing vertical margin contribution through the distribution of its Bald Peak flower, Chalice, Private Stash, RXO, and Elysium Fields branded products into the Cannabliss stores. The closing of the transaction is subject to approval by the OLCC (“Oregon Liquor and Cannabis Commission”) and the satisfaction of other closing conditions.

“This is a fantastic opportunity for Chalice to edge closer to our goal of achieving our targeted market share in the state of Oregon while entering the Eugene market, and immediately enables the deployment of our Chalice products to more stores. Adding the Cannabliss retail stores increases our footprint from twelve to sixteen stores, represents nearly a 130% increase in retail footprint for this year alone. The Cannabliss team has done a tremendous job in Portland, Eugene, and Springfield, Oregon in building historic businesses and a strong reputation for friendly customer service – exactly aligned with what Chalice looks for in a partner. We look forward to working with their team as we continue to expand our reach and increase product availability in the market,” said Jeff Yapp, President and Chief Executive Officer of the Company.

#### **Transaction Highlights:**

- Under the terms of the Asset Purchase Agreement (“APA”), Chalice will acquire the assets of the four Cannabliss retail dispensaries for total consideration of US\$6.5 million, consisting of US\$250,000 cash payment at the time of signing, offset by working capital surplus of US\$500,000, plus a 10-month secured promissory note for US\$6.25 million carrying interest of 6% for the first five months, 10% for the remaining five months, if necessary.
- Under the terms of the Services Agreements, immediately upon signing, Chalice contracts to operate the retail stores including staffing, pricing, and procurement which allows Chalice to deploy its world class retail management best practices and immediately boost top line, bottom line, and restore lost market share as well as optimize vertical margin contribution.
- Cannabliss lost market share and momentum during the COVID crisis, providing the opportunity to turn around performance under the guidance of Chalice’s leadership team and its retail expertise.
- Oregon dispensaries include two in Portland, one in Eugene, and one in Springfield. Two of the store locations are in buildings that are on the national registry of historic places – Sorority House

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in Eugene and Firestation 23 in Portland. The Firestation 23 location was the first adult use dispensary to open in the city of Portland and was Oregon's first medical marijuana dispensary.

- Chalice retail footprint increases from twelve to sixteen stores in Oregon, making this nearly a 130% increase in the current fiscal year. Cannabliss is expected to carry Chalice Brands products immediately upon commencement of services agreements providing the opportunity to increase total gross margins gradually from approximately 42% to at least 52% within a year. Vertical sales of Chalice branded products are expected to be approximately 25% of products sold within a year.

“This deal structure demonstrates our disciplined approach to capital allocation, as we avoid dilution while growing both our top line and profitability. The positive cash flow generated by this acquisition will partially fund the deferred payment, providing an immediate opportunity to enhance value for Chalice shareholders. With the addition of these four retail assets, Chalice continues to cement our leadership position in Oregon as we execute on our stated market share objectives for 2021,” noted John Varghese, Executive Chairman of the Company.

## **Chalice Brands Ltd.**

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

## **Investor Relations:**

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*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.*