



May 22, 2023

**Pre-Filing Report of
KSV Restructuring Inc.
as Proposed CCAA Monitor of
Chalice Brands Ltd.**

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COURT FILE NO.: _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CHALICE BRANDS LTD.**

**PRE-FILING REPORT OF KSV RESTRUCTURING INC. AS
PROPOSED MONITOR**

MAY 22, 2023

1.0 Introduction

1. KSV Restructuring Inc. ("KSV") understands that Chalice Brands Ltd. ("Chalice" or the "Applicant") intends to make an application to the Ontario Superior Court of Justice (Commercial List) (the "Court") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), for an initial order (the "Initial Order") granting, among other things, protection under the CCAA and appointing KSV as the CCAA monitor (in such capacity, the "Monitor").
2. Substantially all of Chalice's value is derived through its equity interests in its direct and indirect subsidiaries in the United States ("U.S.") (together with Chalice, the "Chalice Group"). As a result, concurrent with the commencement of this proposed CCAA proceeding, Chalice has commenced proceedings (the "Receivership Proceedings") in the State of Oregon to have the following Chalice subsidiaries placed into state receivership: Greenpoint Oregon, Inc. ("Greenpoint Oregon"), CFA Retail, LLC ("CFA Retail"), Greenpoint Equipment Leasing, LLC ("Greenpoint Equipment Leasing"), SMS Ventures, LLC ("SMS Ventures") and CF Bliss LLC ("CFB") (collectively, the "Oregon Subsidiaries"). KSV understands that should an order appointing a receiver over the Oregon Subsidiaries be granted, that order would include a stay of proceedings in the State of Oregon against those entities and their property.
3. The affidavit of Scott Secord sworn May 22, 2023 in support of the CCAA application (the "Secord Affidavit"), provides, among other things, Chalice's background, including the reasons for the commencement of this CCAA proceeding and background in respect of the Oregon state receivership. Mr. Secord is a director of Chalice and his personal corporation, Cardinal Advisory Services Inc., serves as Chief Restructuring Officer ("CRO").

4. The principal purpose of this CCAA proceeding is to create a stabilized environment to ensure the corporate group can continue going-concern operations while Chalice, the CRO and the Monitor pursue a coordinated going-concern sale of the Chalice Group's assets.
5. If the Court grants the relief set out in the Initial Order, the Court materials filed in this proceeding will be made available by KSV on its website at <https://www.ksvadvisory.com/experience/case/chalice-brands-ltd>.
6. KSV is filing this report ("Report") as proposed Monitor. If the Initial Order is granted by the Court, the Monitor will file a subsequent report to the Court in respect of the relief to be sought by the Applicant at the next hearing in this proceeding to be held within 10 days of the Initial Order (the "Comeback Hearing").

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide KSV's qualifications to act as Monitor;
 - b) provide certain background information about the Chalice Group;
 - c) report on Chalice's cash flow projection for the period May 22, 2023 through to August 18, 2023 (the "Cash Flow Forecast");
 - d) discuss the rationale for including the following provisions in the Initial Order:
 - i. extending the benefit of the stay of proceedings to Chalice's direct subsidiary Greenpoint Holdings Delaware, Inc. ("Greenpoint Holdings") and each of its indirect, wholly-owned subsidiaries (the "Non-Filing Affiliates"). A list of the names of the Non-Filing Affiliates is set out in Appendix "A"; and
 - ii. a charge in the amount of CAD \$400,000 on the Applicant's current and future assets, property and undertaking to secure the fees and disbursements of the Applicant's legal counsel, as well as the fees and disbursements of the Monitor and its independent counsel (the "Administration Charge"); and
 - e) recommend that this Court grant the relief sought by Chalice in its CCAA application materials.

1.2 Restrictions

1. In preparing this Report, KSV has relied upon the unaudited financial information and books and records of the Chalice Group, discussions with its management ("Management"), discussions with its counsel and discussions with the CRO.

2. KSV has not audited, or otherwise attempted to verify, the accuracy or completeness of the financial information relied on to prepare this Report in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, KSV expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Applicant’s assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. KSV expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

1.3 Currency

1. Unless otherwise noted, all currency references in this Report are in U.S. dollars.¹

1.4 KSV’s Qualifications to Act as Monitor

1. KSV is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). KSV is not subject to any of the restrictions to act as monitor set out in Section 11.7(2) of the CCAA on who may be appointed monitor.
2. KSV has consented to act as Monitor in this proceeding should the Court grant the Initial Order. A copy of KSV’s consent to act as Monitor is attached to the Second Affidavit.
3. KSV has experience acting as CCAA monitor and other court officer capacities in formal insolvency proceedings, including CCAA proceedings, in various industries, including the cannabis industry. In addition, KSV has been involved with the Applicant’s plans and preparations for this filing for the last several weeks and during that time has obtained an understanding of Chalice’s financial and operational challenges. This knowledge will assist KSV to fulfil its duties as Monitor.

2.0 Background

1. Chalice was incorporated on April 12, 2011 as Longacre Resources Inc. (“Longacre”) under the *Business Corporations Act* (British Columbia). On October 6, 2015, Longacre was continued under the *Business Corporations Act* (Ontario) (“OBCA”) as Golden Leaf Holdings Ltd. (“Golden Leaf”) and completed a reverse take-over with Golden Leaf Holdings Inc.² (“GLHI”). Pursuant to the reverse take-over, Golden Leaf acquired all of the issued and outstanding shares of GLHI. On May 25, 2021, Golden Leaf officially changed its name to Chalice Brands Ltd.

¹ All Canadian dollar amounts are converted into U.S. dollars using the Canadian to U.S. dollar exchange rate on May 22, 2023 of USD0.74/CAD1.

² GLHI was incorporated on April 8, 2014 under the OBCA.

2. Chalice is a public company. On May 6, 2022, the Ontario Securities Commission issued a cease trade order as a result of a delay by Chalice in filing its audited financial statements and associated materials for its fiscal year ending December 31, 2021. Until the issuance of the cease trade order, the common shares of Chalice traded on the Canadian Securities Exchange under the trading symbol “CHAL” as well as over the counter on the OTCQX® operated by OTC Markets Group Inc. under the trading symbol “CHALF”. As of May 22, 2023, the cease trade order remains in place and Chalice has neither made its 2021 Annual Filings nor filed audited financial statements and associated materials for the fiscal year ending December 31, 2022.
3. Chalice is the ultimate parent company of the Chalice Group. The corporate chart for the Chalice Group is provided in Appendix “B”.

2.1 Operations

1. The Chalice Group is a vertically integrated cannabis company that grows, processes, distributes and sells cannabis and cannabis products, operating within the Oregon adult-use regulated market, primarily through its main operating subsidiaries, Greenpoint Oregon, CFA Retail, SMS Ventures (dba Homegrown Oregon) and CFB.
2. The Chalice Group has approximately 134 full-time employees and 37 part-time employees, all of whom work in the United States and are employed by Greenpoint Workforce, Inc. (“GWI”). Chalice does not employ any individuals in Canada.
3. The Chalice Group’s Oregon operations, *inter alia*, include:
 - a) the operation of a cultivation facility located outside of Portland, Oregon called Bald Peak. All of Bald Peak’s agricultural output is sold through the Chalice Group’s retail stores;
 - b) the operation of two processing and extraction locations in Clackamas, Oregon, southeast of Portland;
 - c) the operation of 16 retail stores in Oregon: 14 operate under the flagship dispensary banner “Chalice Farms”, one under the banner “Cannabliss and Co” and one under the banner “Left Coast Connections”;
 - d) production and wholesale distribution of edible products; and
 - e) the distribution of branded products to the Chalice Group’s retail stores and other retailers in the Oregon wholesale market.
4. The Bald Peak cultivation facility, 16 retail stores and 4 production facilities are all leased properties. Chalice has guaranteed certain of these leases.

2.2 Assets and Liabilities

1. Chalice's significant assets consist of cash totalling \$1.2 million and intercompany receivables totalling approximately \$109.7 million³.
2. Chalice's principal liabilities consist of outstanding debt under three notes and two series of unsecured debentures with an aggregate outstanding principal amount of approximately \$10 million.
3. Information concerning the Non-Filing Affiliates' assets and liabilities and further information in respect of the Chalice Group's background is provided in the Second Affidavit. This information is not repeated in this Report.

3.0 Cash Flow Forecast

1. Chalice has prepared the Cash Flow Forecast for the period from the week ending May 22, 2023 to the week ending August 18, 2023 (the "Period"). The Cash Flow Forecast and the Applicant's statutory report on the cash flow pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "C".

(unaudited; USD 000s)	May 22 – August 18
Advances to subsidiary	1,500
Disbursements	
Professional fees	(900)
Sundry expenses	(130)
Net Cash Flow	470
Opening Cash Balance	1,167
Net Cash Flow	470
Closing Cash Balance	1,637

2. The Cash Flow Forecast reflects that, provided the ERTC's (as defined below) are received, Chalice is not anticipated to require a debtor-in-possession facility. Chalice currently has a bank balance of \$1.2 million, which funds, in addition to anticipated receipts, will be used to fund Chalice's operations during this CCAA proceeding.
3. As set out in the Second Affidavit, in March 2020, U.S. Congress passed the *Coronavirus Aid, Relief and Economic Security (CARES) Act* which, among other things, created a new employee retention tax credit (the "ERTCs") for private employers carrying on a trade or business who had closed, partially closed or had experienced significant revenue losses as a result of COVID-19. The ERTCs are a refundable tax credit created to encourage employers to keep their employees on the payroll during certain quarters in 2020 and 2021 affected by the pandemic.
4. For the years 2020 and 2021, GWI, an indirect subsidiary of Chalice, claimed ERTCs. To date, GWI has received \$2,700,000 worth of ERTCs and anticipates receiving another \$2,300,000 of ERTCs (the "Second Tranche") in the near term.

³ Represents amounts owing as of December 31, 2021, being the date of Chalice's most recent draft financial statements.

5. On or about May 12, 2023, GWI made a payment of \$1,450,000 to Chalice as partial repayment of its intercompany debt of approximately \$4 million, which Chalice intends to use to fund this CCAA proceeding. KSV understands that, aside from Chalice, GWI's only other creditors are three bridge lenders (the "Bridge Lenders") that advanced GWI approximately \$831,250 in aggregate (together the "Bridge Loans") to fund working capital requirements until GWI received the ERTCs from the Internal Revenue Service. KSV further understands, based on discussions with the CRO, that the Bridge Lenders will be repaid during the course of the CCAA proceeding. The receipts in the Cash Flow Forecast represents the repayment of the intercompany debt from the collection of the Second Tranche of ERTCs less the repayment of the Bridge Loan.
6. Based on KSV's review of the Cash Flow Forecast, the assumptions appear reasonable. KSV's statutory report on the Cash Flow Forecast, filed as proposed Monitor, is attached as Appendix "D".

4.0 Relief Sought

4.1 Stay of Proceedings over Non-Filing Affiliates

1. The proposed Initial Order contemplates that Chalice obtains the benefit of the stay of proceedings over its Non-Filing Affiliates.
2. Chalice's insolvency puts the Non-Filing Affiliates and Chalice's investments in its subsidiaries in a highly vulnerable position. It would be detrimental to the Chalice Group's ability to successfully restructure if proceedings were commenced or enforcement actions taken against the Non-Filing Affiliates, which maintain the cannabis licences, operate the cultivation and production facilities, and operate the 16 retail stores.
3. Extending the benefit of the stay of proceedings over the Non-Filing Affiliates is also critical because, among other things, (i) Greenpoint Workforce acts as the only employer within the corporate group and funds payroll; (ii) the Non-Filing Affiliates hold the cannabis licences, operate the cultivation and production facilities, and operate the 16 retail stores; (iii) certain creditor and landlord-driven enforcement action is being pursued against certain of the Non-Filing Affiliates that may put the licenses at risk; (iv) the shares and membership interests of Chalice's operating subsidiaries are held by Greenpoint Holdings; and (v) failure to satisfy payroll is a director and officer liability, making it critical that there is no risk to Greenpoint Workforce being able to facilitate same. Extending the stay to the Non-Filing Affiliates will allow the Chalice Group to stabilize its operations and ensure a coordinated restructuring process.
4. If enforcement steps are taken against the Non-Filing Affiliates, it is expected to materially destroy value and negatively impact a going-concern sale of the Chalice Group's assets or business.

5. In consideration of the Receivership Proceedings, Chalice is seeking a carve out from the stay to allow the Receivership Proceedings to continue to a hearing and for an order to be made in respect thereof.
6. A stay of proceedings for the Non-Filing Affiliates will help maintain the status quo in order to afford the Chalice Group the greatest opportunity to maximize value for all of its stakeholders. As stated above, KSV understands that the Chalice Group operates as a vertically integrated business for which most key decision making is done through the parent company in Canada, and therefore the business and operations of the Non-Filing Affiliates are significantly intertwined with those of Chalice. As a result, the proposed stay of proceedings in favour of the Non-Filing Affiliates is in the best interests of Chalice and its stakeholders as the stay will protect Chalice's investments in its subsidiaries.
7. Accordingly, KSV believes that the relief sought in this regard is reasonable and in the best interests of Chalice and its stakeholders.

4.2 Administration Charge

1. Chalice is seeking the Administration Charge in an amount not to exceed CAD \$400,000 to secure the fees and expenses of the Monitor, its counsel, and Chalice's counsel.
2. The Administration Charge is a customary provision in an Initial Order in a CCAA proceeding - it is required by certain of the professionals engaged to assist a debtor company and to protect them in the event that the debtor is unable to pay professional fees and costs during the CCAA process.
3. Chalice requires the expertise of the beneficiaries of the Administration Charge. The beneficiaries will have distinct roles as between each other and from those professionals in the U.S. in the Chalice Group's restructuring efforts.
4. KSV believes that the Administration Charge is reasonable and appropriate in the circumstances given the services to be provided by professionals involved in this proceeding.

5.0 Creditor Notification

1. The proposed Initial Order requires the Monitor to:
 - a) publish without delay a notice in the national edition of *The Globe and Mail* newspaper containing the information prescribed under the CCAA; and
 - b) within five days of the issuance of the Initial Order to:
 - i. make the Initial Order publicly available in the manner prescribed under the CCAA;
 - ii. send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than CAD \$1,000 advising that the order is publicly available; and

- iii. prepare a list, showing the names and addresses of those creditors, and the estimated amounts of those claims, and make it publicly available in the prescribed manner.
2. If appointed Monitor, KSV will also post the Initial Order and all motion materials on its website in accordance with the Court's *E-Service Protocol*.

6.0 Comeback Hearing

1. If the Initial Order is granted, the Applicant intends to return to Court within ten days at the Comeback Hearing to seek the Court's approval of an amended and restated Initial Order which, *inter alia*, would:
 - a) extend the stay of proceedings;
 - b) seek relief from certain securities reporting obligations;
 - c) seek relief from the obligation to call and hold an annual meeting of Chalice's shareholders; and
 - d) approve the appointment of the CRO and the CRO's engagement letter.
2. At the Comeback Hearing, Chalice also intends to seek approval of an order approving the sale and investment solicitation process.

7.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (1)(e) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS PROPOSED MONITOR OF
CHALICE BRANDS LTD.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

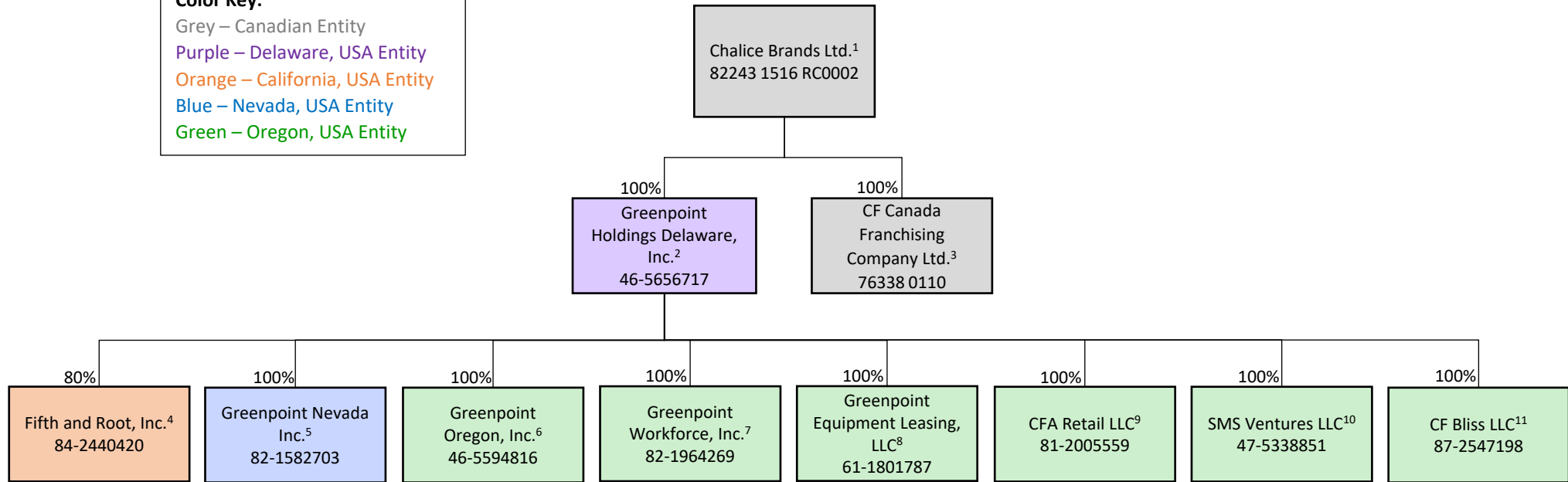
Appendix “A”

Non-Filing Affiliates:

1. Greenpoint Holdings Delaware Inc.
2. Fifth and Root, Inc.
3. Greenpoint Nevada Inc.
4. Greenpoint Oregon, Inc.
5. Greenpoint Workforce Inc.
6. Greenpoint Equipment Leasing, LLC
7. CFA Retail LLC
8. SMS Ventures LLC
9. CF Bliss LLC

Appendix “B”

Color Key:
 Grey – Canadian Entity
 Purple – Delaware, USA Entity
 Orange – California, USA Entity
 Blue – Nevada, USA Entity
 Green – Oregon, USA Entity



Notes:

1. Chalice Brands Ltd. – Publicly traded holding company fka Golden Leaf Holdings Ltd.
2. CF Canada Franchising Company Ltd. – Non-active entity to be dissolved before 12/31/2023
3. Greenpoint Holdings Delaware, Inc. – Primary holding company in United States (U.S.)
4. Fifth and Root, Inc. – U.S. retail operations for CBD skincare line
5. Greenpoint Nevada Inc. – Nevada wholesale operation; also holds NevWa purchased assets
6. Greenpoint Oregon, Inc. – Oregon production and wholesale operations
7. Greenpoint Workforce, Inc. – Administers payroll/benefits to U.S. operating subsidiaries
8. Greenpoint Equipment Leasing, LLC – Owns/leases capital equipment for U.S. operations
9. CFA Retail LLC – Chalice retail operations in Oregon
10. SMS Ventures LLC – Homegrown retail operations in Oregon
11. CF Bliss LLC – Cannabliss & Co. retail operations in Oregon



Appendix “C”

Chalice Brands Ltd. (the "Company")
Projected Statement of Cash Flow
For the Period Ending August 18, 2023
(Unaudited; \$USD)

<i>Week #</i>		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>13</i>	
<i>Week Ending Date</i>	<i>Notes</i>	26-May-23	2-Jun-23	9-Jun-23	16-Jun-23	23-Jun-23	30-Jun-23	7-Jul-23	14-Jul-23	21-Jul-23	28-Jul-23	4-Aug-23	11-Aug-23	18-Aug-23	Total
<i>Receipts</i>															
Advances from subsidiary	2	-	-	-	-	1,500,000	-	-	-	-	-	-	-	-	1,500,000
<i>Disbursements</i>															
Professional fees	3	-	(300,000)					(300,000)				(300,000)			(900,000)
Sundry expenses		(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(130,000)
<i>Total Disbursements</i>		(10,000)	(310,000)	(10,000)	(10,000)	(10,000)	(10,000)	(310,000)	(10,000)	(10,000)	(10,000)	(310,000)	(10,000)	(10,000)	(1,030,000)
Net Cash Flow		(10,000)	(310,000)	(10,000)	(10,000)	1,490,000	(10,000)	(310,000)	(10,000)	(10,000)	(10,000)	(310,000)	(10,000)	(10,000)	470,000
Opening Cash Balance		1,167,470	1,157,470	847,470	837,470	827,470	2,317,470	2,307,470	1,997,470	1,987,470	1,977,470	1,967,470	1,657,470	1,647,470	1,167,470
Net Cash Flow		(10,000)	(310,000)	(10,000)	(10,000)	1,490,000	(10,000)	(310,000)	(10,000)	(10,000)	(10,000)	(310,000)	(10,000)	(10,000)	470,000
Closing Cash Balance		1,157,470	847,470	837,470	827,470	2,317,470	2,307,470	1,997,470	1,987,470	1,977,470	1,967,470	1,657,470	1,647,470	1,637,470	1,637,470

Notes to Projected Statement of Cash Flows

For the Period Ending August 18, 2023

(Unaudited; \$USD)

Purpose and General Assumptions

1. The purpose of the projection is to present a cash flow forecast of the Company for the period May 22, 2023 to August 18, 2023 (the "Period") in respect of the proceedings under the Companies' Creditors Arrangement Act ("CCAA"). The cash flow forecast assumes that the Company files for protection under the CCAA on May 22, 2023.

The cash flow projection has been prepared based on most probable assumptions.

Hypothetical

2. Represents the repayment of an intercompany loan by Greenpoint Workforce Inc. ("GWI"). GWI is expected to be able to repay the loan with ERTC proceeds. ("GWI"). The balance of the ERTC proceeds are expected to be used to satisfy certain bridge loans provided to GWI in 2022.

Most Probable

3. Represents fees and disbursements of the Company's legal counsel, the Monitor and the Monitor's legal counsel. The CRO has received a retainer for three months of its fees.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c.C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CHALICE BRANDS LTD.**

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)

The management of Chalice Brands Ltd. (the "Applicant") has developed the assumptions and prepared the attached statement of projected cash flow as of the 22nd day May, 2023 for the period May 22, 2023 to August 18, 2023 ("Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 22nd day of May, 2023.

CHALICE BRANDS LTD.

Scott Secord

Per: Scott Secord, Chief Restructuring Officer

Appendix “D”

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c.C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CHALICE BRANDS LTD.**

MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash-flow of Chalice Brands Ltd. (the "Applicant"), as of the 22nd day May, 2023, consisting of a weekly projected cash flow statement for the period May 22, 2023 to August 18, 2023 ("Cash Flow") has been prepared by the management of the Applicant for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management and employees of the Applicant. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, Ontario this 22nd day of May, 2023.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF
CHALICE BRANDS LTD.
AND NOT IN ITS PERSONAL CAPACITY**

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE BRANDS LTD.

Court File No.:

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

PRE-FILING REPORT OF THE PROPOSED MONITOR

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