



CannaRoyalty Announces Merger with RVR – a Licensed California Cannabis Operator – to Create Leading Cannabis Distributor in California

- *Acquisition of RVR, and operational consolidation with Alta Supply (closed today) will give CannaRoyalty reach into vast majority of licensed California dispensaries and access to top cannabis consumer brands and products in California*
- *Distribution is a vital segment of the highly regulated California cannabis industry: all licensed dispensaries in California are required to source products exclusively through licensed distributors, and distributors act as gatekeepers, with responsibility for product testing and safety as well as state tax collection*
- *RVR generated US\$25.4 million in revenue in fiscal 2017⁽¹⁾. Combined with Alta Supply, CannaRoyalty-related distributors generated US\$31.9 million in combined fiscal 2017 revenue⁽¹⁾*

Ottawa, Canada – March 27, 2018 – CannaRoyalty Corp. (CSE: CRZ) (OTCQX: CNNRF) (“CannaRoyalty” or the “Company”) today announced the acquisition of 100% of River Distribution and its affiliates (“RVR”) (the “**Acquisition**”). RVR represents a number of leading California brands sourced from across the state. Led by experienced executives Ted Simpkins (Founder & CEO) and Henry Pilger (Founder & CFO), RVR has rapidly become a leading cannabis distributor and market leader in California. Mr. Simpkins is a highly regarded career distribution executive in California, with over 40 years’ experience as an Executive VP of Southern Wine and Spirits – California’s largest wine and spirit distributor. Following closing, Mr. Simpkins will be recommended for election as a director of the Company, and Mr. Pilger and the RVR team will be joining CannaRoyalty’s rapidly growing California operation.

“The RVR and CannaRoyalty teams have already worked closely together for the past year. We are confident that the consolidation of RVR with Alta Supply will position us as a leader in the world’s largest regulated cannabis distribution system, in California,” said Marc Lustig, CEO of CannaRoyalty. “Our extensive distribution network in California makes us an ideal partner for brands that are looking to grow in California at scale. And a carefully selected portfolio of manufacturing partners also make us a superior partner for dispensaries seeking one-stop access to a full spectrum of top products and brands, in an efficient and cost-effective manner. Today’s news is a major milestone on CannaRoyalty’s journey to building a global cannabis consumer product platform through consolidation of its existing holdings with some of California’s leading operators. We welcome the RVR team to CannaRoyalty and look forward to working more closely together in the coming months and years.”

Ted Simpkins, CEO of River Distribution added, “Having built a substantial distribution company within the alcohol space in California, I am highly confident that distribution will become one of the most valuable and integral components of the cannabis value chain as the adult-use market matures over the next several years. CannaRoyalty has been an exceptional partner to RVR and it is clear to me that its growing team has the right mix of talent and assets to enable us to continue to meaningfully grow our already leading network.”

RVR – Further Information

- RVR has two licensed facilities in California
- Licensing:
 - Temporary Cannabis Distribution License (Type 11 – Recreational)
 - Temporary Cannabis Distribution License (Type 11 - Medical)
- In fiscal 2017, River Distribution generated⁽¹⁾ US\$25.4 million in revenue

RVR – Transaction Details

- Binding term sheet for the acquisition of 100% of the equity of River Distribution and its affiliates
- Consideration:
 - Base Consideration: 5,000,000 CannaRoyalty common shares (“CR Shares”) (the “Base Consideration”), with 1,650,000 of such shares subject to operational milestones
 - Additional Consideration: 2,000,000 CR Shares, subject to the successful completion by RVR of financial milestones to be agreed on by the parties
 - All consideration will be in CR Shares and issued in installments
- Expected Closing Date: By the end of Q2 2018. Closing is subject to conditions, including receipt of any required approvals and satisfactory completion of due diligence.

California Cannabis Market

California is the largest cannabis market in the world with annual sales of approximately US\$2.8 billion in 2016,⁽²⁾⁽⁵⁾ which only includes sales of products in the medical marijuana market. In consideration of the legalization of a full, adult recreational cannabis market in California in January 2018, sales are forecast to grow to over US\$6.8 billion by 2021 and vaporizer products are expected to account for 15% or over one billion dollars of the total. This represents a compound annual growth rate of 54% between 2017 and 2021⁽³⁾⁽⁵⁾. Concentrates and edibles accounted for over 46% of retail cannabis sales in California in 2017. Edibles, with a category share of 22%, are forecast to grow by 117% in 2018 while Concentrates at 24%, are projected to grow by 135%.⁽⁵⁾⁽⁶⁾

About CannaRoyalty

[CannaRoyalty](#) is an active investor and operator in the legal cannabis industry. Our focus is building and supporting a diversified portfolio of growth-ready assets in high-value segments of the cannabis sector, including research, consumer brands, devices and intellectual property. Our management team combines a hands-on understanding of the cannabis industry with seasoned financial know-how, assembling a platform of holdings via royalty agreements, equity interests, secured convertible debt, licensing agreements and its own branded portfolio. CannaRoyalty’s shares trade on the Canadian Stock Exchange (CSE) under the symbol [CRZ](#) and internationally on the OTCQX under the symbol [CNNRF](#).

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Forward Looking Statements

Statements in this news release that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed here and elsewhere in CannaRoyalty's periodic filings with Canadian securities regulators. When used in this news release, words such as "will, could, plan, estimate, expect, intend, may, potential, believe, should," and similar expressions, are forward-looking statements.

Forward-looking statements may include, without limitation, statements relating to the Acquisitions, the execution of the Company's strategy, new opportunities, future growth and other statements.

Although CannaRoyalty has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in the forward-looking statements, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended, including, but not limited to: dependence on obtaining regulatory approvals; investing in target companies or projects that are engaged in activities currently considered illegal under US federal law; changes in laws; limited operating history; reliance on management; requirements for additional financing; competition; hindering market growth and state adoption due to inconsistent public opinion and perception of the medical-use and adult-use marijuana industry and; regulatory or political change.

There can be no assurance that such information will prove to be accurate or that management's expectations or estimates of future developments, circumstances or results will materialize. As a result of these risks and uncertainties, the results or events predicted in these forward-looking statements may differ materially from actual results or events.

Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release are made as of the date of this release. CannaRoyalty disclaims any intention or obligation to update or revise such information, except as required by applicable law, and CannaRoyalty does not assume any liability for disclosure relating to any other company mentioned herein.

- 1 Fiscal 2017 revenue, based on unaudited financial statements. US\$31.9 million represents: US\$25.4 million for RVR and US\$6.5 million for Alta Supply.
- 2 According to *New Frontier Data*, California has the world's largest cannabis market with annual sales in 2016 of \$2.8 billion.
- 3 Brightfield Group.
- 4 Bureau of Cannabis Control California, <http://www.bcc.ca.gov/>

- 5 Note that California market-related information provided in this press release is indicative only. Because of the historically illicit nature of the recreational market, data is difficult to obtain and verify.
- 6 Brightfield Group & BDS Analytics