



Origin House Announces Record Quarterly Revenue of \$21.4 million for the Second Quarter of 2019; Sequential Growth of 91% from Q1 2019

Ottawa, Canada – August 28, 2019 - [CannaRoyalty Corp. d/b/a Origin House](#) (CSE: OH) (OTCQX: ORHOF) (“Origin House” or the “Company”), a North American cannabis products and brands company today announced its financial results for the three and six-month periods ended June 30, 2019. All figures are reported in Canadian dollars (\$), unless otherwise indicated. Origin House’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

For a more comprehensive overview of the Corporate and Financial highlights presented in this press release, please refer to Origin House’s *Management Discussion and Analysis of the Financial Condition and Results of Operations for the three and six months ended June 30, 2019*, and the Company’s *Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2019*, which will be filed on SEDAR by August 29, 2019.

Corporate Highlights for the second quarter ended June 30, 2019

- Entered into a definitive agreement to be acquired by Cresco Labs for approximately \$1.1 billion, forming one of the largest vertically integrated multi-state cannabis operators in the U.S.;
- Closed the acquisition of Cub City LLC (“Cub City”), adding expertise in the production of bespoke, exotic cannabis and a team that has produced for some of the top craft flower brands in California;
- Doubled FloraCal’s cultivation capacity in Sonoma County, California. Cultivation of ultra-premium cannabis began in the newly expanded space in July 2019;
- Began to distribute Cresco-branded products through Continuum in June 2019.

Corporate Highlights subsequent to the quarter ended June 30, 2019

- Entered into a binding term sheet agreement with Opaskwayak Cree Nation (“OCN”) for C\$12 million in debt financing;
- The Company’s subsidiary Trichome Financial (“Trichome”) and 22 Capital Corp. (“22 Capital”) announced the unanimous approval from their respective shareholders for their amalgamation that will result in a reverse take-over of 22 Capital by the shareholders of Trichome; and
- Closed the sale of its equity interest in Alternative Medical Enterprises LLC (“AltMed”) for proceeds of US\$6.0 million. The divestment of AltMed marks the completion of a key step toward the closing of the Company’s Arrangement with Cresco Labs.

Management Commentary

Marc Lustig, Chairman and CEO of Origin House commented, “I am very proud of the entire Origin House team for generating another quarter of record revenue growth, leveraging the California brand support and distribution platform we built over the past several years, to deliver results for shareholders. It speaks to the strength and maturity of our organization that we were able to increase our share of shelf in California while preparing to integrate with Cresco Labs. To that end, in this quarter, we successfully executed on the sale of Alternative Medical Enterprises LLC generating a 156% return on investment, our distribution division Continuum entered into a distribution agreement with Cresco and began distributing Cresco branded products across California, and we have made substantial progress on post-closing groundwork.”

Mr. Lustig continued, “In California, we have built a foundation that is capable of supporting a much larger business and expect to begin to drive significant operating leverage as we continue to grow revenue. With additional regulatory pressure on the illegal market in California, we expect 2020 to be a big year in the state. I am as confident as ever that the combination of Cresco Labs’ scale, expertise and brand portfolio with Origin House’s proven track record of leveraging our California-wide distribution footprint, is the best way for shareholders to participate in this growth. Together, we will be well-positioned to build a national, and one day, global house of brands.”

Update on Acquisition by Cresco Labs

As per the [previously announced](#) plan of arrangement pursuant to which Cresco Labs Inc. (“Cresco Labs”) will acquire all of the issued and outstanding shares of Origin House (the “Arrangement”). As [recently disclosed](#), in connection with the antitrust review by the United States Department of Justice Antitrust Division (the “DOJ”) pursuant to the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the Company and Cresco Labs received requests for additional information (“Second Requests”) from the DOJ. Both companies are in active discussions with the DOJ regarding the Second Requests and are confident that the Arrangement will be completed as planned.

Update on California Licensure

The Company also announced that its California distribution division, Continuum, has received a provisional state distribution license for its West Sacramento location from the California Bureau of Cannabis Control. This is the third such license issued to Continuum, and the ninth annual or provisional license received by an Origin House subsidiary. It also marks the completion of Origin House’s [previously announced](#) transition from temporary licensure to annual and provisional state licenses, which last a full year from issuance.

Financial Highlights for the second quarter ended June 30, 2019

The following are financial highlights of Origin House’s operating results for the three months ended June 30, 2019, compared to the three months ended June 30, 2018:

- Revenue was \$21.4 million as compared to \$3.5 million;

- Gross margin including gains on biological assets was \$4.4 million as compared to \$0.8 million;
- Operating expenses were \$23.5 million as compared to \$6.3 million;
- Loss from operations was \$19.0 million as compared to \$5.5 million;
- Net loss, driven by non-operating charges, was \$34.9 million as compared to net income of \$9.3 million;
- Adjusted EBITDA loss was \$21.0 million as compared to Adjusted EBITDA income of \$11.1 million.

The following non-operating factors increased the Company's Q2 net loss:

- In connection with the Arrangement with Cresco Labs, \$2.1 million in transaction costs were expensed as part of Selling, General and Administrative Expenses under Operating costs.
- Two non-cash, balance sheet adjustments arising out of the terms of the Arrangement with Cresco Labs (i.e. (i) the Sale of AltMed; (ii) the acceleration of the 180 Smoke acquisition contingent consideration) totaling \$13.4 million were recorded as part of Other expenses.

The following is a summary of key balance sheet items as at June 30, 2019, compared to December 31, 2018:

- Cash and cash equivalents were \$14.8 million as compared to \$69.2 million;
- Total assets of \$258.8 million as compared to \$230.7 million;
- Current assets of \$57.0 million as compared to \$86.0 million;
- Current liabilities of \$62.8 million as compared to \$26.2 million; and
- Long-term debt financing of nil as compared to \$16.0 million.

Results of Operations (Summary)

The following tables set forth consolidated statements of financial information for the three and six-month periods ended June 30, 2019 and June 30, 2018. For further information regarding the Company's financial results for these periods, please refer to the Company's *Management's Discussion and Analysis for the periods ended June 30, 2019 and June 30, 2018* and the Company's Financial Statements for the periods ended June 30, 2019, which will be published on Origin House's issuer profile on SEDAR at www.sedar.com and the Company's website at www.OriginHouse.com, by August 29, 2019.

	June 30 2019	December 31 2018	Change	% Change
Selected consolidated statement of financial position data				
Cash and cash equivalents	\$ 14,781,857	\$ 69,206,193	\$ (54,424,336)	(79%)
Restricted cash	8,248,598	-	8,248,598	
Working capital	(5,830,927)	59,810,772	(65,641,699)	(110%)
Total investments (1)	13,204,864	21,741,531	(8,536,667)	(39%)
Total assets	258,819,461	230,698,045	28,121,416	12%
Long term and convertible debt	-	16,026,098	(16,026,098)	(100%)
Shareholders' equity	162,953,361	172,972,132	(10,018,771)	(6%)
Dividend per share	-	-	-	

(1) This represents the sum of investments, royalty investments, and interests in equity accounted investees

	Three months ended June 30			Six months ended June 30		
	2019	2018	% change	2019	2018	% change
Consolidated statements of comprehensive (loss) income						
Revenue	\$ 21,376,203	\$ 3,511,466	509%	\$ 32,537,364	\$ 4,154,903	683%
Gross margin, excluding fair value items	3,897,982	820,935	375%	5,414,757	791,305	584%
Gross margin, including fair value items	4,438,020	820,935	441%	6,090,747	791,305	670%
Operating expenses	23,467,862	6,280,216	274%	41,698,296	10,760,230	288%
Loss from operations	(19,029,842)	(5,459,281)	249%	(35,607,549)	(9,968,925)	257%
Net (loss) income	(34,902,333)	9,298,488	(475%)	(52,336,613)	4,644,015	(1227%)
Other comprehensive (loss) income	(5,334,252)	698,464	(864%)	(5,853,957)	1,244,069	(571%)
Total comprehensive (loss) income	(40,236,585)	9,996,952	(502%)	(58,190,570)	5,888,084	(1088%)
Net (loss) income attributable to owners of the Company	(34,535,980)	9,200,127	(475%)	(51,672,286)	4,571,124	(1230%)
Net (loss) income per common share - basic	(0.47)	0.18	(361%)	(0.73)	0.10	(830%)
Net (loss) income per common share - diluted	(0.47)	0.17	(381%)	(0.73)	0.09	(933%)
Weighted average common shares - basic	73,821,839	51,560,197	43%	71,215,343	48,536,866	47%
Weighted average common shares - diluted	73,821,839	55,308,327	33%	71,215,343	52,462,527	36%

Liquidity

	June 30 2019	December 31 2018
Cash and cash equivalents	\$ 14,781,857	\$ 69,206,193
Liquid assets (1)	37,283,232	80,353,704
Quick ratio (2)	0.59	3.07
Working capital	(5,830,927)	59,810,772
Working capital ratio (3)	0.91	3.29
Convertible debt	-	16,030,312
Drawn against secured credit facility (4)	3,500,000	-
Secured credit facility available	8,500,000	12,000,000

(1) Liquid assets include cash, amounts receivable, and inventory

(2) Quick ratio is defined as liquid assets divided by current liabilities

(3) Working capital ratio is defined as current assets divided by current liabilities

(4) Drawn amount excludes commitment fee of \$600,000

Revenue by Type

	Three months ended			Six months ended		
	June 30, 2019	June 30, 2018	% Change	June 30, 2019	June 30, 2018	% Change
<i>California Operations segment</i>						
Product sales	\$ 16,911,449	\$ 3,110,617	444%	\$ 26,151,406	\$ 3,195,390	718%
Interest and other income	162,013	-	-	223,998	-	-
<i>Canadian Operations segment</i>						
Product sales	3,889,277	-	-	5,443,292	-	-
Royalties	67,063	-	-	78,329	-	-
Interest and other income	141,169	-	-	141,169	-	-
<i>Corporate segment</i>						
Services	27,053	238,344	(89%)	60,859	668,161	(91%)
Royalties	-	137,189	(100%)	-	256,247	(100%)
Interest and other income	2,947	21,754	(86%)	176,096	31,543	458%
<i>Trichome segment</i>						
Interest and other income	175,232	3,562	4820%	262,215	3,562	7262%
	\$ 21,376,203	\$ 3,511,466	509%	\$ 32,537,364	\$ 4,154,903	683%

Cost of Sales by Revenue Type

	Three months ended			Six months ended		
	June 30, 2019	June 30, 2018	% Change	June 30, 2019	June 30, 2018	% Change
<i>California Operations segment</i>						
Cost of product sales	\$ 14,787,607	\$ 2,378,378	522%	\$ 23,555,501	\$ 2,454,052	860%
<i>Canadian Operations segment</i>						
Cost of product sales	2,681,145	-	-	3,531,854	-	-
<i>Corporate segment</i>						
Cost of services	9,469	60,000	(84%)	18,214	269,023	(93%)
Cost of royalties	-	252,153	(100%)	17,038	640,523	(97%)
	\$ 17,478,221	\$ 2,690,531	550%	\$ 27,122,607	\$ 3,363,598	706%

Gross Profit by Revenue Type

	Three months ended			Six months ended		
	June 30, 2019	June 30, 2018	% Change	June 30, 2019	June 30, 2018	% Change
<i>California Operations segment</i>						
Product sales	\$ 2,123,842	\$ 732,239	190%	\$ 2,595,905	\$ 741,338	250%
Interest and other income	162,013	-	-	223,998	-	-
<i>Canadian Operations Segment</i>						
Product sales	1,208,132	-	-	1,911,438	-	-
Royalties	67,063	-	-	78,329	-	-
Interest and other income	141,169	-	-	141,169	-	-
<i>Corporate segment</i>						
Services	17,584	178,344	(90%)	42,645	399,138	(89%)
Royalties	-	(114,964)	(100%)	(17,038)	(384,276)	(96%)
Interest and other income	2,947	21,754	(86%)	176,096	31,543	458%
<i>Trichome segment</i>						
Interest and other income	175,232	3,562	4820%	262,215	3,562	7262%
	3,897,982	820,935	375%	5,414,757	791,305	584%
Realized fair value amount of inventory sold	(1,849,594)	-	-	(2,820,737)	-	-
Unrealized fair value gain on biological assets	2,389,632	-	-	3,496,727	-	-
Gross profit	\$ 4,438,020	\$ 820,935	441%	\$ 6,090,747	\$ 791,305	670%

Gross Margin by Type

	Three months ended			Six months ended		
	June 30, 2019	June 30, 2018	% Change	June 30, 2019	June 30, 2018	% Change
<i>California Operations segment</i>						
Product sales	13%	24%	(47%)	10%	23%	(57%)
Interest and other income	100%	-	-	100%	-	-
<i>Canadian Operations Segment</i>						
Product sales	31%	-	-	35%	-	-
Royalties	100%	-	-	100%	-	-
Interest and other income	100%	-	-	100%	-	-
<i>Corporate segment</i>						
Services	65%	75%	(13%)	70%	60%	17%
Royalties	-	(84%)	(100%)	-	(150%)	(100%)
Interest and other income	100%	100%	-	100%	100%	-
<i>Trichome segment</i>						
Interest and other income	100%	100%	-	100%	100%	-
	18%	23%	(22%)	17%	19%	(13%)
Effects on change in fair value of biological assets on gross margin	3%	-	-	2%	-	-
Gross margin	21%	23%	(11%)	19%	19%	-

Operating Expenses

	Three months ended			Six months ended		
	June 30, 2019	June 30, 2018	% Change	June 30, 2019	June 30, 2018	% Change
<i>California Operations segment</i>						
Sales and marketing	\$ 4,421,132	\$ 276,683	1498%	\$ 8,135,553	\$ 369,247	2103%
Research and product development	897,936	39,875	2152%	1,684,161	43,025	3814%
General and administrative	4,490,766	588,967	662%	8,721,080	799,966	990%
Amortization of intangibles	1,637,440	507,421	223%	3,154,344	661,064	377%
<i>Canadian Operations segment</i>						
Sales and marketing	1,591,513	-	-	2,198,855	-	-
General and administrative	1,033,108	-	-	1,340,671	-	-
Amortization of intangibles	278,402	-	-	403,836	-	-
<i>Corporate segment</i>						
Sales and marketing	48,114	935,445	(95%)	168,231	1,321,397	(87%)
Research and product development	-	35,570	(100%)	-	108,385	(100%)
General and administrative	8,244,385	3,697,403	123%	14,334,045	7,199,033	99%
Amortization of intangibles	-	21,646	(100%)	-	43,110	(100%)
<i>Trichome segment</i>						
Sales and marketing	1,028	6,938	(85%)	4,130	6,938	(40%)
General and administrative	824,038	170,268	384%	1,553,390	208,065	647%
Total	\$ 23,467,862	\$ 6,280,216	274%	\$ 41,698,296	\$ 10,760,230	288%

	Three months ended June 30			Six months ended June 30		
	2019	2018	% Change	2019	2018	% Change
Sales and marketing	\$ 6,061,787	\$ 1,219,066	397%	\$ 10,506,769	\$ 1,697,582	519%
Research and product development	897,936	75,445	1090%	1,684,161	151,410	1012%
General and administrative	14,592,297	4,456,638	227%	25,949,186	8,207,064	216%
Amortization of intangibles	1,915,842	529,067	262%	3,558,180	704,174	405%
Total	\$ 23,467,862	\$ 6,280,216	274%	\$ 41,698,296	\$ 10,760,230	288%

Non-IFRS Financial Measures

The Company has provided unaudited financial information. EBITDA and Adjusted EBITDA are non-IFRS measures and do not have standardized definitions under IFRS. The Company has provided the non-IFRS measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS measures should not be considered superior to, as a substitute to, and should only be considered in conjunction with, the IFRS financial measures presented herein.

Adjusted EBITDA

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
<i>Add (Subtract)</i>				
Net loss for the period	\$ (34,902,333)	\$ 9,298,488	\$ (52,336,613)	\$ 4,644,015
Depreciation of property and equipment	734,744	80,530	1,163,286	125,798
Amortization of intangible assets	1,915,842	537,306	3,558,180	704,174
Amortization of royalty investments	-	252,153	17,038	640,523
Amortization of right of use assets	784,621	-	1,315,573	-
Interest expense	1,458,849	341,293	2,635,109	661,283
Interest income	(361,249)	(25,316)	(645,447)	(35,105)
Current income taxes	288,946	115,898	198,505	116,332
Deferred income tax recovery	(1,127,296)	(176,090)	(1,388,269)	(7,277)
EBITDA	(31,207,876)	10,424,262	(45,482,638)	6,849,743
Recovery of convertible notes receivable	(186,704)	-	(186,704)	-
Post combination remuneration	203,071	-	380,324	-
Realized fair value amounts included in inventory sold	1,849,594	-	2,820,737	-
Unrealized fair value gain on growth of biological assets	(2,389,632)	-	(3,496,727)	-
Recovery on Achelois inventory	-	(441,370)	-	(441,370)
Impairment of loans receivable	470,095	-	470,095	-
Share-based compensation	688,842	1,092,235	1,361,162	3,032,278
Transaction costs on acquisitions	-	-	495,559	282,126
Cresco acquisition related costs	2,139,395	-	2,369,395	-
Revaluation of non-cash contingent consideration	6,463,136	-	6,463,136	-
Accelerated amortization of deferred financing fees	954,033	-	954,033	-
TOTAL ADJUSTED EBITDA	\$ (21,016,046)	\$ 11,075,127	\$ (33,851,628)	\$ 9,722,777
Weighted average number of common shares outstanding - basic	73,821,839	51,560,197	71,215,343	48,536,866
Weighted average number of common shares outstanding - diluted	73,821,839	55,308,327	71,215,343	52,462,527
ADJUSTED EBITDA per share - basic	(0.28)	0.21	(0.48)	0.20
ADJUSTED EBITDA per share - diluted	(0.28)	0.20	(0.48)	0.19

About Origin House

Origin House is a growing cannabis brands and distribution company operating across key markets in the U.S. and Canada, with a strategic focus on becoming a preeminent global house of cannabis brands. Origin House's California brand development platform is operated out of six licensed facilities located across California, and provides distribution, manufacturing, cultivation and marketing services for its brand partners. Origin House is actively developing infrastructure to support the proliferation of its brands internationally, initially in Canada through its acquisition of Canadian retailer 180 Smoke. Origin House's shares trade on the CSE under the symbol "OH" and on the OTCQX under the symbol "ORHOF". Origin House is the registered business name of CannaRoyalty Corp. For more information, visit www.originhouse.com.

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Disclaimer Regarding Financial Information

The financial information presented in this news release is based on unaudited management prepared financial statements for the three and six months ended June 30, 2019. Accordingly, such financial information may be subject to change. All financial information contained in this news release is qualified in its entirety with reference to the Company's unaudited financial statements for the second quarter ended June 30, 2019, which will be filed on SEDAR (www.sedar.com) by August 29, 2019. While the Company does not expect there to be any material changes to the financial information presented in this news release, to the extent that it is inconsistent with the information contained in the Company's unaudited financial statements for the second quarter ended June 30, 2019, the financial information contained in this news release shall be deemed to be modified or superseded by the Company's unaudited financial statements. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation for purposes of applicable securities laws. Further, the reader should refer to the additional disclosures in the Company's audited financial statements for the year ended December 31, 2018, previously filed on SEDAR.

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 Origin House'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 with respect to the satisfaction of conditions precedent to the closing of the Arrangement, the Company's ability to complete the Arrangement, the future growth and viability of the California cannabis market, the expected growth and performance of Origin House and/or Cresco Labs upon completion of the Arrangement, the expected return to shareholders resulting in the combination of Origin House and Cresco Labs, the ability of Origin House and Cresco Labs to build a global house of brands, the expected completion date of construction to FloraCal and Cub City facilities, the expected capacities of the FloraCal and Cub City facilities upon

construction completion, the Company's timing and process for expansion in Canada and globally, new opportunities, future growth other statements.

Although the Company 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. The Company disclaims any intention or obligation to update or revise such information, except as required by applicable law, and the Company does not assume any liability for disclosure relating to any other company mentioned herein.