



Origin House to Acquire Cub City - Craft Cannabis Production Facility and Operational Team - to Expand Brand Accelerator Program

- *Origin House has experienced strong demand for bespoke, exotic cannabis production capacity and related expertise, from both current and potential brand partners.*
- *The facility and experienced production team have cultivated product for some of the top craft flower brands in California, along with one of the state's prominent pre-roll brands.*
- *Purchase price of US\$7.025 million gives Origin House an experienced team, a 24,600 square foot facility with annual production capacity of up to 1,400 kg of ultra-premium flower, as well as proprietary production techniques.*

Ottawa, Canada – December 4, 2018 - CannaRoyalty Corp. d/b/a Origin House (CSE: OH) (OTCQX: ORHOF) (“Origin House” or the “Company”), a leading North American cannabis products and brands company, today announced that the Company has signed a binding term sheet to purchase and acquire certain business assets of California-based cannabis cultivator, Cub City LLC (“Cub City”) for total consideration of US\$7,025,000 (the “Acquisition”).

Afzal Hasan, President and General Counsel of Origin House commented, “This Acquisition was a logical next step for Origin House, led by the needs of our brand partners as we execute on our brand support and acceleration strategy. Access to bespoke third-party cultivation is critical for new flower brands that want an authentic brand promise from seed to consumption. The existing alternative for brands is to use undifferentiated and mass produced biomass available on the market. Cub City was co-founded by a team that included our partners Drew and Karen Duval of FloraCal. The facility and team have produced flower for some of the top packaged flower brands in California, as well as a prominent pre-roll brand. Furthermore, being just minutes away from our current Santa Rosa facility provides natural efficiencies and synergies. We are excited to continue growing our infrastructure and team to unlock further opportunities for growth that we have been cultivating with brand partners in California.”

Strategic Rationale

- *Attractive Valuation:* Origin House will pay US\$7.025 million to acquire a state-of-the-art craft cultivation facility (the “Facility”) with annual production capacity of up to 1,400 kg of ultra-premium flower, implying a purchase price of US\$5 per gram of funded capacity.
- *Expands Brand Acceleration Platform:* Both current and potential brand partners have highlighted desire for bespoke exotic cannabis cultivation. The Acquisition further expands Origin House’s brand support and acceleration platform and will allow the Company to close pipeline

opportunities with promising brands in California.

- *Experienced Team:* Cub City's experienced team will join Origin House, under the supervision of Origin House employees Drew and Karen Duval. This team will leverage its expertise and Cub City's proprietary production techniques into an ultra-premium flower and pre-roll offering for the Company's current and prospective brand partners.
- *Strategic Location:* The Facility is strategically located in close proximity to FloraCal's 62,000 sq. ft. facility. The additional 24,600 sq. ft. cultivation capacity will be focussed on third party cultivation.

Transaction Summary

Construction Loan Facility

- Under current Cub City management, the Facility is undergoing construction with an estimated completion date of March 31, 2019. Upon the completion of construction, the Facility will be composed of a two-storey building with 11,000 sq. ft of cultivation space, and 7,400 sq. ft of distribution, processing and packaging space in addition to 6,200 sq. ft of office space, storage and common area.
- Within 30 days, Origin House will provide a construction loan facility (the "Loan") to Cub City in an amount of up to USD\$1,700,000. Funds advanced under the Loan will bear simple interest at 12% per annum and mature two years from the date of the first advance. The Loan proceeds will be used for construction and equipment for the Facility.
- The Loan will be secured by a first-ranking security interest on all present and future assets of Cub City and guaranteed by each of the members of Cub City on certain conditions.

Acquisition

- The closing date for the Acquisition is projected to be March 31, 2019 (the "Closing Date"), when construction of the Facility is scheduled to be completed.
- Some of the key assets, among others, to be purchased in the Acquisition include:
 - i. Cub City's 20-year lease of the 24,600 sq. ft Facility; and
 - ii. A 5-year local permit to cultivate, process, package and distribute cannabis. On Closing, Origin House will also have access to two state licenses: (a) a cannabis Type 11 Distribution License; and (b) a Small Indoor Cultivation license that may be used for future operations.
- The total purchase price (the "Purchase Price") for the Acquisition assets shall be \$7,025,000 payable as follows:
 - i. Forgiveness of the principal and interest accrued under the Loan (the "Loan Balance");

- ii. \$3,525,000 less the Loan Balance, in immediately available funds on Closing Date;
- iii. \$3,500,000 on the one-year anniversary of the Closing Date ("Holdback Disbursement Date"). Cub City will have the option to receive the second payment in cash, shares of Origin House, or a combination of both but not less than 50% in shares.

Related Party Transaction

Pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"), the acquisition of Drew and Karen Duval's membership interests in Cub City constitutes a "related party transaction" as both Drew and Karen are senior officers of the Company. Accordingly, their interests were declared to the board of directors of the Company and the board has considered and approved the Acquisition. At the time the Acquisition was agreed to, the fair market value of the consideration payable by the Company was less than 25% of the market capitalization of the Company. As a result, the Company is relying on the exemptions from the minority shareholder and valuation requirements of MI 61-101 pursuant to Sections 5.5(a) and 5.7(a) of MI 61-101.

About Origin House

Origin House is a growing cannabis products and brands company operating across key markets in the U.S. and Canada, with a strategic focus on becoming a preeminent global house of cannabis brands. The Company's foundation is in California, the world's largest regulated cannabis market, where it delivers over 130 branded cannabis products to the majority of licensed dispensaries. Origin House's brand development platform is operated out of five licensed facilities located across California, and provides distribution, manufacturing, cultivation and marketing services for its brand partners. The Company is actively developing infrastructure to support the proliferation of its brands internationally, initially through its acquisition of Canadian retailer 180 Smoke. Origin House's shares trade on the Canadian Securities Exchange (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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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 relating to the Company's timing of the Loan and the Acquisition, Cub City's timing and process for construction to the Facility, the execution of the Company's strategy, the Company's timing and process for expansion in Canada and globally, timing for the Company's acquisition of 180 Smoke, new opportunities, future growth and 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.