



CannaRoyalty welcomes the transition of California into a full recreational adult-use cannabis market with the public market’s broadest disclosed exposure to California State Licenses

- *Kaya Management Inc., the manufacturer of Bhang® brand vaporizer products in California, has received California Temporary Cannabis Manufacturing License*
- *CannaRoyalty investee entities have numerous license applications in process*
- *Demand for recently commercialized Soul Sugar Kitchen™ products surged*

Ottawa, Canada – January 2, 2018 – CannaRoyalty Corp. (CSE: CRZ) (OTCQX: CNNRF) (“CannaRoyalty” or the “Company”), today welcomed the January 1st transition of the California market to a full recreational adult-use framework. California is already the largest cannabis market in the world with annual sales of approximately US\$2.8 billion in 2016.⁽¹⁾ It is expected to maintain its leading position globally, with sales forecast to grow to US\$5.2 billion in 2018⁽²⁾.

On December 30, 2017, Kaya Management Inc. (“Kaya”), which is the exclusive manufacturer and license holder of rights for Bhang® brand vaporizer products in California, received a Temporary Cannabis Manufacturing License (Type 6 – Medical). This temporary license enables Kaya to engage in commercial cannabis activity in the state of California, through its current facility in Oakland. As announced on November 28, 2017, CannaRoyalty has executed a binding term sheet to acquire Kaya.

CannaRoyalty-affiliated entities have filed a number license applications; some highlights regarding those entities and applications are provided below.

CannaRoyalty’s wholly-owned business unit CR Brands has experienced solid demand for its Soul Sugar Kitchen™ (“SSK”) and GreenRock Botanicals™ (“GRB”) lines into the end of 2017. Demand for SSK products grew strongly into year-end, as dispensaries ramped-up inventory in preparation for January 1st.

“January 1st marked the transition of the largest and most sophisticated cannabis market globally into a recreational adult-use market and CannaRoyalty is strongly positioned to benefit as this market grows over the next five years,” said Marc Lustig, CEO of CannaRoyalty. “With our proposed acquisitions of the manufacturer of Bhang® brand vaporizer products in California and Alta Supply Inc. (“Alta Supply”), we are in the process of adding significantly to our footprint in the state. Distribution is a competitive advantage to our brand portfolio and it is an area where we anticipate continued expansion. At the launch of the California recreational market, we have access to over 800 dispensaries California-wide, four proprietary brands in distribution, and through Alta Supply we will be the exclusive distributor for some of the best-known brands in global cannabis. 2018 is an exciting year for California and because CannaRoyalty is one of the best avenues for public market investors to gain exposure to the state, we expect it to be an exciting year for shareholders as well.”

⁽¹⁾ According to *New Frontier Data*, California has the world’s largest cannabis market with annual sales in 2016 of \$2.8 billion

⁽²⁾ Forbes, November 26, 2017 article *California Weed Entrepreneurs Will Make \$5.2B in 2018 With Almost No Banks to Put It In*

Dave Vautrin, President of CR Brands, added, “It is still early days, but we are very pleased with the uptake of our Soul Sugar Kitchen™ and GreenRock Botanicals™ lines, which have been picked up by 95 and 35 dispensaries so far, respectively. SSK has been in commercial distribution through River since October and in November and December we saw strong sell-through. The bulk of the US\$100,000 initial order we delivered to River has recently been picked up by MedMen™ to supply their four dispensaries in California, demonstrating the pent-up demand from retailers in the market. We remain focused on brand-building and uptake in the near-term, to maximize our exposure in this rapidly growing market and drive top-line performance.”

The following list identifies a few entities that CannaRoyalty has recently invested in that have applied for or received temporary medicinal or recreational licenses in California. Additional CannaRoyalty investees and affiliates are in the process of making applications.

- Kaya, as discussed above (to be 100% owned by CannaRoyalty);
- Zenco, which is 49% owned by Kaya, has applied for and received a Temporary Cannabis Manufacturing License (Type 6 – Medical);
- Alta Supply, which is a distributor of Bhang® vaporizer and Bhang® chocolate products, as well as products for over a dozen other well-known third-party cannabis companies throughout California has applied for a Temporary Cannabis Distribution License (Type 11 - Medical) (to be 100% owned by CannaRoyalty);
- Vista, which is 49% owned by Alta Supply, has applied for a Temporary Cannabis Distribution License (Type 11 - Medical); and
- River Collective (“River”), a leading cannabis distributor in California, has applied for and received a Temporary Cannabis Distribution License (Type 11 - Recreational) and a Temporary Cannabis Distribution License (Type 11 - Medical) for its West Sacramento facility, and applied for additional Type 11 licenses at its other facilities in California (CannaRoyalty has a royalty on River’s net sales along with a preferred product distribution arrangement with a contractual purchase commitment for CR Brands products).

Over the next 12 months, the Company remains focused on three primary opportunities in California:

1. Continue to drive growth of CR Brands product portfolio and points of distribution through River and other distribution channels;
2. Make prudent acquisitions of promising products or leading brands; and
3. Increase commercial production and gradually drive efficiencies.

About GreenRock Botanicals™

Learn more about Green Rock Botanicals™ at <http://greenrockbotanicals.com>

The GreenRock Botanicals™ classic line starts with premium cannabis distillate oil, features a variety of flavour profiles including but not limited to Grape Ape, Pineapple Express, Platinum Cookies and Grand Daddy Purp, and is coupled with a best-in-class vape pen delivery system. The GreenRock Botanicals™ vape pen cartridge features a stainless-steel tip, a quartz glass tank with a ceramic wick and Kanthal coil, and the ability to regulate airflow. The combination of quality cannabis oil coupled with the premium delivery system provides the consumer with a distinctly rich vaping experience every time.

About Soul Sugar Kitchen™

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Learn more about Soul Sugar Kitchen™ at <http://soulsugar.kitchen>

The Soul Sugar Kitchen™ brand features delicious, award-winning, cannabis-infused edibles, which use premium quality distillate to ensure clean taste profiles. Soul Sugar Kitchen™ recipes celebrate the free, fun-loving spirit of the cannabis movement and are created with love by passionate, enthusiastic chefs. The initial line, which was recently launched in the California market, features: homemade peanut butter chocolate cups in Raspberry Jam and Milk Chocolate Crunch flavors; premium savory snack mix seasoned with BBQ or Parmesan Ranch; and a gourmet collection of Grape, Cherry and Raspberry jelly candies.

About CannaRoyalty

CannaRoyalty is an active investor and operator in the legal cannabis sector. 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.

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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 including the Company's expectations with respect to pursuing new opportunities and its future growth and other statements of fact.

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;

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investing in target companies or projects which have limited or no operating history and are engaged in activities currently considered illegal under US Federal Laws; 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.

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