



CannaRoyalty Executes Agreement for Manufacturing and Distribution Rights to Bhang® Edibles and Bhang® Concentrates in California

- *The Agreement also includes ROFR to license other Bhang® product categories in California*
- *Follows on CannaRoyalty's announcement of the acquisition of Kaya Management, the exclusive licensed manufacturer Bhang® brand vaporizer products in California¹*
- *Newly licensed Bhang product lines generated USD\$5.6 million in combined revenue in 2017*

OTTAWA, Feb. 22, 2018 /CNW/ - **CannaRoyalty Corp. (CSE: CRZ) (OTCQX: CNNRF)** ("CannaRoyalty"), a fully integrated, active investor and operator in the legal cannabis industry today announced the acquisition of the exclusive statewide manufacturing and distribution rights to Bhang® edibles and Bhang® concentrates in California (the "Agreement") (together, the "Product Lines"). The Agreement also includes a right of first refusal (the "ROFR") to license other future Bhang® products within the edibles and concentrates categories in California.

Concentrates and edibles are the fastest growing segments in the California cannabis industry, accounting 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%².

"The award-winning Bhang® edibles and concentrate lines are valuable additions to CannaRoyalty's growing suite of premium consumer products. These products have been sold for years and are actively in distribution in California through our prospective acquiree, Alta Supply," said Marc Lustig, CEO of CannaRoyalty. "The acquisition of exclusive license rights is expected to result in a substantial increase in throughput for our edible manufacturing operations in California. The Product Lines generated USD\$5.6 million in combined revenue last year purely based on brand loyalty and with relatively limited resources committed by the previous license holder. Pairing the existing brand awareness of Bhang® in the marketplace, with CannaRoyalty's product and marketing expertise, capital base and broad California distribution footprint, will position the Product Lines to drive meaningful growth."

Dave Vautrin, VP of Sales and Marketing for CannaRoyalty, added, "Our Chef Marcus, creator of our award-winning Soul Sugar Kitchen™ edibles brand, has been working in the Oakland facility operated by Kaya Management, the license holder for Bhang® vaporizers, to prepare it for Bhang® edible manufacturing. We've further reinforced our relationship with Kaya Management through this process and laid the final groundwork to pave the way for the closing of CannaRoyalty's acquisition of the business. The expansion into edibles is also a milestone in our progressively positive working relationship with Bhang® corporate. Bhang® is a world-renowned brand and our in-house product development team has been excited to execute on this opportunity to partner with master chocolatier Scott Van Rixel, CEO of Bhang® Corporation."

"CannaRoyalty has already made progress with Bhang® vaporizers and we are confident that they are the right partner to manufacture, distribute and grow our entire California portfolio," said Scott Van Rixel, CEO of Bhang®. "We have worked closely with CannaRoyalty and Chef Marcus, creator of Soul Sugar Kitchen™, to perfect our recipes for the California market. CannaRoyalty's ability to quickly and efficiently produce high quality California-compliant edibles products have positioned us well to commence manufacturing immediately. We look forward to integrating our California products under the CannaRoyalty banner to continue to drive synergies and grow in one of the most exciting cannabis markets globally."

Bhang® edibles and Bhang® concentrates are premium global brands. Bhang® remains one of the most awarded edibles brand globally, with over six Cannabis Cup wins, including first place for Best Edible at the inaugural High Times World Cannabis Cup in Kingston, Jamaica. The 2012 High Times cup win established Bhang® as a true global cannabis edibles champion and it has grown its reputation, since that time.

Bhang® edible products are currently distributed in Northern California through Alta Supply Inc. ("Alta"), which CannaRoyalty signed a binding term sheet to acquire on November 28, 2017¹. The Bhang Product Lines are available in most leading dispensaries in Northern California. The Company plans to transition the distribution of the Product Lines from the current distribution relationship in Southern California to CannaRoyalty investee RVR Distribution's ("RVR") distribution network of licensed dispensaries over the coming months.

The Agreement

The Agreement covers an initial period of five years, with a five-year renewal at CannaRoyalty's option. CannaRoyalty has agreed to pay USD\$100,000 as consideration for the license, comprised of \$25,000 in cash, up to \$50,000 in CannaRoyalty stock, and \$25,000 in pre-paid CannaRoyalty branding services, and also to pre-pay \$425,000 in royalties, through the issuance of up to USD\$325,000 in CannaRoyalty stock and the balance in cash. All stock-based payment will be priced based on the trailing 15-day VWAP of CannaRoyalty's common shares. As part of the Agreement, CannaRoyalty has agreed to deploy a minimum of USD\$1 million in the first two years of the license toward building the Product Lines in California and will pay a minimum of USD\$3.8 million in royalties to Bhang® based on a fixed percentage of gross revenues.

¹On November 28, 2017, CannaRoyalty executed binding term sheets to acquire Alta Supply Inc. ("Alta"), and Kaya Management Inc. ("Kaya") which is the exclusive manufacturer and license holder of rights for Bhang® brand vaporizer products in California.

²Source: Brightfield Group & BDS Analytics

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**.

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; 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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For further information: For further inquiries, please contact: Marc Lustig, info@cannaroyalty.com, 1-844-556-5070, www.cannaroyalty.com; Jonathan Ross, CFA, LodeRock Advisors Inc., jon.ross@loderockadvisors.com, 416-283-0178

CO: CannaRoyalty Corp.

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