

CannaRoyalty Subsidiary, Trichome, to Make Investment in and Form Strategic Relationship with 180 Smoke, a Leading Canadian Online and Retail Vaporizer Products Company

- Provides [180 Smoke](#) with growth capital and a strategic partner to build on leading Canadian retail (16 locations) and eCommerce (195,000 unique monthly visitors) Vaporizer Product platforms
- 180 Smoke will use some of the proceeds for retail cannabis dispensary applications across Canada
- CannaRoyalty and 180 Smoke to collaborate on bringing innovative cannabis products to the Canadian marketplace
- In anticipation of adult-use cannabis legalization in Canada, 180 Smoke provides CannaRoyalty with online and retail distribution pipeline for its growing product portfolio
- Profitable 5+ year operating history with 238% revenue CAGR between 2013 and 2017
- 5+ years of successful legal operating experience selling nicotine and cannabis vaporizer products while navigating a strict regulatory framework, which provides strong foundation for cannabis-focused business and differentiates 180 Smoke from earlier-stage Canadian cannabis retailer applicants

All financial figures in Canadian Dollars (\$) unless otherwise noted

OTTAWA, March 14, 2018 /CNW/ - **CannaRoyalty Corp. (CSE: CRZ)(OTCQX: CNNRF)** ("CannaRoyalty" or the "Company"), a fully integrated, active investor and operator in the legal cannabis industry, today announced that its subsidiary, **Trichome Yield Corp. ("Trichome")**, a value-add capital lender to the legal cannabis industry, has signed its first binding term sheet to provide up to \$2.5 million to 180 Smoke (the "Investee" or "180 Smoke"), to fund an expansion of its retail footprint (the "Financing") in anticipation of Canadian adult-use cannabis legalization.

The Financing will support 180 Smoke's retail and cannabis product offering expansion and prepare the company for entry into Canada's legal cannabis space, including the opening of 11 new stores and an expansion of the company's cannabis hardware offering, as well as an increase in related inventory. 180 Smoke and CannaRoyalty's subsidiary, CR Advisory, will work together to bring innovative cannabis products to the Canadian marketplace to support and complement 180 Smokes' further expansion into the Canadian cannabis retail space.

"Forming a relationship with leading Canadian omnichannel retail leader 180 Smoke ahead of adult use legalization represents a compelling and unique first deal for Trichome. It also presents CannaRoyalty shareholders with multiple paths to value creation," said Marc Lustig, CEO of CannaRoyalty. "180 Smoke's harm reduction platform has enabled the company to develop an authentic and responsible Canadian retail experience that has served Canadian cannabis consumers for years. This unique model makes them a stand-out – not just in Canada – but also positions them favorably against established cannabis retailers we have seen in the mature California market, where we have benefited from investing in and securing distribution pipelines into retail sales channels. With a substantial online presence, manufacturing facility and entrenched retail network, 180 Smoke is well-positioned to grow substantially into the Canadian retail cannabis space in the coming months and years. The financial terms of the Financing are attractive to both parties, providing responsible growth capital that is secured against a profitable business and offering CannaRoyalty shareholders the potential to own a piece of a rapidly growing distribution channel in the Canadian market, to complement our leading distribution network in California."

"We are pleased to join CannaRoyalty's growing international network. The Company has provided us with an all-in solution, including both capital and expertise, that will enable us to execute on the next phase of our strategic vision," adds Ashutosh Jha, President of 180 Smoke. "We also look forward to working closely with CannaRoyalty to build-out our cannabis strategy and bring some key CR Brands products into Canada. With coast-to-coast reach online and significant brand awareness among cannabis consumers, 180 Smoke is perfectly positioned to capture a significant portion of the Canadian cannabis and vaporizer market. Combined with our rapid retail roll-out model, the Financing will enable us to build a leading presence across Canada ahead of Canadian adult-use cannabis legalization."

180 Smoke was co-founded by world-renowned heart surgeon Dr. Gopal Bhatnagar, and is a leading, omni-channel vape products company with a head office in Ontario. [180smoke.ca](#) is the highest trafficked vaping website in Canada and currently attracts 64% of Canadian vape-related web traffic. The company is well-regarded and has helped to shape current and upcoming regulations by testifying before Municipal, Provincial & Federal committees as subject matter experts on Vaping Regulations. Some additional details about 180 Smoke:

- \$7.7 million in net sales in the trailing twelve-month period ended December 31, 2017;
- It currently has 16 retail stores in its network, including 14 in the Greater Toronto Area (GTA);
- 87% of net sales are derived from vape and nicotine-related products and 12% from cannabis vaporizer products;
- It has a capital and operationally efficient business model, where retail operations have typically become cash flow positive within three months and produce an independent EBITDA margin of 16-29% within the first 18 months;
- Exclusivity or ownership of over 12 hardware and e-juice brands;
- The only active franchise program in the industry in Canada, with three franchise stores so far; and
- It provides B2B distribution and services to more than 180 clients.

The Financing

180 Smoke will receive up to \$2.5 million from the Financing, with an initial investment of \$500,000 to be followed by additional investments up to the \$2.5 million maximum, subject to satisfactory due diligence and other customary conditions. The Financing will be secured against the assets of 180 Smoke. Further, 180 will issue warrants (the "Warrants") to acquire shares of 180 Smoke at a pre-determined exercise price for a three-year

term. The capital for the Financing will be advanced by Trichome and/or CannaRoyalty. Shareholders of 180 Smoke have been granted the right to exchange up to an aggregate of 2.0% of their 180 Smoke shares in exchange for CannaRoyalty shares in certain circumstances based on the closing price on the date prior to this announcement.

CR Advisory Agreement

CR Advisory will provide advisory services to 180 Smoke in relation to cannabis products, cannabis industry knowledge and retail opportunities. In addition, CR Advisory will consult with 180 Smoke on execution of planned expansion across Canada. The terms of these advisory services shall be developed by the parties as the Canadian regulations surrounding retail sales and cannabis products become clearer.

About 180 Smoke

[180 Smoke](#) is a leading Canadian vape product retailer that is considered the Gold Standard for vape store operations and customer service. 180 Smoke sells vape and nicotine-related products, vape parts and upgrades and recurring vape products to nicotine and cannabis users. 180 Smoke's vision is to become a multi-region, omni-channel, vertically integrated market leader servicing the end-to-end needs of Canadian nicotine and cannabis consumers.

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](#).

About Trichome

Trichome is a majority-owned subsidiary of CannaRoyalty and was formed to offer secured lending solutions to companies operating across the Canadian cannabis value chain. Trichome expects to offer a suite of simple asset-backed lending solutions to cannabis companies looking to fund: capital expenditures including the build out or expansion of existing facilities; the purchase of equipment and inventory; working capital to support growth; and other capital requirements. Trichome is focused primarily on addressing the largely underserved Canadian cannabis debt market and expects to expand to meet the needs of companies operating in fully legal international markets as those jurisdictions develop.

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.

SOURCE CannaRoyalty Corp.

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