

CannaRoyalty Announces Closing of Kaya and Alta Supply Acquisitions

Licensed California businesses generated approximately US\$11.5 million⁽¹⁾ in consolidated revenue in fiscal 2017

OTTAWA, March 27, 2018 /CNW/ - **CannaRoyalty Corp. (CSE: CRZ) (OTCQX: CNNRF)** ("**CannaRoyalty**" or the "**Company**") announced today that it has closed the previously announced acquisitions of Kaya Management Inc. ("**Kaya**") and Alta Supply Inc. ("**Alta Supply**") (together, the "**Acquisitions**"). With the closing of the Acquisitions, CannaRoyalty will assume the California operations of Kaya and Alta Supply. As previously disclosed, CannaRoyalty has already substantially increased the revenue potential of Kaya by securing the exclusive statewide manufacturing and distribution rights to Bhang[®] edibles ([acquired February 22, 2018](#)). Together, Alta Supply and the former manufacturers of Bhang[®] vaporizers and edibles generated approximately US\$11.5 million⁽¹⁾ in consolidated revenue in fiscal 2017.

Alta Supply – Further Information

- Alta Supply has a licensed distribution facility in Oakland, California, a city in the San Francisco Bay Area. CannaRoyalty has assumed the facility for distribution of cannabis products
- Licensing:
 - Alta Supply holds a Temporary Cannabis Distribution License (Type 11 – Medical)
- In fiscal 2017, Alta Supply's business generated⁽¹⁾:
 - US\$6.5 million in wholesale revenue (equates to approximately US\$13.0 million in retail sales)
 - US\$1.4 million in gross profit

Kaya – Further Information

- Kaya has a licensed manufacturing facility in Oakland, California. CannaRoyalty has assumed the facility and consolidated production of Bhang[®] and CR Brands products into this facility
- Kaya is now the exclusive California manufacturer of Bhang[®] edible and vaporizer product lines in California. Bhang[®] brand products are highly awarded and widely distributed cannabis branded products⁽²⁾
- Licensing:
 - Kaya holds a temporary Cannabis Manufacturing License (Type 6 – Medical)
- In fiscal 2017, Kaya's business generated⁽¹⁾:
 - US\$5.2 million in manufacturing revenue from Bhang[®] vaporizers (equates to approximately US\$13.0 million in retail sales)
 - US\$1.2 million in gross profit
 - US\$2.8 million in revenue was generated by the former manufacturer of Bhang[®] edibles (equates to approximately US\$7.0 million in retail sales)

Kaya and Alta Supply – Transaction Details

- The terms of the Acquisitions were revised from the originally-disclosed terms (November 28, 2017), for tax structuring purposes and to accommodate the concurrently announced acquisition of River Distribution
- The Acquisitions will be approved, effective today, upon receipt of such approval from the Secretary of State of the State of California, expected in no later than one week from today.
- Consideration: An aggregate of 1,254,816 CannaRoyalty common shares and US\$2.165 million in cash will be paid on or after the aforementioned state approval, and is subject to post-closing working capital adjustments. Additional consideration of 1,605,992 CannaRoyalty common shares will be paid over the next 18 months, subject to the achievement of certain milestones
- See November 28, 2017: [CannaRoyalty Signs Binding Term Sheets to Acquire Two Leading California Cannabis Companies](#)
- See February 22, 2018: [CannaRoyalty Executes Agreement for Manufacturing and Distribution Rights to Bhang[®] Edibles and Bhang[®] Concentrates in California](#)

California Cannabis Market

California is the largest cannabis market in the world with annual sales of approximately US\$2.8 billion in 2016,⁽³⁾⁽⁶⁾ which only includes sales of products in the medical marijuana market. In consideration of the legalization of a full, adult recreational cannabis market in California in January 2018, sales are forecast to grow to over US\$6.8 billion by 2021 and vaporizer products are expected to account for 15% or over one billion dollars of the total. This represents a compound annual growth rate of 54% between 2017 and 2021⁽⁴⁾⁽⁶⁾. Concentrates and edibles accounted 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%,⁽⁶⁾⁽⁷⁾

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 relating to the Acquisitions, the execution of the Company's strategy, new opportunities, future growth and other statements.

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 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. 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.

- 1 Fiscal 2017 revenue, comprised of (i) US\$6.5 million (unconsolidated) in revenues generated by Alta, based on unaudited financial statements of Alta, US\$5.2 million (unconsolidated) in revenue generated from the sale of Bhang vaporizer products, based on unaudited financial statements of a collective controlled by Kaya which operated the business in 2017, and US\$2.8 million (unconsolidated estimate) in revenue generated from the sale of Bhang edible products by a third party manufacturer, based on sales information provided by Bhang Corporation.) Retail sales equivalents for manufacturer and distributor revenues are presented assuming a 20% distribution margin and 50% retailer margin.
- 2 Bhang Corporation.
- 3 According to *New Frontier Data*, California has the world's largest cannabis market with annual sales in 2016 of \$2.8 billion.
- 4 Brightfield Group.
- 5 Bureau of Cannabis Control California, <http://www.bcc.ca.gov/>.
- 6 Note that California market-related information provided in this press release is indicative only. Because of the historically illicit nature of the recreational market, data is difficult to obtain and verify.
- 7 Brightfield Group & BDS Analytics.

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