

# CannaRoyalty to Acquire 100% of California Licensed Producer FloraCal® Farms, an Ultra-Premium Craft Cannabis Company

- *FloraCal flower occupies an ultra-premium place in the California market, with THC numbers testing up to 33% and an average selling price of over US\$17.00 per gram*
- *US\$6.4 Million in Revenue in fiscal 2017 from 15,000 square feet<sup>1</sup>*
- *US\$3.2 million in EBITDA in fiscal 2017 and US\$2.6 million in net income in fiscal 2017<sup>1</sup>*
- *FloraCal has market leading flower and pre-roll branded products (52%<sup>2</sup> of California market comprised of flower and pre-roll)*
- *Substantial expansion potential, targeting 3,700 kg of annual craft cannabis flower capacity from build out to 42,200 square feet, growing to 5,500 kg once planned expansion to 64,200 square feet is complete*
- *CannaRoyalty will be hosting FloraCal and River Distribution ("RVR") at the High Times Cannabis Cup Pro Lounge on April 20<sup>th</sup>*

OTTAWA, April 18, 2018 /CNW/ -



**CannaRoyalty Corp. (CSE: CRZ) (OTCQX: CNNRF)** ("CannaRoyalty" or the "Company"), a leading North American cannabis products and brands company, today announced that it has entered into a binding term sheet to acquire 100% of [FloraCal® Farms](#) ("FloraCal"), a licensed ultra-premium craft cannabis producer located in Sonoma County, California for total purchase considerations of US\$1 million in cash and 3,508,772 CannaRoyalty shares on close, as well as up to an additional US\$3 million in cash and 3,508,772 shares to be paid over 3 years, based on completion of certain milestones (the "Transaction"). FloraCal adds branded premium cannabis flower and pre-roll products to CannaRoyalty's diverse portfolio, FloraCal is building its Sonoma County facility in three Phases and has been designed to comply with cGMP\* (Current Good Manufacturing Process) standards. Phase I is licensed and in commercial production, with 15,000 square feet of purpose-built indoor growing in a 64,200 square foot facility. Phase II has been licensed and will increase the facility size to 42,200 square feet and targeted annual production of 3,700 kg, with construction expected to commence in Q2 2018 and be completed by Q1 2019. Phase III is under option and would allow further expansion to the full facility size of 64,200 square feet facility with targeted annual production of 5,500 kg. FloraCal has a temporary medium indoor cultivation license from the state of California, as well as a Type 6 non-volatile manufacturing permit in Sonoma County.

The Transaction replaces the Strategic Partnership between FloraCal and CannaRoyalty, announced on February 15, 2018. [CannaRoyalty Enters into Strategic Partnership with Leading Premium Craft Cannabis Cultivator, FloraCal® Farms, to Develop and Sell Branded Cannabis Products](#)

## Highlights of the Transaction

- **Strong financial performance:** FloraCal's small batch ultra-premium flower commands a premium price averaging over US\$17.00 per gram. FloraCal generated US\$6.4 million in Revenue<sup>1</sup> in fiscal 2017 and US\$3.2 million of EBITDA.
- **Differentiated premium flower brand fills gap in branded product portfolio:** CannaRoyalty is now positioned to offer premium branded cannabis products in every major product category: flower, pre-rolls, vapes, and edibles, through its state-wide California distribution network.
- **Premium Brand:** FloraCal is a broadly recognized premium brand in the state of California. The Transaction gives CannaRoyalty rights to commercialize the brand globally.
- **Unique strains:** FloraCal possesses a unique and rare genetics collection, currently encompassing seven ultra-high-quality cannabis flowers. CannaRoyalty also has the rights to licenses these strains globally.

"FloraCal is truly unique. The rare combination of product consistency, premium pricing, authentic brand, and resoundingly positive feedback from our dispensary partners and California consumers, positions it well to be a future global cannabis brand. We see its success in the discerning California market as evidence that branded flower that is truly differentiated occupies an important place in the cannabis industry," said Marc Lustig, CEO of CannaRoyalty. "Husband and wife team Drew and Karen started this company 3 years ago with a focus on producing small-batch, ultra-premium flower for sophisticated consumers. Through standardization of their production techniques, they have maintained this focus and positioning, even through significant growth. Their unique library of strains not available from other cultivators, combined with their attention to

detail and commitment to consistent quality complements our overall portfolio strategy of acquiring top cannabis consumer brands in California that we will seek to deploy globally. We welcome Karen, Drew and their qualified team to CannaRoyalty and look forward to what we will achieve together."

"We are ecstatic to be a part of CannaRoyalty and benefit alongside shareholders as the CannaRoyalty reputation as California's best-in-class cannabis product manufacturer and distributor continues to grow," said Drew Duval, CEO of FloraCal. "We think FloraCal has the opportunity to grow in CannaRoyalty's ecosystem to a size we couldn't achieve on our own."

### **Transaction Summary**

The total Transaction is for up to 7,017,544 CannaRoyalty shares and up to US\$4 million. On Closing, FloraCal will receive US\$1 million in cash and 3,508,772 in CannaRoyalty shares. The remainder of the Transaction consideration is to be paid over three years, on completion of certain milestones, as follows: (i) 584,795 CannaRoyalty shares to be issued on completion of phase II expansion to the entire 42,200 sq. ft. of the facility; (ii) up to 2,923,977 CannaRoyalty shares to be issued 175 days after completion of the phase II expansion, with the total amount of shares issued to be adjusted based on FloraCal's ability to achieve set production thresholds; and (iii) US\$3 million in cash to be issued in equal parts in Q1/Q2 2019, Q1/Q2 2020, and Q1/Q2 2021, all subject to adjustments, based on FloraCal's ability to maintain its controllable costs under set thresholds. Closing is expected to occur in Q2 2018 and is subject to conditions including due diligence and regulatory approval.

### **For California Cannabis Companies:**

CannaRoyalty will be hosting FloraCal and River at the High Times Cannabis Cup Pro Lounge on April 20, 2018, at the **San Bernardino: National Orange Show Events Center**. If you are a cannabis company in California please stop by the booth to learn more about how you can work with CannaRoyalty.

### **About Floracal® Farms**

FloraCal® Farms is located in Sonoma County. FloraCal® Farms produces hand grown flowers in small batches. The cultivation facility practices sustainable cultivation techniques and is 100% powered by renewable energy. FloraCal's® team of master cultivators strive to create beautiful consistent cannabis products with a smooth finish, believing it all starts from the seed and are dedicated to hand selecting the finest genetics. Their natural farming techniques allow FloraCal® to consistently produce top shelf flowers at the highest quality for its customers.

FloraCal possesses a unique and rare genetics collection, currently encompassing seven ultra-high-quality cannabis flowers along with rosin and packaged pre-rolls. FloraCal uses proprietary, highly scalable cultivation techniques and related intellectual property that enable the company to achieve consistent, ultra-premium products. Some product highlights include:

- THC between 28-32% for commercial production (have been tested up to 33% THC)
- Very successful line of premium pre-rolls distributed through River
- First cultivation license issued in Sonoma county for cultivation in 2018
- Also licensed for manufacturing and extraction
- 15,000 square feet currently, currently under expansion to a total of 42,200 square feet
- Maximum production for 42,200 square foot facility is 3,700kg annually

### **About CannaRoyalty**

CannaRoyalty is an active operator and investor in the global cannabis industry, with a strong focus on California, the world's largest cannabis market. Our core mission is to become the leading global consumer product goods company for discerning cannabis consumers. We are currently focused on building a diversified portfolio of manufacturing, distribution, intellectual property, and infrastructure assets to achieve this goal. Our leadership team combines a passion and hands-on understanding of the cannabis industry, with seasoned financial and legal expertise. 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 regarding the Company's expectations with respect to pursuing new opportunities and future growth for Trichome 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: competition from banks and other lenders; movements and long term trends in interest rates; the ability of management to select companies that will increase in value and to compete for desirable transactions; the ability to source desirable transactions; dependence on obtaining regulatory approvals; investing in target companies or projects which have limited or no operating history; changes in laws; limited operating history; reliance on management; requirements for additional financing; 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.*

<sup>1</sup> This financial information has not been audited.

<sup>2</sup> 2017 Brightfield Group

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