

FORM 51-102F3
Material Change Report

Item 1. **Name and Address of Company**

CannaRoyalty Corp. (the “**Company**” or “**CannaRoyalty**”)
333 Preston Street, Preston Square Tower 1, Suite 610
Ottawa, ON K1S 5N4

Item 2. **Date of Material Change**

July 3, 2018

Item 3. **Press Release**

On July 3, 2018, a news release in respect of the material change was disseminated through Canada NewsWire and filed on the Company’s SEDAR profile at www.sedar.com.

Item 4. **Summary of Material Change**

On July 3, 2018, the Company announced that it had closed the previously announced acquisition of FloraCal® Farms (“**FloraCal**”), a licensed premium craft cannabis producer located in Sonoma County, California.

Item 5. **Full Description of Material Change**

On July 3, 2018, the Company announced that it had closed the previously announced acquisition of FloraCal, a licensed premium craft cannabis producer located in Sonoma County, California.

FloraCal has a temporary medium indoor cultivation license from the state of California, as well a Type 6 non-volatile manufacturing permit in Sonoma County.

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 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, with targeted annual production of 5,500 kg.
- Capital cost for construction during Phase I and II is estimated to be US\$7.5MM and Phase III has an anticipated budget of US\$4MM for construction.¹

Transaction Summary

Pursuant to a purchase agreement dated July 2, 2018, the Company has acquired 100% of FloraCal for a total consideration of US\$1 million in cash, subject to a working capital

¹ This financial information has not been audited.

adjustment, and 35,088 CannaRoyalty Class A Compressed Shares² (“**Compressed Shares**”), as well as up to an additional US\$3 million in cash and 35,088 Compressed Shares to be paid over 3 years, based on the completion of certain milestones, and other considerations. This financial information has not been audited.

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

Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102

The report is not being filed on a confidential basis.

Item 7. Omitted Information

No information has been omitted.

Item 8. Executive Officer

Marc Lustig, Chief Executive Officer
1-844-556-5070

² Each Class A Compressed Share is convertible into 100 common shares of CannaRoyalty (“Common Shares”), subject to certain conditions, and carries the right to one vote for each Common Share into which it can be converted into. Class A Compressed Shares are entitled to vote, together with holders of Common Shares, with respect to any question upon which holders of Common Shares have the right to vote.

The ability to convert the Class A Compressed Shares into Common Shares is subject to a restriction that the aggregate number of Common Shares and Class A Compressed Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 under the Securities Exchange Act of 1934, as amended), may not exceed forty percent (40%) of the aggregate number of Common Shares and Class A Compressed Shares issued and outstanding after giving effect to such conversions. The Class A Compressed Shares are subject to a further conversion restriction whereby the Corporation shall not effect a conversion of Class A Compressed Shares to the extent that after giving effect to any such conversion, a holder thereof would beneficially own greater than 9.99% of the issued and outstanding Common Shares. The Corporation is issuing Compressed Shares to minimize the proportion of the outstanding voting securities of CannaRoyalty that are held by "U.S. persons" for purposes of determining whether CannaRoyalty is a "foreign private issuer" for purposes of United States securities laws.

Item 9.**Date of Report**

July 13, 2018.

Forward Looking Statements

Statements in this material change report that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed here and elsewhere in the Company's periodic filings with Canadian securities regulators. When used in this material change report, 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 acquisition of FloraCal, 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 material change report are made as of the date of this material change report. The Company disclaims any intention or obligation to update or revise such information, except as required by applicable law, and the Company does not assume any liability for disclosure relating to any other company mentioned herein.