



CannaRoyalty Enters into Strategic Partnership with Leading Premium Craft Cannabis Cultivator, FloraCal® Farms, to Develop and Sell Branded Cannabis Products

- *Strategic Partnership to collaborate on the construction and build-out of a 20,000 square foot craft cultivation expansion in CannaRoyalty's existing California facility*
- *CannaRoyalty to obtain exclusive global rights to license FloraCal's full IP portfolio, inclusive of brand, outside of California*
- *Strategic Partnership to collaborate on new lines of ultra-premium cannabis flower products*



Ottawa, Canada – February 15, 2018 – CannaRoyalty Corp. (CSE: CRZ) (OTCQX: CNNRF) (“CannaRoyalty” or the “Company”), an active investor and operator in the legal cannabis industry, announced today that it has signed a binding Letter of Intent (the “LOI”) with FloraCal® Farms (“FloraCal”) to enter into a strategic partnership regarding craft premium cannabis flower production, branding and sales, and other strategic initiatives (the “Strategic Partnership”). The LOI also contemplates the receipt by CannaRoyalty of the exclusive global rights to license FloraCal’s full Intellectual Property (“IP”) portfolio, inclusive of brand, outside of California.

FloraCal is a 100% family owned and operated cultivator in Northern California that handcrafts, brands and packages small batches of ultra-premium cannabis flower, with an average selling price of over US\$17 per gram. FloraCal’s products are currently available in over 210 dispensaries in California through CannaRoyalty investee River Distribution (“River”). The Company and FloraCal will jointly execute a

purpose-built expansion into CannaRoyalty's existing 20,000 square foot facility in Sonoma County, which is strategically adjacent to both River and FloraCal's current manufacturing and cultivation facilities.

"This Strategic Partnership fills an important adjacency in our value-added downstream product portfolio and moves the Company closer to achieving its 2018 objectives in California," said Marc Lustig, CEO of CannaRoyalty. "We have assessed several cultivation facilities and flower brands across North America over the past three years, and FloraCal's facility and products were an outlier in terms of product presentation, brand recognition and overall quality. FloraCal's success has demonstrated that at the high-end of the cannabis flower market, top-quality branded products can consistently obtain premium pricing and capture a meaningful portion of downstream profits. Given that combined sales of flower and pre-roll products comprised approximately 52%¹ of all 2017 cannabis sales in California, these categories represent an important portion of any premium, full-shelf cannabis product portfolio. Furthermore, we see strong potential to leverage FloraCal's IP in other markets, such as Canada, as they develop."

"We have built a solid reputation and consumer following in California for our suite of small-batch cannabis flower products, which have some of the highest tested THC and cannabinoid percentages in the market," added Drew Duval, CEO of FloraCal. "CannaRoyalty's expertise and reputation in California make them the ideal partner to work with as we continue to expand our production and distribution footprint over the coming months, while developing new premium cannabis flower products and strains."

As previously disclosed, CannaRoyalty has leased space in River's 20,000 square foot facility in Sonoma County. The leased space is located in the same building as FloraCal's existing 43,000 square foot cultivation and manufacturing facility. CannaRoyalty intends to leverage the existing planning and design work that has been completed by FloraCal for its own cultivation facility.

Sonoma County is one of the most opportunistic counties in California in seeing the economic benefits of cannabis production and is at the forefront in implementing innovative approaches to regulation. It is among the first to set up permitting and tax programs. Sonoma County is at the bottom of a 3-county area called the Emerald Triangle, which has a rich history of leading legal cultivation and production for the medical cannabis industry.

¹ 2017 Brightfield Group

About Floracal® Farms

FloraCal® Farms is located in Sonoma County. 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 biodynamic 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, with additional expansion room for a total of 43,000 square feet
- Maximum production for fully expanded facility is 3,700kg annually

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.

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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.