



## **CannaRoyalty Completes Strategic Agreement with River, A Leading California-based Distribution Company**

*Arrangement expected to generate recurring revenues for CannaRoyalty through financing payments and purchase commitment for CR Brands in California medical cannabis market through 2024*

**Ottawa, Canada, May 15, 2017** – CannaRoyalty Corp. (CSE: CRZ) (OTCQX: CNNRF) (“CannaRoyalty” or the “Company”) announced today the Company has completed an agreement (the “Agreement”) regarding a strategic financing and related arrangements with River, the first medical cannabis distributor to receive local permits for medical cannabis wholesale logistics, distribution and transportation in California

River has built a leadership position in the legal distribution of medical cannabis products, representing over 20 leading brands sourced from over 100 cannabis farmers and manufacturers. River distributes a wide range of cannabis products to over 400 retail collectives throughout California. ArcView estimates sales for the California medical cannabis market in 2016 were US\$2.7 billion. With a projected 5-year CAGR of 20%, annual sales of California medical cannabis are expected to reach US\$6.6 billion by 2020.

“California is the largest medical cannabis market in the world. This strategic partnership with River, a leader in the California market, demonstrates our ability to execute on strategic initiatives that will generate sustainable revenue streams for CannaRoyalty over a long-term horizon. The Agreement also provides a significant distribution channel for CannaRoyalty’s new CR Brands Division to access the California market through River’s commitment to purchase CannaRoyalty branded products over the term of the Agreement,” said Marc Lustig, CEO of CannaRoyalty. “We strongly share River’s dedication to quality control and legal compliance. CannaRoyalty’s ability to partner with such a top tier player validates our expertise and growing presence in the rapidly expanding medical cannabis market.”

The Agreement includes a: i) promissory note financing, ii) consulting services arrangement and iii) preferred product distribution arrangement. CannaRoyalty has now advanced US\$2 million to River pursuant to a secured promissory note, and will advance a further US\$3 million in two equal tranches during 2017, subject to the satisfaction of certain financial milestones. Repayment of principal and 15% annual interest commences in January 2018.

To support and reinforce River and CannaRoyalty’s collaborative development with regard to their respective brands, the Agreement provides for the provision of Consulting Services such as product launch, marketing and development by CannaRoyalty, to develop high quality products tailored to the California market’s demands/needs during the term of the Agreement. The compensation payable to CannaRoyalty preserves the originally announced economic arrangement, being equal to 2.25% of River’s gross revenues until repayment of the \$5M invested, and 1.75% thereafter until December 31, 2024 (in each case, net of any other payments made to CannaRoyalty pursuant to Agreement).

The Preferred Product Distribution arrangement catalyzes the launch and expansion of CannaRoyalty's CR Brands division in California. The arrangement entitles CannaRoyalty to preferential rates on River's distribution services, and is reinforced with a commitment from River to acquire US\$20 million of CannaRoyalty branded products over the term of the Agreement, subject to certain conditions.

"We are excited about our new strategic relationship with CannaRoyalty. In addition to providing us with smart capital to drive our growth, we will also have access to CannaRoyalty's diverse brand portfolio," said Lauren Fraser, Co-Founder and President of River. "We pride ourselves on representing best-in-class brands, and CannaRoyalty has the commercial acumen to partner with and develop future market leaders." California's recently published revised draft legislation requires suppliers of cannabis in California to distribute all medical cannabis products through independent distributors. As an independent distributor, River protects consumers through rigorous quality assurance requirements. Although not required to do so under California law, River has a long standing zero-tolerance policy on the presence of pesticides in the products it carries, and requires that such products be independently tested by accredited laboratories to meet the requirements of this policy.

### **About River**

River serves the medical cannabis community in California and provides safe storage and transport of medical cannabis products throughout California. The company maintains a qualified sales force to grow market share for each of its brand partners and ensures the safety and quality of the product to their retail partners by way of product testing with third party cannabis testing laboratories. Distribution is a key strategic component of most cannabis sales verticals, and accordingly, is a critical segment of the cannabis market. River has quickly become a leading cannabis distributor because of its focus on compliance and best practices.

### **About CannaRoyalty**

CannaRoyalty is a fully integrated, active investor and operator in the legal cannabis sector. Our focus is to build and support a diversified portfolio of growth-ready assets in high-value segments of the cannabis sector, including research and intellectual property, consumer brands, and industry infrastructure. 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 and licensing agreements.

### **For further inquiries, please contact:**

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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 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.