



CannaRoyalty Announces its First Quarter 2018 Financial Results

Ottawa, Canada – May 29, 2018 – CannaRoyalty Corp. (CSE: CRZ) (OTCQX: CNNRF) (“CannaRoyalty” or the “Company”) today announced the Company’s financial results for the three-month period ended March 31, 2018. All figures are reported in Canadian dollars (\$), unless otherwise indicated. CannaRoyalty’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

“Over the past six months, we have announced the acquisition of substantial revenue generating cannabis operators, including distribution operations that generated US\$31.9 million in revenue in 2017, transforming CannaRoyalty into a major cannabis product distributor in California and into what we expect will be one of the largest revenue producers in the Canadian publicly-traded cannabis space,” said Marc Lustig, CEO of CannaRoyalty. “Our team has targeted distribution not only for its attractive near-term economic potential but also for its strategic position between California’s leading growth brands and most licensed dispensaries in the state. By fostering strategic relationships with both constituencies, we expect to generate significant organic growth, while building an information advantage and poll position to assess and execute on accretive opportunities for the Company. Over the past several months we have also established a beachhead in Canada to eventually bring our leading products home and we expect to continue to make progress on this significant opportunity over the balance of the year and as the Canadian regulations continue to develop.”

Q1 Highlights and Recent Developments

For a more comprehensive overview of these highlights and recent developments, please refer to *CannaRoyalty’s Management’s Discussion and Analysis of the Financial Condition and Results of Operations for the Three Months Ended March 31, 2018*.

- On May 11, 2018 Trichome and CannaRoyalty jointly closed a first tranche of \$500,000 under a credit agreement to provide up to \$2.5 million to 180 Smoke, a leading Canadian online and retail vaporizer products company.
- On April 18, 2018, CannaRoyalty announced it was planning to acquire 100% of FloraCal Farms, a licensed ultra-premium craft cannabis producer. The acquisition of FloraCal will add branded premium cannabis flower and pre-roll products to CannaRoyalty’s diverse portfolio.
- On March 27, 2018, CannaRoyalty announced it had closed the acquisition of Alta Supply Inc. a California based licensed cannabis distributor and of Kaya Management Inc., the exclusive manufacturer and license holder of rights for Bhang® brand vaporizer products in California, as well as the acquisition of the exclusive statewide manufacturing and distribution rights to Bhang® edibles and Bhang® concentrates in California.
- On March 25, 2018, the Company announced that it entered into a binding term sheet for the acquisition of 100% of River Distribution and its affiliates to further expand its owned-distribution network across the state of California.

Financial Highlights – Q1 – 2018

Operating Results

All comparisons below are to March 31, 2017, unless otherwise noted

- Revenues were \$643,437 as compared to \$301,111.
- Gross margin was (\$29,630) as compared to \$244,473.
- Operating expenses were \$4.5 million as compared to \$3.1 million.
- Net loss of \$4.7 million as compared to \$2.1 million.
- Net loss per share of \$0.10 as compared to \$0.05.
- Adjusted EBITDA loss of \$2.1 million as compared to \$1.6 million.
- Adjusted EBITDA loss per share of \$0.05 as compared to \$0.04.

Balance Sheet

All comparisons below are to December 31, 2017, unless otherwise noted

- Cash and cash equivalents of \$6,056,470 as compared to \$4,522,644.
- Total assets of \$67,670,691 as compared to \$46,139,757.
- Current assets of \$11,530,330 as compared to \$7,947,975.
- Current liabilities of \$7,928,271 as compared to \$2,134,270.
- Long-term debt of \$2,569,094 as compared to \$2,258,467.
- Shareholders' equity of \$53,740,121 as compared to \$40,468,344.

Results of Operations (Summary)

The following tables set forth consolidated statements of financial information for the three-month periods ending March 31, 2018 and March 31, 2017. For further information regarding the Company's financial results for these periods, please refer to the Company's *Management's Discussion and Analysis for the periods ended March 31, 2018 and March 31, 2017* and the Company's Financial Statements for the periods ended March 31, 2018, published on CannaRoyalty's issuer profile on SEDAR at www.sedar.com and the Company's website at www.cannaroyalty.com.

Revenue Components

	Three months ended March 31	
	2018	2017
Product sales	\$ 84,773	\$ -
Services	429,817	71,045
Royalties	119,058	211,322
Interest income	9,789	18,744
Total	\$ 643,437	\$ 301,111

Cost of sales by revenue type

	Three months ended March 31	
	2018	2017
Cost of product sales	\$ 75,673	\$ -
Cost of services	209,023	11,810
Cost of royalties	388,371	44,828
Total	\$ 673,067	\$ 56,638

Gross margin amounts and percentages by revenue type

	Three months ended March 31	
	2018	2017
Products	\$ 9,099	\$ -
Services	220,794	59,235
Royalties	(269,312)	166,494
Interest	9,789	18,744
Total	\$ (29,630)	\$ 244,473

	Three months ended March 31	
	2018	2017
Products	11%	n/a
Services	51%	83%
Royalties	(226%)	79%
Interest	100%	100%
All Types	(5%)	81%

Operating Expenses

	Three months ended March 31	
	2018	2017
Sales and marketing	\$ 478,516	\$ 236,860
Research and development	75,965	476,241
General and administrative	3,750,426	2,137,188
Amortization of intangibles	175,107	202,472
Total	\$ 4,480,014	\$ 3,052,761

Adjusted EBITDA²

	Three months ended March 31	
	2018	2017
<i>Add (Subtract)</i>		
Net loss for the period	\$ (4,654,473)	\$ (2,053,785)
Amortization of property and equipment	45,268	41,742
Amortization of intangible assets	175,107	202,472
Amortization of royalty investments	388,370	28,263
Interest expense	319,990	17,620
Interest income	(9,789)	(18,744)
Current income taxes	434	-
Deferred income tax recovery	168,813	(78,372)
EBITDA	(3,566,280)	(1,860,804)
Gains on investments	(342,106)	-
Impairment of convertible notes receivable	375,472	-
Listing expense	-	38,193
Gain on reclassification to assets held for sale	-	(98,674)
Adjustment from non-completion of share swap transaction	-	183,475
Share based compensation	1,940,043	1,158,396
Gain on dilution of equity accounted investment	(846,925)	(1,132,107)
Transaction costs on acquisitions	282,126	-
Foreign exchange	76,030	125,652
TOTAL ADJUSTED EBITDA	\$ (2,081,640)	\$ (1,585,869)
Weighted average number of common shares outstanding - basic and diluted	45,075,695	38,865,970
ADJUSTED EBITDA per share - basic and diluted	\$ (0.05)	\$ (0.04)

²Adjusted EBITDA and Adjusted EBITDA per share are non-IFRS measures. See "Adjusted EBITDA" in the Company's Management's Discussion and Analysis for the three and twelve-month periods ended March 31, 2018.

Share Capital

The Company's authorized share capital is an unlimited number of common shares of which 46,907,628 were issued and outstanding as at March 31, 2018 (December 31, 2017 – 43,898,445 common shares). The Company has issued 4,109,650 RSUs that have not been exercised as at March 31, 2018 including 2,375,922 that have vested (December 31, 2017 – 4,153,150 including 1,933,587 that had vested). As of March 31, 2018, there are share purchase warrants and broker warrants outstanding that can potentially be converted to 2,623,491 shares (December 31, 2017 – 4,112,712).

Conference Call

CannaRoyalty will host a conference call on, Tuesday, May 29, 2018 at 8:30 a.m. (Eastern Time) to discuss its 2018 first quarter financial results. The call will be chaired by Marc Lustig, Chief Executive Officer, Afzal Hasan, President and General Counsel and François Perrault, Chief Financial Officer.

	Participant Dial-in	Webcast	Reference Number
Conference Call	647-427-7450 ; or 1-888-231-8191	https://bit.ly/2G0yhbz	
Replay (available for 2 weeks)	416-849-0833; 613-667-0035; or 1-855-859-2056		5898535

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.

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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, anticipated timing for release of the Company's financial results and filing of its final prospectus, 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.

Consolidated Statements of Loss and Comprehensive Loss

In Canadian dollars

	Three months ended March 31,	
	2018	2017
Revenue	\$ 643,437	\$ 301,111
Cost of sales	(673,067)	(56,638)
Gross margin	(29,630)	244,473
Operating expenses		
Sales and marketing	478,516	236,860
Research and development	75,965	476,241
General and administrative	3,750,426	2,137,188
Amortization of brands and technologies	175,107	202,472
Loss from operations	(4,509,644)	(2,808,288)
Other income (expenses)		
Changes in fair value of investments	342,106	-
Impairment of convertible notes receivable	(375,472)	-
Profit from equity accounted investees, net of tax	453,804	942,397
Foreign exchange loss	(76,030)	(125,652)
Interest expense	(319,990)	(17,620)
Adjustment from non-completion of share swap transaction	-	(183,475)
Listing expense	-	(38,193)
Gain on reclassification to assets held for sale	-	98,674
Interest income	-	-
Net loss before tax	(4,485,226)	(2,132,157)
Current tax expense	(434)	-
Deferred tax expense recovery	(168,813)	78,372
Net loss for the period	\$ (4,654,473)	\$ (2,053,785)
Other comprehensive loss for the period		
Foreign currency translation differences	545,605	(87,180)
Total comprehensive loss for the period	\$ (4,108,868)	\$ (2,140,965)
Net loss per common share - basic and diluted	\$ (0.10)	\$ (0.05)
Weighted average number of common shares outstanding - basic and diluted	45,075,695	38,865,970
Total net loss for the period attributable to:		
Owners of the company	\$ (4,629,003)	\$ (2,037,970)
Attributable to non-controlling interest	(25,470)	(15,815)
	\$ (4,654,473)	\$ (2,053,785)
Total comprehensive loss for the period attributable to:		
Owners of the company	\$ (4,083,398)	\$ (2,125,150)
Attributable to non-controlling interest	(25,470)	(15,815)
	\$ (4,108,868)	\$ (2,140,965)

Consolidated Statements of Financial Position

In Canadian dollars

	March 31, 2018	December 31, 2017
ASSETS		
Current		
Cash	\$ 6,056,470	\$ 4,522,644

Amounts receivable	1,099,646	1,429,123
Inventory	3,015,273	270,169
Prepaid and other assets	727,472	250,744
Loans receivable - current	631,469	1,102,168
Convertible notes - current	-	373,127
	11,530,330	7,947,975
Non-Current		
Loans receivable	-	66,421
Interest in equity accounted investees	4,087,128	3,596,333
Investments	17,665,449	17,243,342
Royalty investments	7,311,573	5,834,613
Property and equipment	1,329,338	1,084,098
Intangible assets	12,528,608	5,607,598
Goodwill	13,218,265	4,759,377
	56,140,361	38,191,782
Total Assets	\$ 67,670,691	\$ 46,139,757
LIABILITIES		
Current		
Amounts payable and accrued liabilities	\$ 6,898,672	\$ 1,606,689
Loan payable	533,274	425,345
Current tax liability	496,325	102,236
	7,928,271	2,134,270
Non-Current		
Convertible debt	1,461,614	1,431,950
Line of credit	1,107,480	826,517
Deferred tax liability	3,433,205	1,278,676
	6,002,299	3,537,143
Total Liabilities	\$ 13,930,570	\$ 5,671,413
SHAREHOLDERS' EQUITY		
Share capital	\$ 61,233,717	\$ 50,007,891
Share subscription and contingent shares	5,839,730	-
Warrants reserve	2,575,947	4,149,703
Contributed surplus	11,720,275	9,902,292
Accumulated other comprehensive loss	(487,114)	(1,032,719)
Accumulated deficit	(27,119,958)	(22,381,817)
Non-controlling interest	(22,476)	(177,006)
Shareholders' Equity	53,740,121	40,468,344
Total Liabilities & Shareholders' Equity	\$ 67,670,691	\$ 46,139,757

Consolidated Statements of Cash Flows

In Canadian dollars

	Three months ended March 31	
	2018	2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	\$ (4,654,473)	\$ (2,053,785)
Items not affecting cash:		
Bad debts expense	(20,903)	(13,318)
Non controlling interest	-	(15,815)
Gain from equity accounted investees	(453,804)	(942,397)
Amortization of property and equipment	45,268	41,742
Amortization of intangibles	166,868	202,472
Amortization of royalties	388,370	21,121

Amortization of fees related to line of credit	197,630	-
Share based compensation	1,940,043	1,158,396
Deferred tax expense (recovery)	168,813	(78,372)
Loss on impairment of convertible notes receivable	375,472	-
Accretion of derivative assets and liabilities	14,664	-
Gain on reclassification of assets held for sale	-	(98,674)
Gain on investments	(342,106)	-
	(2,174,158)	(1,778,630)
Changes in non-cash items relating to operations:		
Decrease (increase) in amounts receivable	75,133	(249,641)
Decrease in inventory	13,401	41,085
Increase in prepaid and other assets	(288,276)	(58,918)
(Increase) Decrease in accounts payable and accruals	440,819	(408,506)
Increase in current tax liability	434	-
	(1,932,647)	(2,454,610)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of property and equipment	(20,530)	(70,304)
Purchase of Kaya and Alta, net of cash received	733,321	-
Purchase of interests in equity accounted investments	-	(1,601,218)
Royalty financing arrangements	(1,290,000)	-
Loans advanced to debtors, net of repayment	(916,360)	(664,535)
	(1,493,569)	(2,336,057)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from shares in bought deal financing, net of issuance costs	-	10,963,049
Proceeds from issuance of warrants, net of issuance costs	-	2,787,000
Proceeds from exercise of warrants	4,738,146	29,250
Proceeds from shares issued to minority holders of Trichome	180,000	-
Proceeds from issuance of stock options	-	25,000
Tax withholding paid on exercise of restricted share units	-	(13,110)
	4,918,146	13,791,189
Effect of movement of exchange rates on cash held	41,896	-
INCREASE (DECREASE) IN CASH	1,533,826	9,000,522
CASH, BEGINNING OF PERIOD	4,522,644	2,945,895
CASH, END OF PERIOD	\$ 6,056,470	\$ 11,946,417