

Tidal Royalty Corp.

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Tidal Royalty evaluating slew of opportunities in US cannabis market

As the legalisation of medical and recreational marijuana use expands across America, so do the number of businesses entering this emerging market.

But these companies need the financing to support their plans and that's where Tidal Royal Corp (CSE:RLTY) comes in. The group provides capital to help grow licenced US cannabis firms in exchange for receiving a percentage of future top-line revenues. Tidal Royalty is interested in cultivators, processors and manufacturers that can deliver above-market returns.

The company was founded last August by experienced cannabis industry executives, including chief executive and chairman Paul Rosen. Rosen is the co-founder of Canadian investment firm PharmaCan Capital Corp, now called The Cronos Group, and has become one of the most active and diversified investors in the nation. With the Canadian market reaching maturity, he is now turning his attention to the US with Tidal Royalty, which has had a positive response from investors since its inception.

"It's been overwhelmingly positive, we bring a lot of attractive features for an investor that's interested in penetrating or entering the US cannabis industry," Rosen said.

"One is we're a proven team. Myself and my co-executives have been responsible for some of the most recognised assets in the Canadian cannabis industry and Canada really has taken the lead on innovative strategies around financing cannabis.

"The product is very competitive and for operators in cannabis that don't want to take on additional shareholders but require that expansion capital we're really an elegant fit. "

Rosen's aim is to duplicate the out-sized returns he has been able to achieve in Canada.

The green stuff has been legalized for recreational use in nine US states and Washington DC. Medical cannabis is legal in 30 states and the District of Columbia.

According to a report from Arcview Market Research and BDS Analytics, legal marijuana sales rose 33% year-on-year to US\$9.7bn in 2017.

Tidal Royalty, which started trading on the Canadian Securities exchange in June, expects alcohol, tobacco and pharmaceutical companies to jump on the band wagon.

The group has had discussions with a number of prospect companies across the US and has entered into six separate

Price: US\$0.245

Market Cap: US\$75961000M

1 Year Share Price Graph



August 2018 November 2018 February 2019

Share Information

Code: RLTY.U

Listing: CSE

52 week High Low
\$0.53 \$0.09

Sector: Cannabis [T3]

Website: www.tidalroyalty.com

Company Synopsis:

Tidal Royalty is the leading provider of royalty financing to the legal cannabis industry. Our team has built, led and advised some of the most iconic cannabis businesses in Canada and across the world. We leverage this expertise to identify exceptional licensed operators and provide them the financing they need to grow their business.*

action@proactiveinvestors.com.au

letters of intent (LOI) to date.

"We've developed a phenomenal pipeline of opportunity across the entire value chain of US cannabis," Rosen said.

Letters of intent

Most recently, the company secured an LOI from CannaRoyalty Corp (CSE:CRZ, OTCMKTS:CNNRF) to buy Alternative Medical Enterprises LLC for C\$8mln in a combined cash and stock deal.

AltMed focuses on bringing pharmaceutical industry precision to the development, production and dispensing of medical cannabinoids. The Sarasota-based medical cannabis company runs cannabis dispensaries in Florida and Arizona, and has an application pending for the state of Ohio.

Tidal Royalty will acquire CannaRoyalty's 6.14% ownership stake in AltMed and a 3.5% royalty on global net sales of AltMed's branded MüV™ line of transdermal patches, metered dose inhalers, and patent-pending transdermal gels.

Tidal Royalty has also entered into an LOI with Illinois Cannabis Company to provide the licenced operator with up to US\$41mln in financing.

The Illinois firm will use the capital to expand its operations and make strategic acquisitions and Tidal Royalty will receive 15% of net sales royalty on all the cannabis operator's operations in the states in perpetuity.

Tidal Royalty sees significant opportunity in Illinois - the sixth most populous state in the US - where the medical marijuana market is expected to grow to US\$150mln by the end of 2018, according to Marijuana Business Daily.

The group also sees a great opportunity in California, where it has entered into an LOI with Monterey Cannabis Company.

California has a population of 40 million and Tidal Royalty thinks it has the potential to become one of the largest adult-use marijuana markets in the world.

The state's legalised marijuana market is expected to grow to US\$3bn by the end of the year, according to Marijuana Business Daily.

Tidal Royalty will provide Monterey Cannabis Company up to US\$15mln in financing to expand its cultivation capacity and to establish a new processing facility in California. In return, Tidal Royalty will receive 15% of all future net sales generated by operations in California.

Another LOI is with an established Oregon licensed operator to finance the company's expansion into the Massachusetts market.

Under the LOI, Tidal Royalty will provide the Oregon Cannabis Company with up to US\$12.5mln in exchange for 15% of all net sales generated by operations in Massachusetts.

Tidal Royalty has also entered into an LOI with Vitalis Extraction Technology, a Canadian extraction equipment provider. Tidal Royalty will give Vitalis up to US\$5mln to fund extraction equipment purchases by US licensed operators. Vitalis customers that use the funding will pay Tidal Royalty a cash royalty based on the number of grams of cannabis oil produced.

The sixth LOI is with Nevada Cannabis Company, an operator based in Las Vegas, to provide up to US\$15mln in exchange for 15% of net sales generated by all operations in the state.

Further opportunities

Tidal Royalty is currently evaluating various additional opportunities across the US, including in Florida, New York, Arizona, Ohio and Michigan.

"We are really investigating carefully all 31 states that have either a medical or recreational programme," Rosen said.

"I definitely have biases as to why I might prefer Florida or Illinois to say Colorado and this relates to supply constraints, quality of operations and size of market. But really we follow great management so we will investigate and try to enter into deal flow anywhere where a good operator exists with a cannabis licence."

To support its royalty financings, Tidal Royalty has raised about \$42mIn to date by way of private placements.

Tidal Royalty makes shares available to more investors

In another major development for the company, its common shares on the OTC Market became eligible for the Depository Trust Company in August.

The firm said the electronic method of clearing securities speeds up the receipt of stock and cash, and thus accelerates the settlement process for investors.

"This status will make the process of trading our stock in the United States much easier," Rosen said.

"We expect that this will make our shares available to a larger percentage of the investment market, which should improve the liquidity of our shares and therefore benefit Tidal Royalty and our shareholders."

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Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

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