CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended December 31, 2016, the year ended March 31, 2016, and the period from October 3, 2014 (date of incorporation) to March 31, 2015

(Expressed in Canadian Dollars)

JACKSON & COMPANY
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
CannaRoyalty Corp.

We have audited the accompanying consolidated financial statements of CannaRoyalty Corp. which comprise the consolidated statement of financial position as at December 31, 2016 and March 31, 2016, and the consolidated statements of changes in equity, comprehensive loss, and cash flows for the nine months then ended December 31, 2016 and for the twelve months ended March 31, 2016, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CannaRoyalty Corp. as at December 31, 2016 and March 31, 2016, and its financial performance and cash flows for the nine months ended December 31, 2016 and for the twelve months ended March 31, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 and 2 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of CannaRoyalty Corp. to continue as a going concern.

"Jackson &Company"

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia
April 12, 2017

CANNAROYALTY CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	Note	December 31, 2016	March 31, 2016	March 31, 2015
ASSETS				
Current				
Cash		$ 2,945,895	$ 6,157	$ 487,017
Amounts receivable	7	556,170	2,500	-
Inventory	8	641,350	-	-
Prepaid	9	110,834	69,494	31,773
Loans receivable	10	2,943,161	145,621	-
		7,197,410	223,772	518,790
Convertible notes receivable	11	864,806	104,523	-
Derivative assets	11	114,505	28,592	-
Interest in equity accounted investees	12	3,541,281	-	-
Investments	13	2,228,750	2,131,320	-
Royalty investments	14	2,593,891	891,772	-
Property and equipment	15	1,393,112	532,736	-
Intangible assets and goodwill	16	14,264,183	-	-
		25,000,528	3,688,943	-
		$ 32,197,938	$ 3,912,715	$ 518,790
LIABILITIES				
Current				
Accounts payable and accrued liabilities	17	$ 1,886,189	$ 1,586,434	$ 42,992
Loans payable	18	451,618	438,939	-
Convertible debt	19	1,414,414	-	-
Derivative liabilities	19	100,586	6,772	-
		3,852,807	2,032,145	42,992
Deferred tax liability	25	3,001,766	-	-
		$ 6,854,573	$ 2,032,145	$ 42,992
SHAREHOLDERS' EQUITY				
Share capital	22	$ 30,636,253	$ 5,056,422	$ 556,212
Shares and contingent shares to be issued	22	4,520,000	-	62,500
Warrants reserve	22	628,623	-	-
Contributed surplus		3,154,582	-	-
Foreign currency translation adjustment		(102,762)	-	-
Accumulated deficit		(13,490,327)	(3,175,852)	(142,914)
Non-controlling interest		(3,004)	-	-
		25,343,365	1,880,570	475,798
		$ 32,197,938	$ 3,912,715	$ 518,790

Going Concern Uncertainty (note 3)

Subsequent Events (note 31)

See accompanying notes to the unaudited condensed consolidated financial statements.

On behalf of the Board

"Marc Lustig" Director "Chuck Rifici" Director

CannaRoyalty CORP.

CANNAROYALTY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Nine months ended December 31, 2016	For the year ended March 31, 2016	For the period of October 3, 2014 to March 31, 2015
Revenue	27	**$ 642,277**	$ -	$ -
Cost of sales	27	**(313,787)**	-	-
Gross margin		**328,490**	-	-
Less - Operating expenses				
Sales and marketing		**573,469**	22,990	-
Research and development		**744,762**	984,993	-
General and administrative	29	**5,564,274**	1,673,687	142,914
Amortization of brands & technologies	16	**131,221**	-	-
Loss from operations		**(6,685,236)**	**(2,681,670)**	**(142,914)**
Other income (expenses)				
Loss on sale of property and equipment	21	-	(42,135)	-
Profit from equity accounted investees, net of tax	12	**63,401**	-	-
Bargain purchase	5	**59,358**	-	-
Listing expense	6	**(3,901,011)**	-	-
Gain on investment from change to equity method	12	**26,875**	-	-
Foreign exchange gain (loss)		**246,872**	(148,732)	-
Interest expense		**(176,958)**	(177,986)	-
Interest income		-	17,585	-
Net loss before tax		**(10,366,699)**	(3,032,938)	(142,914)
Deferred tax recovery	25	**52,224**	-	-
Net and comprehensive loss for the period		**$ (10,314,475)**	$ (3,032,938)	$ (142,914)
Net loss per common share - basic and diluted	24	**$ (0.41)**	$ (0.26)	$ (0.14)
Weighted average number of common shares outstanding - basic and diluted (note 24)		**25,237,273**	11,873,717	988,837
Net and comprehensive loss for the period attributable to:				
Owners of the company		**$ (10,311,471)**	$ (3,032,938)	$ (142,914)
Attributable to non-controlling interest		**(3,004)**	-	-
		$ (10,314,475)	$ (3,032,938)	$ (142,914)

See accompanying notes to the unaudited condensed consolidated financial statements.

CANNAROYALTY CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Number of shares	Share capital	Shares to be issued	Warrants Reserve	Contributed Surplus	Foreign CTA	Deficit	Non Controlling Interest	Total Shareholders' Equity
Balance at October 3, 2014	**10**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Comprehensive loss for the period	-	-	-	-	-	-	(142,914)	-	(142,914)
Shares issued for cash - private placement	8,875,000	567,500	-	-	-	-	-	-	567,500
Share issuance costs - cash	-	(11,288)	-	-	-	-	-	-	(11,288)
Shares issued for prior year subscription	-	-	62,500	-	-	-	-	-	62,500
Balance at March 31, 2015	**8,875,010**	**$ 556,212**	**$ 62,500**	**$ -**	**$ -**	**$ -**	**$ (142,914)**	**$ -**	**$ 475,798**
Balance at March 31, 2015	**8,875,010**	**$ 556,212**	**$ 62,500**	**$ -**	**$ -**	**$ -**	**$ (142,914)**	**$ -**	**$ 475,798**
Comprehensive loss for the period	-	-	-	-	-	-	(3,032,938)	-	(3,032,938)
Shares issued for prior year subscription	125,000	62,500	(62,500)	-	-	-	-	-	-
Shares issued for cash - private placement	7,353,333	4,510,000	-	-	-	-	-	-	4,510,000
Share issuance costs - cash	-	(72,290)	-	-	-	-	-	-	(72,290)
Balance at March 31, 2016	**16,353,343**	**$ 5,056,422**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (3,175,852)**	**$ -**	**$ 1,880,570**
Balance at March 31, 2016	**16,353,343**	**$ 5,056,422**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (3,175,852)**	**$ -**	**$ 1,880,570**
Comprehensive loss for the period	-	-	-	-	-	-	(10,314,475)	-	**(10,314,475)**
Change in foreign currency translation adjustment	-	-	-	-	-	(102,762)	-	-	**(102,762)**
Shares issued for cash - private placement	250,000	500,000	-	-	-	-	-	-	**500,000**
Shares and warrants issued for cash - private placement	4,737,735	3,553,303	-	1,184,434	-	-	-	-	**4,737,737**
Shares and broker warrants issued in brokered offering	2,502,000	4,844,623	-	159,377	-	-	-	-	**5,004,000**
Share issuance costs - cash	-	(537,783)	-	-	-	-	-	-	**(537,783)**
Shares issued for services	1,300,000	975,000	-	-	-	-	-	-	**975,000**
Shares issued for exercise of share units	100,200	75,150	-	-	(75,150)	-	-	-	-
Stock based compensation	-	-	-	-	2,486,130	-	-	-	**2,486,130**
Shares issued in acquisitions of interests	7,250,000	10,125,000	-	-	-	-	-	-	**10,125,000**
Shares issued for convertible debt	220,000	165,000	-	-	-	-	-	-	**165,000**
Shares issued for exercise of warrants	1,430,375	2,145,563	-	(715,188)	715,188	-	-	-	**2,145,563**
Shares issued on RTO transaction	1,813,303	3,627,148	-	-	-	-	-	-	**3,627,148**
Share options issued on completion of RTO	-	-	-	-	85,241	-	-	-	**85,241**
Share options exercised	50,000	106,827	-	-	(56,827)	-	-	-	**50,000**
Shares to be issued - subscribed	-	-	500,000	-	-	-	-	-	**500,000**
Shares to be issued - contingent consideration	-	-	4,020,000	-	-	-	-	-	**4,020,000**
Minority Interest of Achelois LLC	-	-	-	-	-	-	-	(3,004)	**(3,004)**
Balance at December 31, 2016	**36,006,956**	**$ 30,636,253**	**$ 4,520,000**	**$ 628,623**	**$ 3,154,582**	**$ (102,762)**	**$ (13,490,327)**	**$ (3,004)**	**$ 25,343,365**

CANNAROYALTY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the nine months ended December 31, 2016	For the year ended March 31, 2016	For the period of October 3, 2014 to March 31, 2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Comprehensive loss for the period	$ (10,314,475)	$ (3,032,938)	$ (142,914)
Items not affecting cash:			
Non-cash Listing expense related to RTO (note 6)	3,698,618	-	-
Bargain purchase (note 5)	(59,358)	-	-
Bad debts expense (note 10(1))	132,790	-	-
Income from equity accounted investees (note 12)	(63,401)	-	-
Gain on investment from change to equity method (note 12)	(26,875)	-	-
Non controlling interest	(3,004)	-	-
Amortization of property and equipment (note 15)	111,331	-	-
Amortization of intangibles (note 16)	131,221	-	-
Share based compensation (note 22)	2,486,130	-	-
Deferred tax recovery (note 25)	(52,224)	-	-
Loss on sale of capital assets (note 21)	-	42,135	-
	(3,959,247)	(2,990,803)	(142,914)
Changes in non-cash items relating to operations:			
Increase in amounts receivable	(313,916)	-	-
Increase in inventory	(15,737)	-	-
Increase in prepaid	(15,732)	(37,721)	(31,773)
Increase in accounts payable and accruals	392,938	1,543,442	42,992
	(3,911,694)	(1,485,082)	(131,695)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Purchase of controlled interests (net assumed cash of $116,729) (note 5,6)	50,061	-	-
Purchase of property and equipment (note 15)	(136,734)	(684,924)	-
Proceeds from sale of capital assets (note 21)	-	110,053	-
Purchase of intellectual property (note 16)	(315,864)	-	-
Increase in share subscription receivable (note 7)	-	(2,500)	-
Purchase of investments	(1,865,555)	(2,131,320)	-
Royalty financing arrangements	(571,002)	(891,772)	-
Loans advanced to debtors, net of repayment	(2,929,280)	(145,621)	-
Convertible loans advanced to debtors, net of repayment	(806,460)	(133,115)	-
Investments in joint ventures (note 12)	(192,540)	-	-
	(6,767,374)	(3,879,199)	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Proceeds from shares in private placements, net of issuance costs (Note 22)	3,994,949	4,500,210	556,212
Proceeds from shares in brokered offering, net of issuance costs (Note 22)	4,365,194	-	-
Proceeds from issuance of warrants, including broker warrants (Note 22)	1,343,811	-	-
Proceeds from exercise of warrants (Note 22)	2,145,563	-	-
Proceeds from issuance of convertible debt (note 19)	1,500,000	-	-
Proceeds from issuance of stock options (Note 22)	50,000	-	-
Increase (decrease) in share subscriptions payable (Note 22)	500,000	(62,500)	62,500
Net (repayments) advances from borrowers	(280,711)	445,711	-
	13,618,806	4,883,421	618,712
INCREASE (DECREASE) IN CASH	2,939,739	(480,860)	487,017
CASH, BEGINNING	6,157	487,017	-
CASH, END	$ 2,945,895	$ 6,157	$ 487,017

See accompanying notes to the unaudited condensed consolidated financial statements.

1. Nature of Operations

CannaRoyalty Corp. ("the Company" or "CannaRoyalty") is a fully integrated, active investor and operator in the legal cannabis sector. Specifically, CannaRoyalty provides strategic capital and functional expertise to accelerate the commercialization of its diversified portfolio of holdings. Currently, the Company is focused on three high-value segments of the cannabis market, including research/intellectual property; brands; and infrastructure, with operations in three U.S. States, Canada and Puerto Rico. CannaRoyalty invests its capital via royalties, equity, licenses and convertible debt.

CannaRoyalty is a reporting issuer listed for trading on the Canadian Securities Exchange in the Province of Ontario under the trading symbol "CRZ". During February 2017, CannaRoyalty was listed for trading on the OTCQB markets in the U.S. under the trading symbol "CNNRF". CannaRoyalty was incorporated as "McGarry Minerals Inc." on August 19, 1985. In connection with a corporate reorganization, the Company changed its name to "Bonanza Blue Corp." ("Bonanza Blue") on August 16, 2000. The Company further changed its name to "CannaRoyalty Corp." on December 5, 2016, prior to the completion of a reverse takeover transaction ("RTO") between Bonanza Blue Corp. and Cannabis Royalties Holdings Corp. "CRHC" (see note 6). CannaRoyalty's head office is located at 333 Preston Street, Preston Square Tower 1, Suite 610, Ottawa, Ontario K1S 5N4.

Legally, CannaRoyalty (formerly Bonanza Blue) is the parent company; however, as a result of the share exchange, control of the combined companies passed to the former shareholders of CRHC, which for accounting purposes is deemed to be the acquirer. For financial reporting purposes the transaction has been accounted for under IFRS 2 Share Based Payment and therefore the financial statements have been prepared as a continuation of CRHC. Consequently, through the period ended December 2, 2016, the consolidated statements of comprehensive loss and the consolidated statements of cash flows relate only to CRHC, the acquirer. After December 2, 2016, the net assets of CRHC are included in the balance sheet at their carrying values, and the acquisition of Bonanza Blue is accounted for by the acquisition method, with the net assets of Bonanza Blue recorded at their estimated fair values. However, the equity structure appearing in these consolidated financial statements (the number and type of equity instruments issued) reflect the equity structure of CannaRoyalty, including the equity instruments issued by CannaRoyalty to effect the RTO.

As these statements are viewed as a continuation of CRHC and uses the last audited financial statements of CRHC for comparative purposes. Therefore, the consolidated statements of comprehensive income, the consolidated statements of shareholder's equity and the consolidated statement of cash flows reflect the nine months ended December 31, 2016.

On March 11, 2016, the Company incorporated Cannroy Delaware Inc. ("Cannroy Delaware"). On May 3, 2016, the Company incorporated Cannroy Distribution LLC ("Cannroy Distribution"), a wholly owned subsidiary of Cannroy Delaware. On September 22, 2016, the Company dissolved Desert Growers Association LLC, an inactive company which had no impact on the Company's consolidated financial statements. In October and November 2016, the Company purchased full or controlling interests in Electric Medialand Inc. ("EML"), Dreamcatcher Labs, Inc. ("Dreamcatcher"), and Achelois LLC ("Achelois") (see note 5).

2. Going Concern Uncertainty

CannaRoyalty has incurred net loss of $10,314,475 for the nine months ended December 31. 2016 (year ended March 31, 2016 – net loss of $3,032,938, period ending March 31, 2015 – net loss of $142,914). These conditions raise doubt about the ability of the Company to continue as a going concern as many of its current holdings are in the early stages of business development.

Management has been able to raise sufficient funds to finance its operations through various equity financings, with some additional financing from short-term loans and a convertible debenture. Management anticipates that if

necessary it will be able to finance further acquisitions and operational needs of the Company. In February 2017, CannaRoyalty completed a bought deal financing of $15,000,000 of which a portion of the proceeds will be used for further investments and acquisitions, to finance current investments, and operational needs. The Company's ability to continue as a going concern is dependent on its ability to obtain financing if sufficient revenue cannot be generated from its investments.

These audited financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, no adjustments to the carrying values of the assets and liabilities have been made in these audited financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis which may differ materially from the going concern basis.

3. Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee applicable to the preparation of consolidated financial statements.

The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. The policies applied in these consolidated financial statements are based on IFRS policies effective as at December 31, 2016. The date the Board of Directors approved the consolidated financial statements was April 12, 2017.

Certain balances within the statement of comprehensive loss have been re-classified for the year ending March 31, 2016, in order to conform with present year presentation. Interest expense has been moved from general and administrative expenses to other income. Furthermore, lab supplies and lab equipment lease costs have been moved from general and administrative expense to research and development expense.

4. Significant Accounting Policies, Estimates and Judgments, New Standards

Basis of presentation

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value as noted below.

Basis of consolidation

The consolidated financial statements of the Company include the accounts of CannaRoyalty and of its wholly-owned subsidiaries Cannroy Delaware, Cannroy Distribution, EML, Dreamcatcher, and Achelois. All intercompany transactions and balances are eliminated. A subsidiary is an entity controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies.

Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlements of pre-existing relationships; such amounts are generally included in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Interests in equity-accounted investees

The Company's interest in equity accounted investees is comprised of its interest in associates and joint ventures.

In accordance with IFRS 10 associates are those in which the Company has significant influence, but not control or joint control over the financial and accounting policies. In accordance with IFRS 11, a joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method in accordance with IAS 28. They are recognized initially at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income ("OCI") of equity accounted investees until the date on which significant influence or joint control ceases.

Royalty Investments

The Company measures royalty investments with a definite life at amortized cost on a straight-line basis.

Amortization commences when the investee demonstrates commercial operations that reflect the economic benefits the Company is entitled to. Royalty investments that have an indefinite life are measured at acquisition cost, are not amortized and are tested for impairment at each reporting period.

Revenue Recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the good, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The Company provides various services for its customers. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. The Company recognizes revenue from rendering of services in proportion to the stage of progress.

The Company recognizes royalty and license income based on the totals revenues earned and reported by the third party for the respective reporting period. If the collection of royalties is doubtful the income may not be recorded.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the FIFO method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

On acquisition, raw materials are recorded at their replacement cost at the date of acquisition. The cost of finished goods is marked up such that the acquirer will only recognize the benefit of the selling effort of a product.

Income taxes

In assessing the probability of realizing deferred tax assets, Management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, Management gives additional weight to positive and negative evidence that can be objectively verified.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income (loss) or shareholders' equity (deficit) is recognized in other comprehensive income (loss) or shareholders' equity (deficit) and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the consolidated statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all, or part of, the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. No depreciation has been recorded on property and equipment that is not yet available for use.

An asset's residual value, useful life and depreciation method are reviewed, and adjusted prospectively if appropriate, on an annual basis.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statements of comprehensive loss.

Depreciation is calculated using a declining balance method or on a straight-line basis. The depreciation rates applicable to each category of equipment are as follows:

- Extractors: 20% declining balance
- Filling machines and labelling systems: 10-years straight line
- Chillers, condensers, and ovens: 50% declining balance
- Lighting equipment: 20% declining balance
- Furniture and fixtures: 20% declining balance
- Computers and related equipment: 3-years straight line

For those assets amortized under the declining balance method one-half the normal rate of depreciation is recorded in the year of acquisition.

Intangible Assets

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets, including brands, technology, employment agreements, and product formulations that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over the estimated useful lives and is generally recognized in profit or loss. Goodwill is not amortized. The amortization of product formulations will begin when the Company begins to generate revenue from the asset,

The estimated lives of CannaRoyalty's current intangible assets are as follows:

- Brands 10 years
- Acquired technologies 10 years
- Employment agreements 5 years
- Product formulations 10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Capital stock

Financial instruments issued by the Company are classified as shareholders' equity (deficit) only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from shareholders' equity, net of tax.

Share based payment transactions

The grant date fair value of equity settled share based payment awards granted to employees is recognized as an expense with a corresponding increase in equity over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the

related services performance conditions at the vesting date.

Warrants

Warrants that have been issued in combination with common shares are evaluated under IAS 32. Equity classification applies to instruments where a fixed amount of cash (or liability) denominated in the issuer's functional currency is exchanged for a fixed number of shares (often referred to as the "fixed for fixed" criteria).

Warrants that are classified as equity are usually valued under the residual method. If the warrant is exercised or expires, the value of the warrants is included in contributed surplus. For broker warrants included in a brokered offering the warrants are valued using the Black Scholes model.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing price on the issuance date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to accumulated deficit.

Net income (loss) per common share

Basic net income or loss per common share is calculated by dividing the net income or loss by the weighted average number of common shares outstanding during the period. Diluted net income or loss per common share is calculated by dividing the applicable net income or loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

If the Company incurs a net loss during a reporting period the calculation of fully diluted loss per share will not include potentially dilutive equity instruments such as RSUs, warrants, and convertible debt, which would the reduce the net loss per share.

Foreign currency translation

All figures reported in these consolidated financial statements and tabular disclosures to the consolidated financial statements are in Canadian dollars, which is the functional currency of CannaRoyalty. Each of the foreign operations included in these consolidated financial statements determines its own functional currency, and items included in the financial statements of each subsidiary are measured using that functional currency.

Assets and liabilities of foreign operations having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at the rate of exchange prevailing at the dates of the transactions during the period. Gains or losses on translation of foreign subsidiaries are included in other comprehensive income.

In preparing the consolidated financial statements of CannaRoyalty, foreign currency denominated monetary assets and liabilities are translated into the functional currency using the closing rate at the applicable consolidated statement of financial position dates. Non-monetary assets and liabilities, denominated in a foreign currency and measured at fair value, are translated at the rate of exchange prevailing at the date when the fair value was determined and non-monetary assets measured at historical cost are translated at the historical rate. Revenues and

expenses are measured in the functional currency at the rates of exchange prevailing at the dates of the transactions with gains or losses included in income. Reporting date closing rates and transaction rates are obtained from Bloomberg Markets.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. At initial recognition, the Company classifies its financial instruments, depending on the purpose for which the instruments were acquired, as follows:

Financial assets

Fair value through profit or loss – This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash and its royalty investments at fair value through profit or loss.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies receivables as loans and receivables.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Equity securities that do not have a quoted market price in an active market and for which a reliable fair value cannot be reliably measured are measured at cost instead of fair value. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and is recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities – This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities, loans payable and due to related parties.

Embedded derivatives

The Company has convertible loans receivables and convertible debt whereby balances can be converted into equity. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or

loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are generally recognised in profit or loss.

Impairment of assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Impairment of property and equipment

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. For the purpose of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable value is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value.

Accounting policy change

As of September 30, 2016, the Company has voluntarily changed its accounting policy concerning the measurement of royalty investments. The old policy measured royalty investments as financial assets at fair value through profit loss. The new policy is to measure royalty investments with a definite life at amortized cost on a straight-line basis. Amortization commences when the investee demonstrates commercial operations that reflect the economic benefits the Company is entitled to. Royalty investments that have an indefinite life are measured at acquisition cost and are tested for impairment at each reporting period. This change will provide more reliable and relevant information as these investments do not have a quoted market price and therefore fair value may not be reliably determined. The change was applied retrospectively whereby the fair-value of the royalty investment becomes the new cost or amortized cost. There were no adjustments to the consolidated financial statements as a result of this change in accounting policy.

(ii) Critical accounting estimates and judgments

Overview

The preparation of consolidated financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes to the consolidated financial statements. These estimates are based on Management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. Significant estimates made by the Company include:

- fair values recorded on acquisition of subsidiaries
- valuation of assets, including intangibles, goodwill, and royalty investments with a perpetual royalty stream
- recoverability of loans and advances
- estimates and assumptions used in applying IFRS 2 "Share Based Payment"

These estimates have been applied in a manner consistent with that in prior periods and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the assumptions utilized in these consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain.

(iii) Accounting standards and amendments issued but not yet applied

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2016 and have not been applied in preparing these consolidated financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's consolidated financial statements for the year ending December 31, 2017 or later:

IFRS 9 – Financial Instruments: This standard applies to classification and measurement of financial assets and liabilities as defined in IAS 39. This amendment is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is assessing the impact of the standard on its convertible notes receivable and its investments where it holds less than significant influence. These investments are currently recorded at cost. Upon implementation of IFRS 9, these investments will need to be recorded at fair value and the Company is currently assessing available information and methods to determine their fair value.

IFRS 16 – Lease: This standard specifies the recognition, measurement, presentation and disclosure of leases. This standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing any effect on its consolidated financial statements from the adoption of this standard. Based on its current assets, interests and investments no significant impact is anticipated from the new standard.

IFRS 15 – Revenue from Contracts with Customers: This standard establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaces existing revenue guidance including IAS 18 *Revenue.* IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company continues to assess the impact of the standard on its recently acquired subsidiaries with a focus on service contracts.

5. Acquisitions

During the nine months ended December 31, 2016, CannaRoyalty completed three transactions in which it acquired controlling equity interests.

These transactions were accounted for as acquisitions of a business in which the results of operations of the acquired companies are included in the consolidated financial statements from the acquisition date and their identifiable assets acquired and liabilities assumed are recorded at their fair value on the date of the acquisition. The following purchase prices and identifiable assets and liabilities were subject to Management's best estimates and assumptions after taking into consideration all relevant information available. The purchase price allocation to the net assets acquired was as follows:

	Dreamcatcher	Electric Medialand	Achelois (1)	TOTAL
Purchase consideration				
Cash	$ -	$ 200,000	$ 13	$ 200,013
Issued shares	6,000,000	1,500,000	-	7,500,000
Contingent shares	4,020,000	-	-	4,020,000
Note payable	-	-	448,661	448,661
Total Purchase Price	$ 10,020,000	$ 1,700,000	$ 448,674	$ 12,168,674
Identified tangible net assets				
Cash	$ 74,446	$ 36,510	$ -	$ 110,956
Amounts receivable	22,183	209,573	-	231,756
Prepaid expenses	22,387	3,221	-	25,608
Inventory	122,937	-	502,691	625,628
Property and equipment	809,168	9,493	5,341	824,002
Amounts payable	(220,936)	(267,734)	-	(488,670)
Identified Intangible Items				
Employment agreement (note 16)	-	280,645	-	280,645
Acquired brands (note 16)	2,342,614	-	-	2,342,614
Acquired technologies (note 16)	4,932,521	-	-	4,932,521
Deferred tax liability	(2,964,618)	(74,371)	-	(3,038,989)
Goodwill (note 16)	4,879,298	1,502,663	-	6,381,961
Bargain purchase	-	-	(59,358)	(59,358)
Total Allocated	$ 10,020,000	$ 1,700,000	$ 448,674	$ 12,168,674

(1) With respect to the tangible net assets acquired from Achelois the above amounts represent the full value which would be carried on the Company's balance sheet prior to the recording of non-controlling interest, and not the actual purchase consideration which would only be 70% of the above.

a) Acquisition of Dreamcatcher Labs Inc.

On October 24, 2016, the Company entered into a definitive share purchase agreement with Dreamcatcher a corporation incorporated under the laws of the state of Nevada, and GreenRock Botanicals Inc. ("GreenRock") a non-profit mutual benefit corporation formed under the laws of the State of California to purchase all of the issued and outstanding shares of Dreamcatcher and the controlling governing membership interest in GreenRock. On the same day, Dreamcatcher (now a wholly-owned subsidiary of CannaRoyalty) entered into a definitive asset purchase

agreement with Rock Vapor Technologies, Inc. ("Rock Vapor") for the purchase of certain assets and intellectual property of Rock Vapor which was financed by further shares issued by CannaRoyalty.

Through the use of large scale filling machines Dreamcatcher produces safe, sealed and high quality extract cartridges for vape pens to meet large-scale mass-market demand.

As a result of the above-noted transaction, the prior director and officer of Dreamcatcher, Rock Vapor and GreenRock, was retained by the Company to act as Chief Executive Officer of the acquired entities.

Due to GreenRock having an insignificant amount of tangible assets and liabilities its net tangible assets were not included in the purchase price allocation. Furthermore, it was not practicable to have GreenRock's financial information between October 24, 2016 and December 31, 2016. As this information would not be significant the GreenRock results have not been included in the consolidated financial statements at December 31, 2016, in accordance with IFRS 10:B92.

Consideration Transferred

	Shares		Value
Shares issued on acquistion date (i)	3,000,000	$	6,000,000
Contingent share consideration (ii)	2,000,000		4,020,000
Total consideration issued		$	10,020,000

(I) CannaRoyalty issued 3,000,000 shares at the acquisition date based on the following components of consideration that were delivered to the shareholders of Dreamcatcher:
- 2,624,620 common shares of CannaRoyalty;
- 380 common shares relating to the GreenRock controlling governing membership interest; and
- CannaRoyalty delivered 375,000 of its shares to Rock Vapor in order for Dreamcatcher to purchase certain equipment and intellectual property from Rock Vapor.

These shares were valued at $6,000,000 based on a valuation of $2.00 per common share which was the price received per common share in the Company's most recent round of equity financing which was completed on October 4, 2016. The shares that were delivered to the former shareholders of Dreamcatcher have a one year trading restriction. Management has assessed these restrictions as entity specific and therefore the fair value of these shares was not discounted.

(II) In addition to the shares issued on the acquisition date, up to 2,000,000 common shares in CannaRoyalty may be issued to the Dreamcatcher shareholders upon the satisfaction of certain performance-based conditions precedent, namely, the ability of Dreamcatcher to obtain new customers, increase sales revenue and launch new products to market. These contingent common shares can be earned as follows:
- 1,000,000 common shares contingent on meeting "Initial Earn-Out" targets; and
- 1,000,000 common shares contingent on meeting "Final Earn-Out" targets.

The number of shares that could be earned from meeting, or failing to meet, each of the "Initial Earn Out" and the "Final Earn Out" targets is not variable. If the conditions are not met the shareholder will receive no shares. Accordingly, the contingent consideration was initially valued as an equity instrument and will not be revalued in future reporting periods. Based on an assessment made at October 24, 2016, management determined that the Initial Earn Out and Final Earn Out release conditions would more likely than not be met and that 2,000,000 shares would be issued.

As these shares will be settled at a fixed point in time, a forward price model between the purchase date and the settlement date was used to value the shares. The forward price model used six-month and twelve-month risk free rates as published by the Bank of Canada at the date of the acquisition, which were 0.54% and 0.58% respectively. Under this model, the shares were valued at $2.01 per share.

The total value of the contingent consideration of $4,020,000 is based on 2,000,000 shares more likely than not to be issued at a value of $2.01 per share.

Intangible Assets and Goodwill

The Company recognized two identifiable intangible assets on the Dreamcatcher acquisition.

Acquired Technology valued at $4,932,521: CannaRoyalty acquired two primary components of proprietary Technology; cartridge and vaporizer technology previously owned by Rock Vapor and high-efficiency filling technology previously owned by Dreamcatcher. These primary components are substantially integrated in that both components will be used in achieving the projected cash flows from the Dreamcatcher acquisition. Moreover, while the technology underlying both the process and products will likely be subject to minor modifications going forward, management expects the core technology for both components to have a similar economic/useful life going forward. Accordingly, the Company has analyzed all patents, processes, and other technology-related IP as one identifiable intangible asset which is herein referred to as "Acquired Technology".

Acquired Brands valued at $2,342,614: CannaRoyalty acquired various brands including those related to GreenRock, Rock Vapor, and Dreamcatcher, although the Company intends to focus its attention primarily on the GreenRock brand moving forward. Management has considered all of the brands collectively acquired through the two-step Dreamcatcher acquisition to be one identifiable intangible asset herein referred to as the "Acquired Brands".

The Company has recorded a deferred tax liability of $2,964,618 related to these intangibles. This liability was based on the corporate tax rates in the Dreamcatcher jurisdiction.

The goodwill balance of $4,879,298 represents the balance remaining after the allocation to identifiable tangible and intangible net assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis.

b) Acquisition of Electric Medialand Inc.

Effective November 1st, 2016, CannaRoyalty acquired all of the issued and outstanding shares in EML, a corporation incorporated under the federal laws of Canada. As a result of the transaction, the founder and owner of EML joined CannaRoyalty as Chief Marketing Officer. EML adds expertise in sales and marketing to support CannaRoyalty's brand portfolio and help grow their sales as well as helping build a base of established relationships within the cannabis industry.

Consideration Transferred

The purchase price consideration of $1,700,000 was based on the following:

	Shares		Value
Shares issued on acquistion date (i)	750,000	$	1,500,000
Cash consideration			200,000
Total consideration issued		$	1,700,000

(i) 750,000 CannaRoyalty shares were issued to the prior shareholder of EML which were valued at $1,500,000. The shares were valued at $2.00 per share based on the most recently completed equity financing which was completed on October 4, 2016. As a key executive of CannaRoyalty the shares issued to the Chief

Marketing Officer were held in escrow as part of the listing process. The 750,000 shares will roll out of escrow over a period of two years. In accordance with IFRS 13, the fair value of these shares was not discounted on acquisition as they were seen as entity-specific shares.

(ii) The $200,000 cash portion of the purchase price was contemplated to be paid in three equal installments: 1) on the closing date of this transaction, 2) six months from closing, 3) twelve months from closing. The first instalment of $66,667 was paid on the closing date of the transaction. The remaining balance of $133,333 is due in equal payments on May 1, 2017 and November 1, 2017.

Intangible Assets and Goodwill

Intangible assets of $280,645 relate to the Employment Agreement with the Chief Marketing Officer, who will deliver expertise in branding and establish relationships for the Company in the cannabis industry. The basis for recognizing the intangible was the ability for the Chief Marketing Officer to deliver a viable alternative to EML if they were not with CannaRoyalty.

The Company has recorded a deferred tax liability of $74,371 related to this intangible asset. This liability was based on the corporate tax rates in the EML jurisdiction.

The goodwill balance of $1,502,663 represents the balance remaining after the allocation to identifiable tangible and intangible net assets. Due to the EML purchase, CannaRoyalty expects to realize entity specific synergies that will benefit its other operating entities. These were not reflected in the forecasted results of EML. Goodwill will not be amortized and will be reviewed for impairment on an annual basis.

c) Acquisition of Achelois LLC

On November 30, 2016, the Company subscribed for a 70% membership interest in Achelois, a limited liability company incorporated under the laws of the State of California that develops and manufactures Dermaleaf skincare products, a unique line of cannabis infused lotions featuring fibroblast cells for healing and pain relief. This acquisition allowed CannaRoyalty to grow its portfolio of new and established quality consumer brands.

Consideration transferred

CannaRoyalty acquired 70% of the equity interest in Achelois for total purchase consideration of $314,072. The consideration was made up of the following:

		Value
Cost of membership interest (i)	$	13
Cash consideration (ii)		314,072
Total consideration issued	$	314,085

(i) Cost of membership interest of $13 ($10 USD)

(ii) A note payable of $451,618 ($336,000 USD) that was issued from Achelois to the former shareholder concurrent with the closing of the subscription agreement. This note payable is related to the completion of the acquisition of the business and has therefore been included as part of the purchase price consideration. CannaRoyalty's 70% portion of this note is $314,072 ($234,200 USD)

There were no cash outflows at the acquisition date. The note payable is due on November 30, 2017, and is expected to be financed by cash flows generated by Achelois or from other operations within CannaRoyalty.

CannaRoyalty has agreed to provide ongoing funding and services to Achelois as necessary to support its development and growth. CannaRoyalty views these activities as part of its responsibilities to grow the value of its

investments. Therefore, any additional funding provided to Achelois has not been incorporated into the acquisition price.

Bargain Purchase

CannaRoyalty recognized a gain of $59,358 related to this acquisition as the fair value of tangible net assets assumed in the purchase consideration.

d) Acquisition Related Costs

CannaRoyalty has incurred costs totaling $198,214 related to the above acquisitions. These costs were recorded in general and administrative expenses during the nine-month period ending December 31, 2016.

e) Pro Forma Disclosures

The above acquisitions contributed revenues of $266,980 and a net loss of $62,346 as part of CannaRoyalty's consolidated results from their dates of acquisition, excluding the impact of fair value adjustments. If each acquisition had occurred on April 1, 2016, management estimates that CannaRoyalty's consolidated revenue would have increased by $1,221,607 and the net loss would have decreased by $86,544 for the nine months ended December 31, 2016. In determining these amounts, Management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisitions had occurred on April 1, 2016.

6. Reverse Takeover Transaction

On June 30, 2016, CRHC entered into a binding agreement with Bonanza Blue Corp. which outlined the general terms and conditions of a proposed transaction pursuant to which Bonanza Blue would acquire all of the issued and outstanding securities of CRHC in exchange for securities of Bonanza Blue. This transaction was completed on December 5, 2016. The transaction was carried out by way of a three-cornered amalgamation pursuant to which CRHC become a wholly-owned subsidiary of Bonanza Blue or otherwise combined its corporate existence with that of Bonanza Blue. As a result of this transaction, the combined company continued on with the business of CRHC under the name "CannaRoyalty Corp." The Agreement was negotiated at arm's length. Bonanza Blue was a reporting issuer in the Province of Ontario and its common shares were not listed on any exchange or market. The proposed transaction was subject to, among other things, receipt of the requisite shareholder approvals, regulatory approval, including approval of the CSE, and additional conditions. As contemplated by the Agreement, Bonanza Blue and CRHC applied to the CSE for the listing of the common shares of the combined entity. The listing was accepted on December 2, 2016. Bonanza Blue had no commercial operations and had no assets other than cash and amounts receivable.

As a result of the reverse takeover transaction, the shareholders of CRHC owned approximately 95% of the issued and outstanding common shares of Bonanza Blue on a non-diluted basis. For accounting and reporting purposes, CRHC is the accounting acquirer and Bonanza Blue is the accounting acquiree because of the significant holdings and influence of the control group of CRHC before and after the transaction.

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The reverse acquisition has been accounted for as a share -based payment transaction on the basis that Bonanza Blue did not meet the definition of a business because Bonanza Blue is a shell based company with no ongoing business operations. As a result, the difference between the fair value of the consideration deemed to have been paid by the accounting acquirer and the fair value of the identifiable net assets of the accounting acquiree is expensed.

The purchase consideration to complete the RTO and the fair value of the net assets acquired on December 5, 2016, were as follows:

Purchase consideration		
1,813,303 Issued common shares	$	3,627,148
75,000 share options granted		85,241
		3,712,389
Less - Identified tangible net assets		
Cash		5,773
Amounts receivable		7,998
Non-cash listing expense		3,698,618
Cash paid listing expense		202,393
Total Listing expense	$	3,901,011

The 1,813,303 issued common shares relate to the following:

(i) Prior to the completion of the RTO, the 8,055,011 shares of Bonanza Blue were consolidated to 1,610,730 shares.

(ii) Pursuant to the RTO, certain directors of Bonanza Blue were issued 202,573 shares as compensation for their full repayment of $151,930 of Bonanza Blue accounts payable and other debt of the company.

The shares were valued at $2.00 per share consistent with the value of the shares in the most recent round of equity financing at October 4, 2016.

As part of the RTO transaction, three directors of Bonanza Blue received a total of 75,000 stock options at an exercise price of $1.00 for a period of one year following the closing date of December 5, 2016. These options vested immediately upon the closing date. The total value of these options was $85,241 (note 23).

The recognition of a listing expense as part of the acquisition of a public company is determined as the consideration paid by CRHC less the net assets acquired. The net assets acquired from Bonanza Blue totalled $13,771 consisting of cash of $5,773 and amounts receivable of $7,998. The remainder of $3,698,618 was classified as a listing expense.

7. Amounts Receivable

		December 31, 2016		March 31, 2016		March 31, 2015
Trade account receivables	$	163,289	$	-	$	-
Royalty receivables		351,113		-		-
HST and sales tax receivable		17,708		-		-
Other receivables		24,060		2,500		-
Total Amounts receivable	$	556,170	$	2,500	$	-

At March 31, 2016, a total of $2,500 was owed from a subscriber for share capital issued. These subscription funds were subsequently received on June 27, 2016.

The Company generally does not hold any collateral as security for trade receivables; however, it minimizes its credit risk associated with its trade receivables by requiring customer deposits or prepayments in some cases and performing credit evaluation, approval and monitoring processes. As of December 31, 2016, the allowance for doubtful trade accounts was $nil (March 31, 2016 – $nil).

The aging of trade receivables at the reporting date was:

	December 31, 2016	March 31, 2016	March 31, 2015
Current	$ 64,067	$ -	$ -
Past due: Less than 30 days	-	-	-
31 - 60	59,831	-	-
61 - 90	21,164	-	-
Greater than 90 days	18,227	-	-
Total Trade account receivables	$ 163,289	$ -	$ -

At December 31,2016, three customers accounted for 91% of total trade receivables, the largest accounting for 62% (2015 – no trade receivables). Since December 31, 2016 and through March 29, 2017, the Corporation has collected $91,362 from the above outstanding trade receivables. Management does not believe that any significant trade receivables not provided for are not collectible.

Since December 31, 2016, the Company has yet to collect on its royalty receivables. These are expected to be collected in the first half of fiscal 2017 in accordance with the royalty financing arrangement with Cascadia Holdings LLC ("Cascadia").

8. Inventories

	December 31, 2016	March 31, 2016	March 31, 2015
Finished Goods	$ 165,558	$ -	$ -
Raw materials	475,792	-	-
Total Inventory	$ 641,350	$ -	$ -

For the nine months ended December 31, 2016, inventories of $127,466 were recognized in cost of sales. There were no impairments or write downs of inventory during the period.

9. Prepaid Expenses

Prepaid expenses consist of the following:

	December 31, 2016	March 31, 2016	March 31, 2015
Professional fee retainers	$ 14,737	$ 69,494	$ 31,773
Insurance	68,882	-	-
Other	27,215	-	-
Total Prepaid expenses	$ 110,834	$ 69,494	$ 31,773

10. Loan Receivable

	December 31, 2016	March 31, 2016	March 31, 2015
Santa Barbara (1)	$ -	$ 145,621	$ -
Stokes Confections (2)	68,255	-	-
Rich Extracts LLC (3)	2,428,672	-	-
Cascadia Holdings LLC (4)	337,581	-	-
Cannacraft (5)	71,018	-	-
Other advances (6)	37,635	-	-
Total loans receivable	$ 2,943,161	$ 145,621	$ -

(1) The Company entered into a loan agreement with Santa Barbara Patients Collective and Healing Center ("SBPCHC") on August 19, 2015 for $100,000 USD to assist SBPCHC in opening a collective and healing center in Santa Barbara, California. The interest rate on the loan is 20% per annum. The principal and accrued interest was due on August 19, 2016. The loan is unsecured.

As the amount is now past due and no payments have been received, the Company has provided an allowance of $132,790 ($100,000 USD) against the entire principal balance. The Company has engaged legal counsel to assist in aggressively pursuing collection of the entire amount of the loan and all accrued interest. The bad debt expense is included in general and administrative expenses. Furthermore, the Company has written off all accrued interest on this loan and reduced interest income accordingly.

(2) On May 15, 2016, the Company entered into a letter of intent with Progressive Marketing Partners LLC ("Stokes Confections"), which is based in California and produces low dose, cannabis infused edibles. An advance of $67,205 ($50,000 USD) was made as an up-front fee, but was to be refunded in full with annual interest of 2.5% if a definitive agreement was not finalized by December 31, 2016. At December 31, 2016, the total receivable of $68,255 includes $1,050 of accrued interest. The advance is unsecured and due on demand. The Company expects to complete a definitive agreement in the first half of fiscal 2017.

(3) On September 9, 2016, the Company entered into a term sheet to subscribe for a 50% equity stake in Rich Extracts LLC ("Rich Extracts"). Consideration for the shares in Rich Extracts was comprised of funding commitments, the provision of services, a transfer of equipment, inventory, and other tangible assets owned by CannaRoyalty into Rich Extracts, and a payment of $200,000 USD, which represented 50% of the estimated value of the equipment, inventory, and other tangible assets that the other joint venture is personally transferring into Rich Extracts. Since the date of this agreement the Company has also provided additional funding beyond the above commitments. As of December 31, 2016, CannaRoyalty has provided funding and advances of $2,428,672 ($1,806,913 USD) to Rich Extracts. Subsequent to December 31, 2016, the Company has provided additional funding of $616,908 ($458,975 USD). These advances are non-interest bearing, unsecured and due on demand.

On February 9, 2017, the two parties agreed to cancel the prior term sheet and entered into a new binding term sheet regarding a royalty financing arrangement whereby CannaRoyalty earns 30% revenue royalty on Rich Extracts' gross revenues in perpetuity in return for the financing provided to Rich Extracts. As part of this financing the parties recognized that the full amount of debt owing by Rich Extracts at December 31, 2016, plus any subsequent advances up to $2,889,815 ($2,150,000 USD) prior to close will be extinguished and form the basis for the revenue royalty financing. Any financing provided before closing above $2,150,000 USD will be considered to be a loan from CannaRoyalty to Rich Extracts. As of the date of these financial statements, advances of $155,765 ($115,888 USD) above the $2,150,000 that are considered loans, have been provided to Rich Extracts.

(4) CannaRoyalty has advanced a total of $337,581 ($251,158 USD) to provide Cascadia additional working capital. Cascadia is one of the Company's royalty investments. These advances are non-interest bearing, unsecured and have no set terms for repayment.

(5) The Company advanced funds of $336,025 ($250,000 USD) to CannaCraft, Inc. ("CannaCraft") on May 16, 2016. This advance has been partially offset by the purchase of equipment and product from CannaCraft valued at $265,007 ($197,063 USD). The balance of the advance at December 31, 2016, is $71,018 ($52,837 USD). This advance is not part of the joint venture agreement between the two companies. This advance is non-interest bearing, unsecured and has no set terms for repayment.

(6) These advances are to unrelated parties and are non-interest bearing, unsecured and have no set terms for repayment.

11. Convertible Note Receivable

	Notes Receivable		Derivative Assets	
	December 31, 2016	March 31, 2016	**December 31, 2016**	March 31, 2016
Eureka (1)	$ 461,691	$ 104,523	$ 102,092	$ 28,592
BAS Research (2)	403,115	-	12,413	-
Total convertible notes	$ 864,806	$ 104,523	$ 114,505	$ 28,592

(1) During February 2016, the Company entered into a loan agreement with Eureka Management Services Inc. ("Eureka"), a California corporation that manages Magnolia Wellness, a medical cannabis dispensary in Oakland, California. The loan was provided to assist Eureka in expanding its operations. The loan was made in exchange for a convertible promissory note receivable with a face value of $200,000 USD. At signing, the Company advanced $100,000 USD of the $200,000 USD commitment. The remaining $100,000 USD was advanced during April 2016.

During August 2016, the Company advanced a further $200,000 USD to Eureka as part of a second convertible promissory note.

The conditions of the first and second convertible promissory notes are the same and the term of each loan is five years. Commencing on the third anniversary of the loans (February 2019 and August 2019 respectively), the Company has the option to convert the principal and accrued interest into a 5% equity interest for each loan for an aggregate stake of up to 10% in Eureka. If the conversion options are not exercised, commencing on the third anniversary date, principal shall be paid monthly in arrears on the last day of each month in equal monthly instalments of $4,167 USD for each loan until paid in full at maturity. Interest accrues at 10% per annum. If the conversion options are not exercised, the accrued interest shall be paid monthly in arrears on the last day of each month in equal monthly instalments. Principal and accrued interest can be repaid in advance without penalty. These notes are pari passu to all other unsecured notes that were part of these financings.

The option to settle payments in common shares represents an embedded derivative in the form of a call option to the Company. This derivative asset is initially recognized by comparing a similar instrument without the conversion option and discounting the fair value of the host contract with the non-convertible instrument interest rate. The fair value of the derivative assets related to both convertible loans total is $102,092 at December 31, 2016 (March 31, 2016 - $28,592).

As at December 31, 2016, the notes receivable totalled $461,691 (March 31, 2016 - $104,523), which includes $26,143 of interest accrued and receivable (March 31, 2016 - $1,674).

(2) During July 2016, CannaRoyalty advanced $403,230 ($300,000 USD) to BAS Research in two separate tranches of $150,000 USD. BAS Research ("BAS") is a fully licensed and compliant lab and manufacturing and processing facility located in Berkeley, California. Two senior, convertible promissory notes were received in exchange.

The loans mature in January 2018 after an eighteen-month term. The notes accrue interest at an annual rate of 7% and can only be prepaid at the option of CannaRoyalty. Upon maturity or at any time after the maturity date, in lieu of demanding payment, CannaRoyalty may at its option and sole discretion, elect to convert all or part of the outstanding principal amount plus any accrued and unpaid interest into a number of shares of BAS common stock or shares of the authorized class of series of preferred stock most recently issued by BAS. If CannaRoyalty elects to convert the notes receivable into common or preferred shares, the potential stake would not result in CannaRoyalty having significant influence over BAS.

The option to settle payments in common shares represents an embedded derivative in the form of a call option to the Company. This derivative asset is initially recognized by comparing a similar instrument without the conversion option and discounting the fair value of the host contract with the non-convertible instrument interest rate. The fair value of this derivative asset is $12,413 at December 31, 2016.

As at December 31, 2016, the note receivable totalled $403,115 which includes $12,298 of interest accrued and receivable.

12. Interest in equity accounted investees

	December 31, 2016	March 31, 2016	March 31, 2015
Associated Companies			
Resolve (1)	$ 2,589,202	$ -	$ -
Wagner Dimas (2)	759,539	-	-
Joint Ventures			
Mobile Medicine (3)	192,540	-	-
Total equity accounted investments	$ 3,541,281	$ -	$ -

Associated Companies

(1) On November 16, 2015, a letter of intent was signed between CannaRoyalty, Vida Cannabis Corp. ("Vida"), and Resolve Digital Health Inc. ("Resolve") to enter into a definitive agreement where CannaRoyalty would invest $750,000 cash in Resolve, in return for an 11% equity interest in Resolve.

On April 1, 2016, the Company purchased Vida's rights and obligations to acquire 50,531 common shares of Resolve, and these shares were fully paid on July 4, 2016. The total consideration paid to Vida of $2,825,000 also included a royalty interest in NuTrae LLC ("NuTrae") (note 14). The Company allocated $1,695,000 to Resolve based on an independent valuation of both the equity investment in Resolve and the NuTrae royalty stream.

After the completion of this transaction on July 4, 2016, the Company held a 35% equity interest in Resolve as well as an option to have a CannaRoyalty representative on the Resolve board of directors which has since been filled. As a result, CannaRoyalty has significant influence over Resolve and as an associate the investment is accounted for under the equity method.

In accordance with equity accounting, the initial 11% interest was revalued based on the cost of the additional 24% interest. The resulting gain of $26,875 has been recorded in other income. Accordingly, the value of the 35% equity interest at the inception of significant influence was $2,471,875.

In December 2016, Resolve entered into a subscription agreement with an independent investor which reduced CannaRoyalty's equity interest to 33%. In accordance with the equity accounting method this represented a deemed disposal, and the Company recorded a gain of $238,050 which has been included in the profit from equity accounted interests on the statement of operations for the year ending December 31, 2016.

(2) On May 25, 2016, CannaRoyalty acquired a 20% equity interest in Wagner Dimas, Inc. ("Wagner Dimas"), a Nevada Corporation which has an innovative process for creating highly-scalable machine rolled products. The Company committed to purchase 2,000,000 shares of Wagner Dimas for $818,125 ($625,000 USD). CannaRoyalty also has representation on the board of Wagner Dimas and has significant influence over the investee. As a result, Wagner Dimas is an associate company which is accounted for under the equity method.

The following table summarizes, in aggregate, the financial information of CannaRoyalty's associates as included in their own financial statements, adjusted for fair value at acquisition. The table also reconciles the summarized financial information to the carrying amount of CannaRoyalty's interest at December 31, 2016.

Current assets	$	1,158,000
Non-current assets		10,466,345
Current liabilities		(56,097)
Net assets		11,568,248
Carrying amount of interest in associate	**$**	**3,348,749**
CannaRoyalty's share of loss, year ending December 31, 2016 (i)		
Revenue	$	65,000
Loss from continuing operations and total comprehensive loss		(619,581)
CannaRoyalty's share of loss and total comprehensive loss		(174,649)
Add - gain on deemed disposal after dilution		238,050
CannaRoyalty's profit from equity interest associates	**$**	**63,401**

(i) CannaRoyalty's share of profit is based solely on the period from which the company gained significant influence until the latest practical date for which financial statements were available.

During the period an associate earned revenue from CannaRoyalty for consulting services. Accordingly, CannaRoyalty's share of these revenues ($35,000) has been eliminated on consolidation.

Joint Venture

On July 22, 2016, the Company entered into a joint venture with CannaCraft Inc., a California corporation that supplies equipment and cannabis-based medicines. The joint venture is conducted under the name Mobile Medicine, whose purpose is to manufacture and lease mobile gelatin encapsulation machines. CannaCraft will contribute one third of the funds required, and will be responsible for the design and manufacturing of the machines. CannaCraft will also manage and operate the machines. CannaRoyalty will contribute two thirds of the funding required for a 50% equity interest, of which $192,540 ($150,000 USD) has been advanced at December 31, 2016.

As of December 31, 2016, the joint venture has incurred capital spending of $221,777 ($165,000 USD), and has yet to begin commercial activity.

13. Investments

The following table summarizes the Company's investments recorded at cost:

	December 31, 2016	March 31, 2016	March 31, 2015
Alternative Medical Enterprise, LLC (1)	$ 1,850,070	$ 1,850,070	$ -
Resolve (2)	-	281,250	-
Bodhi Research and Development Inc. (3)	250,000	-	-
Eureka Management Services Inc (4)	128,680	-	-
Total Investments	$ 2,228,750	$ 2,131,320	$ -

(1) The Company purchased 1,500 Class A units in Alternative Medical Enterprises, LLC ("AltMed"), a Florida limited liability company focused on medical cannabis. AltMed owns 100% of NuTrae, a company developing drug delivery systems and products such as the transdermal patch, a meter-dosing inhaler and aerosolizer, creams, lotions and balms. AltMed also has an interest in a licensed cultivation operation in Arizona, and an interest in a company with real estate and agriculture holdings focused on the cannabis sector in Colorado. The units purchased for $1,850,070 ($1,500,000 USD) represent an 8.2% equity interest which is accounted for at cost.

(2) As of March 31, 2016, the Company had paid $281,250 to Resolve in accordance with a definitive agreement to purchase an 11% equity interest. Due to the purchase of additional shares in Resolve on July 4, 2016 this investment is now accounted under the Equity Method (note 12).

(3) On April 7, 2016, the Company entered into an agreement to purchase a 10% equity interest in Bodhi Research Inc. ("Bodhi") for $250,000. The investee is an Ontario corporation that is conducting research trials for exploring the use of cannabis in the treatment of concussions and post–concussive syndrome.

(4) On May 5, 2016, the Company acquired a 6% equity interest in Eureka. The consideration given was $128,680 ($100,000 USD) for 350,000 common shares in Eureka.

14. Royalty Investments

	December 31, 2016	March 31, 2016	March 31, 2015
Cascadia Holdings LLC (1)	$ 1,027,866	$ 891,772	$ -
NuTrae LLC (2)	1,130,000	-	-
Three Leaf Holdings Corporation (3)	100,000	-	-
Natural Ventures Puerto Rico LLC (4)	336,025	-	-
Total royalty investments	$ 2,593,891	$ 891,772	$ -

(1) During July 2016, CannaRoyalty finalized a royalty agreement with Cascadia, a subsidiary of AltoTerra Capital Partners Ltd. ("AltoTerra"). As part of this agreement the Company has provided cash advances totaling $1,027,866 ($791,786 USD), and provided the use of its equipment in consideration for a thirty percent royalty stream on Cascadia's gross revenues in perpetuity. For the nine months ending December 31, 2016, the Company provided advances of $136,094 ($105,120 USD).

Cascadia is incorporated in the state of Washington and is in the business of leasing turnkey built-out solutions to companies that produce and process cannabis products pursuant to a license issued by the Washington State Liquor and Cannabis Board. The royalty investment streams are secured by Cascadia's lease at this property.

This royalty investment has an indefinite life and in accordance with the Company's accounting policy is measured at acquisition cost and is reviewed for impairment at each reporting period. As of December 31, 2016, no impairment has been recorded.

At March 31, 2016, the Company had advanced $891,772 ($686,666 USD) to Cascadia.

(2) Pursuant to an agreement dated April 1, 2016 between CannaRoyalty and Vida, the Company purchased the following interests:

- 3.5 % royalty on the net revenue of NuTrae for a period of 10 years, commencing January 1,2016; and
- Vida's rights and obligations to acquire 50,531 common shares of Resolve (note 12)

The total consideration for this purchase was $2,825,000, of which $1,130,000 was allocated to the NuTrae royalty stream. NuTrae is a Colorado based company developing drug delivery systems and products.

As this royalty investment stream is for a definite period it is recorded at amortized cost. As NuTrae has only demonstrated commercial operations that will generate revenue in February 2017, CannaRoyalty has not started to amortize this investment. Amortization will begin in the first quarter of the next fiscal year.

(3) In accordance with a private placement on March 17, 2016, in which Three Leaf Holdings Corporation ("Three Leaf") subscribed to 666,666 common shares in CannaRoyalty for $500,000, the Company agreed to make an investment in Three Leaf of $100,000. This investment provides the Company a 1.5% royalty on total Three Leaf revenue for a period of two years subsequent to March 12, 2016, plus a 2% fee on the gross value of all Three Leaf's referrals for one year subsequent to March 12, 2016.

As this royalty investment stream is for a definite period it is recorded at amortized cost. As Three Leaf has yet to demonstrate commercial operations which would result in royalty revenue this investment has not been amortized.

On April 10, 2017, CannaRoyalty amended its royalty financing arrangement with Three Leaf such that the end of the 2% referral fee period was extended from May 12, 2017 until May 12, 2018. Furthermore, this amendment contained a guarantee whereby if the total royalties earned from the arrangement were less than $100,000 total, Three Leaf would pay the difference to CannaRoyalty. Due to this guarantee and uncertainty whether future royalty revenues will exceed $100,000, the Company will apply future royalty payments against the royalty investment. If royalty payments exceed $100,000 they will then be recorded as royalty revenue.

(4) On December 20, 2016, CannaRoyalty entered into a binding term sheet with Natural Ventures PR, LLC ("Natural Ventures") regarding a royalty financing arrangement of $336,025 ($250,000 USD). Pursuant to the arrangement, Natural Ventures agreed to grant CannaRoyalty a 2.5% royalty on Natural Ventures' net income, and a further 10% referral royalty on revenue generated from products licensed by Natural Ventures from CannaRoyalty for the Puerto Rican market over a 10-year period.

The 10-year period will begin when Natural Ventures commenced commercial sales during the first quarter of fiscal 2017.

15. Property and Equipment

The following is a summary of the activity between March 31, 2015 and the year ending March 31, 2016:

	March 31, 2015	Additions	March 31, 2016
Extractors	$ -	$ 325,559	$ 325,559
Chillers, condensers, and ovens	-	62,958	62,958
Lighting equipment	-	125,344	125,344
Other processing equipment	-	18,875	18,875
Total	$ -	$ 532,736	$ 532,736

The Company started to amortize equipment in June 2016 as this is when the equipment became operational.

The following is a summary of the Company's activity for the nine months ending December 31, 2016:

Cost	March 31, 2016	Additions	Acquisitions	December 31, 2016
Extractors	$ 325,559	$ 42,267	$ -	$ 367,826
Filling machines and labeling system	-	-	766,306	766,306
Chillers, condensers, and ovens	62,958	34,254	-	97,212
Lighting equipment	125,344	-	-	125,344
Furniture and fixtures	-	22,060	33,944	56,004
Computers and related equipment	-	18,431	-	18,431
Other processing equipment	18,875	19,722	34,723	73,320
Total cost	$ 532,736	$ 136,734	$ 834,973	$ 1,504,443

Accumulated Amortization	March 31, 2016	Amortization	December 31, 2016
Extractors	$ -	$ (42,342)	$ (42,342)
Filling machines and labeling system	-	(11,684)	(11,684)
Chillers, condensers, and ovens	-	(28,354)	(28,354)
Lighting equipment	-	(14,623)	(14,623)
Furniture and fixtures	-	(3,191)	(3,191)
Computers and related equipment	-	(135)	(135)
Other processing equipment	-	(11,002)	(11,002)
Total accumulated amortization	$ -	$ (111,331)	$ (111,331)
Net Book Value	$ 532,736		$ 1,393,112

As certain equipment is being used by a business unit in order to generate additional revenues, $108,677 of amortization has been included in cost of sales. Of the remaining balance, $2,337 is in research and development expense and $317 is in general and administrative expense.

16. Intangible Assets and Goodwill

The following is a summary of the additions during the period ending December 31, 2016:

	Amortization Period	Acquired via Business Combination	Effects of changes in f/x rates	Total Additions
Acquired brands (Note 5)	10 years	$ 2,342,614	$ 27,330	$ 2,369,944
Acquired technology (Note 5)	10 years	4,932,521	57,545	4,990,066
Employment agreement (Note 5)	5 years	280,645	-	280,645
Product formulations	10 years	315,864	-	315,864
Goodwill (Note 5)	n/a	6,381,961	56,924	6,438,885
Total Intangibles and goodwill		$ 14,253,605	$ 141,799	$ 14,395,404

The following table represents the summary of activity related to intangible assets and goodwill for the nine months ending December 31, 2016:

	March 31, 2016	Additions	Amortization	December 31, 2016
Acquired brands (Note 5)	$ -	$ 2,369,944	$ (39,241)	$ 2,330,703
Acquired technology (Note 5)	-	4,990,066	(82,625)	4,907,441
Employment agreement (Note 5)	-	280,645	(9,355)	271,290
Product formulations	-	315,864	-	315,864
Goodwill (Note 5)	-	6,438,885	-	6,438,885
Total Intangibles and goodwill	$ -	$ 14,395,404	$ (131,221)	$ 14,264,183

The Company acquired technology, brands, an employee agreement, and goodwill as part of its various acquisitions as disclosed in note 5 of these statements. During October 2016, the Company paid $315,864 ($235,000 USD) to an unrelated party in return for licensed rights to the intellectual property of Soul Sugar Kitchen. This intellectual property pertains to product formulations and recipes.

The amortization the intangible assets are classified as a separate line within operating expense.

17. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2016	March 31, 2016	March 31, 2015
Trade accounts payable	$ 1,148,036	$ 371,044	$ 21,304
Accrued liabilities	437,008	1,215,390	21,688
Purchase consideration payable (note 5)	133,333	-	-
Management bonus payable (note 21)	165,427	-	-
Other payables	2,385	-	-
Total amounts payable	$ 1,886,189	$ 1,586,434	$ 42,992

The purchase consideration payable pertains to cash owing to the former shareholders of EML which will be paid in two equal instalments during fiscal 2017.

The management bonus payable pertains to a bonus owing to an executive officer for services rendered in connection with EML prior to the acquisition.

18. Loans Payable

The following table lists all the outstanding loans payable as of December 31, 2016, March 31, 2016 and March 31, 2015:

	December 31, 2016	March 31, 2016	March 31, 2015
Vida Cannabis Corp. (1)	$ -	$ 126,887	$ -
Shareholder (2)	-	139,020	-
Shareholder (3)	-	150,426	-
Director (4)	-	20,848	-
Company owned by director (5)	-	1,758	-
Promissory note (6)	451,618	-	-
Total loans payable	$ 451,618	$ 438,939	$ -

(1) On May 14, 2015, the Company entered into an agreement with Vida whereby Vida advanced, on behalf of CannaRoyalty, $239,840 ($200,000 USD) to AltMed (note 13) bearing interest at 8% per annum and secured on a first priority basis. During the year ended March 31, 2016, the Company repaid $116,000 USD. On March 31, 2016, the remainder of the loan was extended to May 13, 2016 and has been repaid. As at March 31, 2016, the Vida loan payable totalled $123,291. This balance included no accrued interest as interest had been paid prior to year end.

At March 31, 2016, a further $3,596 was advanced by Vida. This was repaid during the current reporting period.

(2) On October 27, 2015, the Company entered into a convertible loan payable with a shareholder for $129,870 ($100,000 USD) with maturity on May 16, 2016, bearing interest at 10% for the term of the loan. This loan was secured by the equity interest in AltMed and royalty stream investment in Cascadia.

At the option of the lender, the principal and/or interest could be converted into common equity of CannaRoyalty at a conversion price of $0.75 per common share. The option to settle payments in common shares represented an embedded derivative in the form of a put option to the Company. This derivative liability was initially recognized by comparing a similar instrument without the conversion option and discounting the fair value of the host contract with the non-convertible instrument interest rate. The derivative liability was valued at $3,178 at the origination date with no changes in fair value as at March 31, 2016.

As at March 31, 2016, the convertible loan payable totalled $139,020 which included $12,865 of interest accrued and payable. The loan was repaid during May 2016.

(3) On February 19, 2016, the Company entered into a convertible loan payable with a shareholder for $150,000 with maturity on August 18, 2016, bearing interest at 10% for the term of the loan. The loan was secured by the equity interest in AltMed, all CO2 extraction equipment, and the royalty stream in Cascadia.

At the option of the lender, the principal and/or interest could be converted into common equity of CRHC at a conversion price of $0.75 per common share. The option to settle payments in common shares represented an embedded derivative in the form of a put option to the Company.

This derivative liability was initially recognized by comparing a similar instrument without the conversion option and discounting the fair value of the host contract with the non-convertible instrument interest rate. At March 31, 2016, the derivative liability was valued at $3,594 at the origination date with no changes in fair value.

As of March 31, 2016, the convertible loan payable totalled $150,426 which included $4,019 of interest accrued and payable. The loan was repaid in the current fiscal period.

(4) During the year ended March 31, 2016, a director advanced $20,848 to the Company. The loan was unsecured, non-interest bearing and was due on demand. The loan was repaid in the current fiscal period.

During the year ended March 31, 2016 a related company, controlled by a director of the Company, advanced $1,758 which was unsecured, non-interest bearing and was due on demand. The loan was repaid in the current fiscal period.

(5) On November 30, 2016, in connection to CannaRoyalty's acquisition of a 70% membership interest in Achelois LLC, a promissory note for $451,618 ($336,000 USD) was issued by Achelois LLC to its founding shareholder. The note bears interest at 0.66% per annum and is fully repayable by November 30, 2017.

19. Convertible Loan Payable

On October 19, 2016, the Company issued and sold a secured convertible debenture to Aphria Inc. ("Aphria"), a publicly traded, licensed medical marijuana producer in Ontario, for $1,500,000. The debenture matures on October 19, 2019 and is secured by the assets of the Company, and bears interest at 5% per annum payable annually. It is convertible by Aphria, in whole or in part, into common shares of the Company at a conversion rate of $2.00 per share at any time prior to maturity.

The option to settle payments in common shares represented an embedded derivative in the form of a put option to the Company. The derivative liability was valued at $100,586 as at December 31, 2016. At December 31, 2016, the convertible loan payable totalled $1,414,414 which included $15,000 of interest accrued and payable.

20. Commitments and Contingencies

The Company leases space for its head office in Ottawa, Ontario as well as space for one of it's subsidiaries. The head office lease commenced in the first quarter of fiscal 2017. There are currently no financing leases.

At December 31, 2016, the Company has the future aggregate minimum lease payments:

2017	$ 122,346
2018	91,771
2019	91,771
2020	91,771
2021 and beyond	93,991
Total	$ 491,650

Total rent expense for the nine months ending December 31, 2016 was $20,304 (twelve months ended March 31, 2016 – Nil).

21. Related Party Transactions

The following table summarizes related party balances at the respective balance sheet dates:

	December 31, 2016	March 31, 2016	March 31, 2015
Advances owing to a director of the Company (note 18)	$ -	$ 20,848	$ -
Advances from related company controlled by a director	-	1,758	-
Purchase consideration owing to key management (note 17)	133,333	-	-
Travel reimbursements owing to key management	7,136	-	-
Travel reimbursements owing to directors of the Company	13,969	-	-
Management bonus owing to key management (note 17)	165,427	-	-
Total	$ 319,865	$ 22,606	$ -

The following table summarizes key Management compensation for each of the respective periods:

	Nine months ending December 31, 2016	Year ending March 31, 2016	October 3, 2014 to March 31, 2015
Consulting fees (i)	$ 376,068	$ 610,250	$ 56,500
Professional fees (ii)	131,871	60,090	-
Salaries and short-term benefits (iii)	352,050	-	-
Share-based compensation (iv)	2,377,133	-	-
Total	$ 3,237,122	$ 670,340	$ 56,500

(i) During the year ended March 31, 2016, a Company owned by the Chief Executive Officer provided services to the Company for which compensation was settled through the issuance of 500,000 common shares at a value of $0.75 per common share. This was settled during the next fiscal period (note 22(i)). As of March 31, 2016, an obligation of $375,000 was included in accrued liabilities.

(ii) These fees are for services provided by Companies owned by the current and former Chief Financial Officers during the respective periods.

During the year ended March 31, 2016, a company owned by the former Chief Financial Officer provided services to the Company for which compensation was settled through the issuance of 50,000 common shares at a value of $0.75 per common share. This was settled during the next fiscal period (note 22(i)). As of March 31, 2016, an obligation of $37,500 was included in accrued liabilities.

(iii) Key executive management became employees of CannaRoyalty on November 1, 2016. Prior to this date, the Chief Executive Officer, the Chief Operating Officer, and the Chief Financial Officer acted as consultants to the company.

(iv) Includes share-based compensation issued to the Board.

The following is a summary of other related party transactions involving related parties for the periods ended December 31, 2016, March 31, 2016 and March 31, 2015:

a) During the year ending March 31, 2016, the Company sold equipment due to technological obsolescence to an entity owned by a director for proceeds of $110,053. A loss of $42,135 was recorded given the cost of the equipment sold was $152,188.

b) During the year ending March 31, 2016, the Company settled debt of $192,251 by issuance of 256,335 common shares valued at $0.75 to a company owned by a director (note 22).

22. Share Capital

Authorized:

Unlimited number of common shares

Issued:

36,006,956 common shares.

The following table lists all share issuances for the incorporation date of October 3, 2014 to March 31, 2015, the 12 months ended March 31, 2016, and the nine months ended December 31, 2016.

	Number		Amount
Shares issued on incorporation for $0.005 per share - October 3, 2014	**10**	**$**	**-**
Shares issued in connection with private placement for $0.02 per share - February 2, 2015	1,000,000		20,000
Shares issued in connection with private placement for $0.02 per share – March 4, 2015	3,000,000		60,000
Shares issued in connection with private placement for $0.10 per share – March 23, 2015 (net of share issuance costs of $11,288)	4,875,000		476,212
Balance as at March 31, 2015	**8,875,010**	**$**	**556,212**
Balance as at March 31, 2015	8,875,010	$	556,212
Shares issued in connection with private placement for $0.50 per share	125,000		62,500
Shares issued in connection with private placement for $0.50 per share – April 24, 2015 (net of share issuance costs of $8,678)	1,750,000		866,322
Shares issued in connection with private placement for $0.50 per share – September 30, 2015 (net of share issuance costs of $11,644)	2,070,000		1,023,356
Shares issued in connection with private placement for $0.50 per share – October 29, 2015	200,000		100,000
Shares issued in connection with private placement for $0.75 per share – March 17, 2016 (net of share issuance costs of $51,968)	3,333,333		2,448,032
Balance as at March 31, 2016	**16,353,343**	**$**	**5,056,422**

	Number	Amount
Balance as at March 31, 2016	**16,353,343**	**$ 5,056,422**
Shares issued in connection with services rendered (i) – April 12, 2016	1,300,000	975,000
Shares issued in connection with private placement for $0.75 per share (ii) – June 7, 2016 (net of share issuance costs of $21,879)	3,000,000	2,228,122
Shares issued in connection with the exercise of vested share units (iii) – June 28, 2016	100,200	75,150
Shares issued in connection with the purchase of interests from Vida (iv) – July 4, 2016 for $0.75/share	3,500,000	2,625,000
Shares issued in connection with private placement for $0.75 per share (ii) – July 15, 2016 (net of share issuance costs of $11,996)	665,000	486,754
Shares issued in connection with private placement for $0.75 per share (ii) – July 28, 2016 (net of share issuance costs of $24,479)	1,072,735	780,073
Shares issued in connection with a convertible loan from shareholder on August 18, 2016 (note 17)	220,000	165,000
Shares issued in connection with the exercise of warrants at $1.50 (v)– August 24, 2016	750,000	1,125,000
Shares issued to Aphria at $2.00 per share – September 28, 2016	250,000	500,000
Shares issued on acquisition of Dreamcatcher at $2.00 per share - acquired on October 24, 2016 (vi)	3,000,000	6,000,000
Shares issued on acquisition of Electric Medialand at $2.00 per share - acquired on November 1, 2016 (vii)	750,000	1,500,000
Shares issued on exercise of warrants during November 2016 at $1.50 per share	680,375	1,020,563
Shares issued on completion of reverse takeover transaction with Bonanza Blue - December 5, 2016 (viii)	1,813,303	3,627,148
Shares issued on completion of brokered offering at $2.00 per share - December 5, 2016 (net of issuance costs of $479,429 and broker warrants valued at $159,377) (ix)	2,502,000	4,365,194
Shares issued on exercise of 50,000 share options with an exercise price of $1.00.	50,000	106,827
Balance as at December 31, 2016	36,006,956	$ 30,636,253

(i) On April 12, 2016, the Company issued 1,300,000 common shares valued at $975,000 to certain Company officers and consultants in consideration for services rendered prior to March 31, 2016.

(ii) On June 7, 2016, the Company closed a private placement, issuing 3,000,000 units valued at $1.00 per unit for gross proceeds of $3,000,000. On July 15, 2016, the Company closed financing at $1.00 per unit issuing 665,000 units for gross proceeds of $665,000. On July 28, 2016, the Company closed a financing at $1.00 per unit issuing 1,072,735 units for gross proceeds of $1,072,735.

Each unit above is comprised of one common share of the Company and one half of one share purchase warrant. Each whole share purchase warrant is exercisable for one common share at a price of $1.50 and will expire 18 months subsequent to the issuance of the $1.00 unit.

As part of the June 7 financing, Aphria Inc. subscribed for 1,500,000 units. Aphria has been given pre-emptive rights to maintain their percentage ownership of the Company by buying a proportionate number of shares of any future issue of common shares and securities convertible into common shares of the Company.

(iii) On June 28, 2016, the Company issued 83,500 common shares in the Company to the Chief Executive Officer and 16,700 common shares in the Company to the Chief Financial Officer under the Company's share unit plan (note 23).

(iv) Pursuant to a binding letter agreement dated April 1, 2016, the Company purchased certain interests from Vida. In consideration for these interests, CannaRoyalty issued 3,500,000 of its common shares to Vida valued at $2,625,000 ($0.75 per share) on July 4, 2016.

(v) On August 24, 2016, Aphria exercised 750,000 common share purchase warrants for $1.50 per warrant. 750,000 common shares were issued for gross proceeds of $1,125,000.

(vi) A total of 3,000,000 common shares were issued in relation to the Company's purchase of Dreamcatcher Labs (note 5).

(vii) A total of 750,000 common shares were issued in relation to the Company's purchase of EML (note 5).

(viii) A total of 1,813,574 shares were issued in relation to the RTO with Bonanza Blue (note 6).

(ix) The total proceeds from the common shares were reduced by the issuance of 175,140 broker warrants as part of the brokered offering.

Issued and Outstanding Share Purchase Warrants

As noted in (ii) above, the Company issued 4,737,735 units valued at $1.00 in private placement financings completed in June and July. Each unit was comprised of one common share of the Company and one half of one share purchase warrant. Each whole share purchase warrant is exercisable for one common share of the Company at a price of $1.50 and will expire 18 months subsequent to the issuance of the $1.00 unit. On issuance, each half share purchase warrant was valued at $0.25 under the residual method.

As noted in (ix) above, as part of the brokered offering, 175,140 broker warrants were issued. These broker warrants can be exercised for $2.00 per share and will expire within 2 years, or December 8, 2018. The value of these warrants was $0.91 per share, or $159,377 total, which was valued using the Black Scholes model. The assumptions used for the model were a grant price of $2.00, volatility of 85% based on comparable industry benchmarks, and interest rate of 0.5%.

As noted in (v) above, Aphria exercised 750,000 common share warrants at August 24, 2016 for gross proceeds of $1,125,000. The value of the exercised warrants is included in contributed surplus. During November 2016, various shareholders exercised 680,375 of their share purchase warrants for total proceeds of $1,020,563. The value of the exercised warrants is included in contributed surplus.

As of December 31, 2016, the outstanding share purchase and broker warrants could potentially be exercised for a total of 1,133,633 common shares. These outstanding warrants are classified as a warranty reserve totalling $628,623 at period end.

	Number of Warrants		Grant Date Value		Weighted average exercise price
Outstanding and exercisable at March 31, 2016	-	$	-	$	-
Full share purchase warrants issued	2,368,868		0.50		1.50
Broker warrants issued on brokered offering	175,140		0.91		2.00
Full share purchase warrants exercised	(1,430,375)		0.50		1.50
Outstanding and exercisable at December 31, 2016	**1,113,633**	**$**	**0.56**	**$**	**1.58**

The following is a summary of the expiry dates of our warrants as at December 31, 2016. On average, the warrants will expire in 1.14 years.

Warrants outstanding and exercisable		Exercise price	Expiry date
500,000	$	1.50	December 7, 2017
282,500		1.50	January 15, 2018
155,993		1.50	January 28, 2018
175,140		2.00	December 5, 2018
1,113,633	$	1.58	

In February 2017, a shareholder exercised 19,500 purchase warrants for total proceeds of $29,250.

Shares to be Issued and Contingent Shares

In connection with a letter of intent with Zenabis Limited Partnership ("Zenabis") (note 30), Zenabis paid $500,000 to CannaRoyalty during November 2016. In return they subscribed to 243,902 shares which have yet to be issued.

In connection with the acquisition of Dreamcatcher, CannaRoyalty may need to issue up to 2,000,000 common shares to the former shareholders of Dreamcatcher. The contingent consideration was deemed to be an equity instrument and was valued at $4,020,000 (note 5).

Prior to March 31, 2015, 125,000 shares were subscribed to at $0.50 per share for total proceeds of $62,500. These shares were issued in April 2015.

23. Share Unit Plan

On April 29, 2016, the Company established a share unit plan to provide directors, officers, consultants, or employees involved in the Company, the opportunity to acquire share units to allow them to participate in the long-term success of CannaRoyalty.

The share unit plan provides for a maximum number of common shares issuable. The ceiling is set at a rolling maximum of 10% of the Company's issued and outstanding shares. At December 31, 2016, a total of 800,896 stock options/Restricted Stock Units ("RSU's") were available for grant.

The number of share units granted and any applicable vesting conditions are determined at the discretion of the CannaRoyalty board of directors (the "Board") or a compensation committee of the Board. The termination provisions under the Share Unit Plan provide for automatic vesting of any unvested RSUs in the event of retirement,

death, disability, termination without cause (except for RSUs with performance conditions), and change in control.

Summary of RSU Activity

The following table provides a summary of the movement in RSUs during the nine months ended December 31, 2016:

	Number of RSUs	Weighted Average Grant Date Fair Value
Outstanding, April 1, 2016	-	$ -
Granted	2,875,000	1.70
Settled in common shares	(100,200)	0.75
Outstanding, December 31, 2016	2,774,800	$ 1.73

Most of the Company's granted RSUs vest over the same schedule; one-third vest immediately, one-third vest one year after the grant date after meeting service conditions and one-third vest two years after the grant date after meeting service conditions. There were 710,000 RSUs that did not follow this vesting schedule. For those RSUs, 410,000 vested immediately upon grant, 150,000 vested one year after the grant upon meeting service conditions and 150,000 vested two years after the grant upon meeting service conditions.

Of the outstanding RSU's at December 31, 2016, 1,065,637 have vested and have not been exercised. The 1,709,163 unvested RSUs will vest in an average of 1.28 years.

Total expense related to the issuance of RSUs totalled $2,486,130 for the nine months ended December 31, 2016 (2015 – Nil). Of this amount $2,298,527 was recorded in general and administrative expense and $187,603 was included in sales and marketing expense.

Since December 31, 2016, an additional 500,000 RSUs have been granted to new employees of CannaRoyalty.

Stock Options

As part of the RTO transaction with Bonanza Blue, three directors of Bonanza Blue received a total of 75,000 stock options that could be converted to CannaRoyalty common shares at an exercise price of $1.00 for a period one year following the closing date of December 5, 2016. These options vested immediately upon the closing date.

The value of these options was calculated using the Black Scholes Model with the following assumptions; grant date share price of $2.00, exercise price of $1.00, life of one year, risk-free interest rate of 0.5% and a volatility of 85%. The volatility of 85% is based on a group of comparable companies.

The grant date fair value of these options was $85,241 which was expensed since it was related to the RTO transaction. This expense was included in listing expense as part of Other income (expenses).

During 2016, 50,000 of these stock options were exercised. The remaining 25,000 options were exercised in February 2017.

24. Net Loss per Share

	Nine months ended December 31, 2016	Year ended March 31, 2016	October 3. 2014 to March 31, 2015
Numerator for basic and diluted loss per share:			
Net loss for the period	$ (10,314,475)	$ (3,032,938)	$ (142,914)
Denominator for basic loss per share:			
Weighted average number of common shares outst	25,237,273	11,873,717	988,837
Effect of potential dilutive securities (1)	-	-	-
Adjusted denominator for diluted loss per share	25,237,273	11,873,717	988,837
Basic and diluted net loss per share	$ (0.41)	$ (0.26)	$ (0.14)

(1) Excluded from the calculation of diluted net loss per share for the nine months ended December 30, 2016 were the securities from convertible loans payable (note 19), warrants (note 22), vested RSU's and vested stock options (note 23). Excluded from the calculation of diluted net loss per share for the year ended March 31, 2016 were the securities from the convertible loans payable (note 19). These items were excluded as they were anti-dilutive.

25. Income Taxes

Income tax expense recognized in comprehensive loss consists of the following components:

	Nine months ending December 31, 2016	Year Ending March 31, 2016	October 3, 2014 to March 31, 2015
Components of current income tax expense			
Current tax for the year	$ -	$ -	$ -
Adjustments of previous years	-	-	-
Total Current income tax expense	$ -	$ -	$ -
Components of deferred income tax expense/(recovery)			
Origination and reversal of temporary differences	$ (1,192,194)	$ (792,455)	$ -
Difference between statutory and deferred tax rate	(15,642)	-	-
Change in temporary difference for which no deferred tax assets are recorded	1,155,612	792,455	-
Total Deferred income tax expense / (recovery)	$ (52,224)	$ -	$ -

The Company's expected tax rate is different from the combined federal and provincial income tax rate in Canada. These differences arise from the following elements:

	Nine months ending December 31, 2016	Year ending March 31, 2016	October 3, 2014 to March 31, 2015
Earnings/(Loss) before income taxes	$ (10,393,574)	$ (3,032,938)	$ -
Expected tax recovery - combined federal and provincial tax rate in Canada of 26.5%	(2,754,298)	(788,564)	-
Adjustments for the following items:			
- Tax rate differences	(17,272)	-	-
- Permanent differences and others	1,563,735	(3,891)	-
- Change in temporary differences for which no tax assets are recorded	1,155,611	792,455	-
Total expense / (recovery)	$ (52,224)	$ -	$ -

The following is a reconciliation of the deferred tax assets and liabilities recognized by the Company:

	March 31, 2016	Recognised in Income	Recognised in Goodwill	December 31, 2016
Investments	$ -	$ 36,570	$ -	$ 36,570
Intangible assets	-	52,224	(3,053,990)	(3,001,766)
Property & equipment	-	25,511	-	25,511
Share issue costs	16,797	115,884	-	132,681
Loss carryforward	827,265	1,070,422	-	1,897,687
Foreign denominated loan	-	(91,218)	-	(91,218)
Other	-	(1,558)	-	(1,558)
Tax benefits not recognised	(844,062)	(1,155,611)	-	(1,999,673)
Total	$ -	$ 52,224	$ (3,053,990)	$ (3,001,766)

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position, that can be carried to the following years:

	December 31, 2016
December 31, 2036	$ 3,966,749
December 31, 2035	3,049,654
December 31, 2034	145,173
Total	$ 7,161,576

26. Risk Management for Financial Instruments Fair Values

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk, interest rate risk, liquidity risk and credit risk of non-performance by counter parties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

The following table sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below. Unless otherwise noted, carrying values approximate fair values for each financial instrument:

	December 31, 2016	March 31, 2016	March 31, 2015
Fair value through profit or loss assets (liabilities):			
Cash	$ 2,945,895	6,157	$ 487,017
Derivative assets	114,505	28,592	-
Derivative liabilities	(100,586)	(6,772)	-
Loans and receivables:			
Loans receivable	2,943,161	145,621	-
Amounts receivable	556,170	2,500	-
Convertible notes receivable	864,806	104,523	-
Available for sale financial assets:			
Investments (1)	2,228,750	2,131,320	-
Financial liabilities at amortized cost:			
Amounts payable	1,449,181	371,044	21,304
Loans payable	451,618	438,939	-

(1) Certain investments are recorded at cost (note 13)

Determination of fair value

The estimated fair values of cash, trade and other receivables, loans receivable, loans payable, and trade and other payables approximate their carrying values due to the relatively short-term nature of the instruments.

Fair value measurements recognized in the consolidated statements of financial position must be categorized in accordance with the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments carried at fair value consist of cash (Level 1) and derivative assets and liability (Level 2). The embedded derivatives are valued using observable market inputs such as prime rate of borrowing. Valuation techniques using non-observable market inputs (Level 3) were not used as at December 31, 2016. The Company has not transferred any financial instruments between Level 1, 2 or 3 of the fair value hierarchy during the nine months ended December 31, 2016.

Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, by continuously monitoring actual and forecasted cash flows.

The Company has sustained losses since incorporation and has financed these losses mainly through a combination of equity and debt offerings. As at December 31, 2016, the Company has contractual obligations relating to trade

and other payables, short-term debt, and convertible debt. Management believes that it will raise sufficient cash in the upcoming year to meet all of its contractual debt obligations that are coming due and will have the ability to fund any operating losses that may occur. However, there are a number of uncertainties related to the timing and use of the Company's cash resources and actual results may differ from expectations.

Credit Risk

Credit risk arises from the potential that a customer or counterparty will fail to perform its obligations. The Company is exposed to credit risk from the loans it has made to various entities. In order to minimize the risk of loss from loans receivable, the Company provides value added consulting services to the borrowers to support their quest for commercial success thereby reducing their likelihood of loan default. In addition, some loans are convertible into equity of the borrower.

The Company reviews its loans receivable accounts regularly and writes down these accounts to their expected realizable values, by making an allowance for doubtful accounts, as soon as the account is determined not to be fully collectible. The allowance is charged against earnings. Shortfalls in collections are applied against this provision. Estimates for allowance for doubtful accounts are determined by a loan-by-loan evaluation of collectability at each balance sheet reporting date, taking into account the amounts that are past due and any available relevant information on the borrowers' liquidity and going concern issues.

For additional information regarding the Company's management of and exposure to amounts receivable refer to note 7 of these financial statements.

Foreign Currency Risk

Foreign currency risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in U.S. dollars. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in Canadian dollars.

The financial assets and liabilities that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and the U.S. dollar. This primarily includes cash, amounts receivable, loans receivable, convertible notes receivable, trade and other payables, and loans payable which are denominated in foreign currencies. Some of the Company's subsidiaries transact mostly in U.S. dollars.

The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as Management has determined that this risk is not significant at this point in time. The Company recognized a foreign exchange loss from continuing operations of $246,872 for the nine months ended December 31, 2016 (loss of $148,732 for year ending March 31, 2016).

The following financial assets and liabilities are denominated in U.S. dollars and are exposed to changes in the foreign exchange rate:

	December 31, 2016	March 31, 2016	March 31, 2015
Cash	$ 126,078	$ 1,104	$ -
Prepaid	24,119	24,800	-
Loans Receivable	2,421,502	112,266	-
Amounts Receivable	361,446	-	-
Convertible Loan Receivable	643,409	80,482	-
Derivative Assets	85,191	-	-
Royalty Investment	-	686,666	-
Accounts Payable	(179,718)	(85,323)	-
Loans Payable	(336,000)	(203,680)	-
Total	$ 3,146,027	$ 616,315	$ -

As at December 31, 2016, with other variables unchanged, a +/- 5% change in the U.S. dollar to Canadian Dollar exchange rate would impact the Company's net income by approximately $157,301 (March 31, 2016 - $30,816).

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk is primarily related to the Company's interest bearing debts on its balance sheet. The Company does not have any debt with variable interest rates, thereby minimizing the Company's exposure to cash flow interest rate risk.

Capital Management

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its investment growth strategy, fund research and development, engage in sales and marketing activities, and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed entirely of equity. The Company's primary uses of capital are to invest in companies to develop research, brands and devices in the cannabis industry. The Company also uses capital to finance operating losses, capital expenditures, and increases in non-cash working capital. The Company currently funds these requirements from cash raised through share issuances and short-term debt as required. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity help build its portfolio of interests into successful businesses from which it will obtain returns on investment.

The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize flexibility to finance growth, the Company does not currently pay a dividend to holders of its common shares. The Company did not institute any changes to its capital management strategy during the year.

27. Segmented Information

During the nine months ended December 31, 2016 and the year ended March 31, 2016 the Company has generated the following types of revenues:

	Nine months ending December 31, 2016	Year ending March 31, 2016	October 3, 2014 to March 31, 2015
Product sales	$ 228,081	$ -	$ -
Services	38,898	-	-
Royalties	348,820	-	-
Interest income	26,478	-	-
Total	$ 642,277	$ -	$ -

The cost of sales related to each type of revenue is as follows:

	Nine months ending December 31, 2016	Year ending March 31, 2016	October 3, 2014 to March 31, 2015
Cost of product sales	$ 190,505	$ -	$ -
Cost of services	27,506	-	-
Cost of royalties	95,776	-	-
Total	$ 313,787	$ -	$ -

Operating segments

The Company operates in four main industry verticals within the cannabis sector consisting of research, brands, devices and supporting assets.

The following table is a summary of revenues by segment for the nine months ended December 31, 2016 and the twelve months ended March 31, 2016:

	Nine months ending December 31, 2016	Year ending March 31, 2016	October 3, 2014 to March 31, 2015
Research and intellectual property	$ 12,218	$ -	$ -
Brands	229,124	-	-
Supporting assets	400,935	-	-
Total	$ 642,277	$ -	$ -

The Company's operational expenses are attributable to "head office" activities or similar activities by its subsidiaries and not to reportable operating segments.

Geographic segments

The Company's corporate and administrative offices are in Canada. As at December 31, 2016, $27,607 of the Company's property and equipment is in Canada (March 31, 2016 – Nil). The remainder of the property and equipment is in the United States.

28. Salary and Compensation

The following is a summary of the salary expense for each of the following periods:

	Nine months ending December 31, 2016	Year ending March 31, 2016	October 3, 2014 to March 31, 2015
Salaries and short-term benefits	$ 440,290	$ -	$ -
Share-based compensation	1,563,248	-	-
Total	$ 2,003,538	$ -	$ -

CannaRoyalty commenced hiring employees in November 2016.

29. General and Administrative Expenses

	Nine months ending December 31, 2016	Year ending March 31, 2016	October 3, 2014 to March 31, 2015
Accounting & audit fees	$ 457,269	$ 61,294	$ 8,630
Bad debt	132,790	-	-
Advisory & consulting fees	746,082	1,289,218	70,188
Legal fees	1,133,568	158,349	58,142
Office & administration costs	194,090	79,321	1,715
Salary-based compensation	388,123	-	-
Stock-based compensation	2,298,527	-	-
Travel	213,825	85,505	4,239
Total	**$ 5,564,274**	**$ 1,673,687**	**$ 142,914**

30. Letter of Intent with Zenabis Limited Partnership

On April 3, 2017, the Company entered into a binding letter of intent with Zenabis. This binding of letter of intent supersedes prior letters of intent with Zenabis which were dated November 1, 2016 and December 31, 2016. Furthermore, this letter supersedes any penalty provisions contained in the prior documents.

The letter of intent includes a share purchase, a share exchange and other commercial arrangements. If certain conditions are not met or waived or if the transaction is not completed by May 31, 2017, CannaRoyalty would incur a penalty payment of $183,475 to Zenabis, which could be satisfied via cash or via the issuance of 179,000 CannaRoyalty shares.

In connection with the letter of intent dated November 1, 2016, Zenabis paid $500,000 to CannaRoyalty during November 2016. In return they subscribed to 243,902 shares that have yet to be issued (note 22).

31. Subsequent Events

a) Further to a letter of intent reached on January 9, 2017, on February 17, 2017, CannaRoyalty acquired a 20% entity stake in Anandia Laboratories Inc. ("Anandia"), a biotechnology company with a focus on providing leading analytical testing services and developing cannabis strains for safe and effective medical applications. CannaRoyalty agreed to provide aggregate consideration of $4,042,435 in exchange for the 20% equity interest which was satisfied through a combination of $500,000 in equipment and services to be provided by CannaRoyalty in the second quarter of fiscal 2017, $1,521,218 in cash, and 689,568 CannaRoyalty shares. CannaRoyalty received 5,079,441 shares of Anandia and an additional 716,941 shares of Anandia will be issued

to CannaRoyalty on delivery of the equipment and related services valued at $500,000.

b) On February 9, 2017, CannaRoyalty entered into a binding term sheet regarding a royalty financing arrangement with Rich Extracts LLC ("Rich Extracts") whereby CannaRoyalty will receive a 30% royalty on Rich Extracts' gross revenues in perpetuity. Rich Extracts has constructed a 30,000 square foot facility in Oregon to produce cannabis extract products using a variety of extraction processes. Commercial operations will commence, and are subject to, the facility obtaining the necessary permits from the Oregon Liquor Control Commission (OLCC), which are expected to be received in the first half of 2017. The term sheet replaces the Company's prior term sheet with Rich Ventures which would have constituted a joint venture agreement if it had become fully binding. In exchange for the royalties, Rich Extracts will receive financing of up to $2,889,815 ($2,150,000 USD). To date the Company has provided the maximum level of funding to Rich Extracts. Additional advances of $115,442 ($85,888 USD) will need to be repaid to CannaRoyalty.

c) On February 15, 2017, CannaRoyalty closed an equity financing offering of an aggregate of 5,000,000 units ("CR Unit") at a price of $3.00 per CR Unit, for aggregate gross proceeds to CannaRoyalty of $15,000,000. The offering was closed with a syndicate of underwriters, led by Canaccord Genuity Corp. (the "Underwriters"), pursuant to which the Underwriters agreed to purchase, on a bought deal basis pursuant to a short form prospectus the above noted CR Units. Each CR Unit was comprised of one CannaRoyalty share and half of one CannaRoyalty share purchase warrant. Each full share purchase warrant is exercisable to acquire one common share (a "Warrant Share") for a period of two years following the closing date of the offering, at an exercise price of $4.50 per Warrant Share. The warrants will be subject to a 21-day forced exercise provision if CannaRoyalty's daily volume weighted average share price is greater than $6.00 for 15 consecutive trading days following the closing date.

d) On February 21, 2017, CannaRoyalty received approval for trading on the OTCQB Venture Market. The Company commenced trading under the symbol "CNNRF" as markets opened on February 21. This approval provides U.S. investors improved access to invest in CannaRoyalty.

e) On March 1, 2017, CannaRoyalty entered into a binding term sheet with River Wellness Inc. ("River") whereby CannaRoyalty would invest a total of $5,000,000 USD, in two tranches, in exchange for a royalty equal to 2.25% of the net sales of River until the $5,000,000 USD advance is repaid, and then 1.75% of net sales for the balance of the royalty term ending December 31, 2024. Pursuant to the Term Sheet, CannaRoyalty will fund an initial advance of $3,500,000 USD to River on the date of closing and a second advance of $1,500,000 USD prior to December 31, 2017.

River will also support the launch and expansion of CannaRoyalty's brands and products by agreeing to a preferred distribution arrangement of such products by way of a distribution agreement. The arrangement includes a commitment from River to acquire US$15 million of CannaRoyalty brand products over the term of the agreement. Closing is subject to, among other things, (i) satisfactory completion of financial, operational and legal due diligence by CannaRoyalty; (ii) the execution of final definitive documents acceptable to CannaRoyalty; and (iii) the satisfaction or waiver of all conditions to closing specified in the definitive documents. The parties will also execute a general security agreement to secure the Company's advances (and any funds subsequently owing to the Company) against the assets of River.

f) On March 28, 2017, CannaRoyalty made an additional equity investment of $80,000 in Resolve Digital Health. This investment was part of a $5,000,000 financing round at $0.50/unit. As a result of this financing round CannaRoyalty currently owns a total of 27.2% of the non-diluted shares of Resolve or a total of 14,160,738 shares. Based on the share price in this financing, the Resolve shares now have an implied value of approximately $7.1 million. This investment will continue to be treated as an equity investment and a dilution gain resulting from this transaction will be recorded in the first quarter of fiscal 2017.

g) On April 3, 2017, CannaRoyalty entered into a binding letter of intent with Zenabis regarding a share purchase and share exchange (see note 30).