

CANNAROYALTY CORP.

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 16, 2017**

AND

MANAGEMENT INFORMATION CIRCULAR

DATED MAY 8, 2017

CANNAROYALTY CORP.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE THAT an annual and special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (“**Common Shares**”) of CannaRoyalty Corp. (the “**Corporation**”) will be held at the law offices of Cassels Brock & Blackwell LLP, Suite 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2 on June 16, 2017 at 10:00 a.m. for the following purposes:

1. to receive and consider the Corporation’s audited consolidated financial statements for the fiscal year ended December 31, 2016 together with the report of the auditor thereon;
2. to re-appoint Jackson & Co LLP, Chartered Accountants as auditor of the Corporation for the ensuing year and to authorize the directors to fix their remuneration;
3. to elect the directors of the Corporation for the ensuing year; and
4. to transact such other business as may be properly brought before the Meeting or any adjournment(s) or postponement(s) thereof.

The nature of the business to be transacted at the Meeting is described in further detail in the accompanying Circular. The Circular is deemed to form part of this Notice of Meeting. Please read the Circular carefully before you vote on the matters presented at the Meeting.

The Board has fixed April 28, 2017 as the record date for determining Shareholders who are entitled to receive notice of and to vote at the Meeting. Only Shareholders whose names have been entered in the register of holders of Common Shares on the close of business on that date are entitled to notice of the Meeting and to vote at the Meeting or at any adjournment(s) or postponement(s) thereof.

IMPORTANT

Registered Shareholders may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment(s) or postponement(s) thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. To be effective, the enclosed proxy must be mailed or faxed so as to reach or be deposited with the Corporation’s transfer agent, TSX Trust Company, 200 University Ave., Suite 300, Toronto, ON M5H 4H1 or fax (416) 595-9593. To vote by internet, please access the website listed on your proxy and follow the online voting instructions. Proxies must be received no later than 10:00 a.m. (Toronto time) on Wednesday, June 14, 2017, or 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Ontario) prior to the time set for any adjournment of the Meeting. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy. If you hold Common Shares through a broker, investment dealer, bank, trust company or other intermediary, you should follow the instructions provided by your intermediary to ensure your vote is counted at the Meeting (see the section in the accompanying Circular entitled “Advice to Beneficial Holders” for further information on how to vote your Common Shares).

DATED at Ottawa, Ontario this 8th day of May, 2017.

By Order of the Board of Directors of CannaRoyalty Corp.

(signed) “Marc Lustig”

Marc Lustig
Chief Executive Officer

CANNAROYALTY CORP.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular (this “Circular”) is provided in connection with the solicitation of proxies by management of CannaRoyalty Corp. (the “Corporation”) for use at an annual and special meeting (the “Meeting”) of the holders (“Shareholders”) of common shares (“Common Shares”) in the capital of the Corporation. The Meeting will be held on June 16, 2017 at 10:00 a.m. at the law offices of Cassels Brock & Blackwell LLP, Suite 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2, or at such other time or place to which the Meeting may be adjourned, for the purposes set forth in the notice of annual and special meeting accompanying this Circular (the “Notice”).

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other means of electronic communication. In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators (“NI 54-101”), arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

These securityholder materials are being sent to both registered and non-registered owners of Common Shares. If you are a non-registered owner of Common Shares, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding Common Shares on your behalf.

Accompanying this Circular (and filed with applicable securities regulatory authorities) is a form of proxy for use at the Meeting (an “**Instrument of Proxy**”). Each Shareholder who is entitled to attend at meetings of Shareholders is encouraged to participate in the Meeting and all Shareholders are urged to vote on matters to be considered in person or by proxy.

Unless otherwise stated, the information contained in this Circular is given as of May 8, 2017 (the “**Effective Date**”).

All time references in this Circular are references to Toronto time.

APPOINTMENT AND REVOCATION OF PROXIES

Appointment of a Proxy

Those Shareholders who wish to be represented at the Meeting by proxy must complete and deliver a proper form of proxy to TSX Trust Company (the “Transfer Agent”) either in person, or by mail or courier, to 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1, by fax at (416) 595-9593 or via the Internet at www.tsxtrust.com.

The persons named in the Instrument of Proxy accompanying this Circular are directors or officers of the Corporation, or persons designated by management of the Corporation, and are representatives of the Corporation’s management for the Meeting. A Shareholder who wishes to appoint some other person (who need not be a Shareholder) to attend and act for him, her or it and on his, her or its behalf at the Meeting, other than the management nominee designated in the Instrument of Proxy, may do so by either: (i) crossing out the names of the management nominees AND legibly printing the other person’s name in the blank space provided in the accompanying Instrument of Proxy; or (ii) completing another valid form of proxy. In either case, the completed

form of proxy must be delivered to the Transfer Agent, at the place and within the time specified herein for the deposit of proxies. A Shareholder who appoints a proxy who is someone other than the management representatives named in the Instrument of Proxy should notify such alternative nominee of the appointment, obtain the nominee's consent to act as proxy, and provide instructions on how the Common Shares are to be voted. The nominee should bring personal identification to the Meeting. In any case, the form of proxy should be dated and executed by the Shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form).

In order to validly appoint a proxy, Instruments of Proxy must be received by the Transfer Agent, at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1, at least 48 hours, excluding Saturdays, Sundays and holidays, prior to the Meeting or any adjournment or postponement thereof. After such time, the Chairman of the Meeting may accept or reject a form of proxy delivered to him in his discretion, but is under no obligation to accept or reject any particular late form of proxy.

Revoking a Proxy

A Shareholder who has validly given a proxy may revoke it for any matter upon which a vote has not already been cast by the proxyholder appointed therein. In addition to revocation in any other manner permitted by law, a proxy may be revoked with an instrument in writing signed and delivered to either the registered office of the Corporation or the Transfer Agent, 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1, at any time up to and including the last business day preceding the date of the Meeting, or any postponement or adjournment thereof at which the proxy is to be used, or deposited with the Chairman of such Meeting on the day of the Meeting, or any postponement or adjournment thereof. The document used to revoke a proxy must be in writing and completed and signed by the Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

Also, a Shareholder who has given a proxy may attend the Meeting in person (or where the Shareholder is a corporation, its authorized representative may attend), revoke the proxy (by indicating such intention to the Chairman before the proxy is exercised) and vote in person (or withhold from voting).

Signature on Proxies

The form of proxy must be executed by the Shareholder or his or her duly appointed attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer whose title must be indicated. A form of proxy signed by a person acting as attorney or in some other representative capacity should indicate that person's capacity (following his signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with the Corporation).

Voting of Proxies

Each Shareholder may instruct his, her or its proxy how to vote his, her or its Common Shares by completing the blanks on the Instrument of Proxy.

The Common Shares represented by the enclosed Instrument of Proxy will be voted or withheld from voting on any motion, by ballot or otherwise, in accordance with any indicated instructions. If a Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. In the absence of such direction, such Common Shares will be voted FOR THE RESOLUTIONS DESCRIBED IN THE INSTRUMENT OF PROXY AND BELOW. If any amendment or variation to the matters identified in the Notice is proposed at the Meeting or any adjournment or postponement thereof, or if any other matters properly come before the Meeting or any adjournment or postponement thereof, the accompanying Instrument of Proxy confers discretionary authority to vote on such amendments or variations or such other matters according to the best judgment of the appointed proxyholder. Unless otherwise stated, the Common Shares represented by a valid Instrument of Proxy will be voted in favour of (i) the re-appointment of Jackson & Co LLP, Chartered

Accountants as auditor of the Corporation for the ensuing year and authorizing the directors to fix their remuneration, and (ii) the election of nominees set forth in this Circular, except where a vacancy among such nominees occurs prior to the Meeting, in which case, such Common Shares may be voted in favour of another nominee in the proxyholder's discretion. As at the Effective Date, management of the Corporation knows of no amendments or variations to these items of business or other matters to come before the Meeting.

Advice to Beneficial Shareholders

The information set forth in this section is of importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name ("**Beneficial Shareholders**") should note that only proxies deposited by Shareholders who are "registered" Shareholders (that is, Shareholders whose names appear on the records maintained by the registrar and transfer agent for the Common Shares as registered holders of Common Shares) will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, not be registered in the Shareholder's name. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a Beneficial Shareholder can only be voted by such broker (or their agent or nominee) at the direction of the Beneficial Shareholder. Without specific instructions, brokers (or their agents and nominees) are prohibited from voting Common Shares which they hold on behalf of Beneficial Shareholders. Subject to the following discussion in relation to NOBOs (as defined below), the Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co., a broker or another nominee, are held.

For purposes of applicable securities regulatory policy relating to the dissemination of proxy-related materials and other securityholder materials and the request for voting instructions from Beneficial Shareholders, there are two categories of Beneficial Shareholders. Non-objecting beneficial owners ("**NOBOs**") are Beneficial Shareholders who have advised their intermediary (such as brokers or other nominees) that they do not object to their intermediary disclosing ownership information to the Corporation, consisting of their name, address, e-mail address, securities holdings and preferred language of communication. **Securities legislation restricts the use of that information to matters strictly relating to the affairs of the Corporation.** Objecting beneficial owners ("**OBOs**") are Beneficial Shareholders who have advised their intermediary that they object to their intermediary disclosing such ownership information to the Corporation. The Corporation intends to send meeting materials directly to NOBOs and to pay for delivery of the meeting materials to OBOs.

Beneficial Shareholders will receive a notice of meeting and a voting instruction form from the intermediary who holds their Common Shares. The intermediary is responsible for properly effecting the voting instructions received from Beneficial Shareholders.

Applicable securities regulatory policy requires intermediaries, on receipt of meeting materials that seek voting instructions from Beneficial Shareholders indirectly, to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings using Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* (a "**voting instruction form**"). Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting or any adjournment(s) or postponement(s) thereof. Often, the voting instruction form supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. Beneficial Shareholders who wish to appear in person and vote at the Meeting should be appointed as their own representatives at the Meeting in accordance with the directions of their

intermediaries and as set forth in the voting instruction form. Beneficial Shareholders can also write the name of someone else whom they wish to attend at the Meeting and vote on their behalf. Unless prohibited by law, the person whose name is written in the space provided in the voting instruction form will have full authority to present matters to the Meeting and vote on all matters that are presented at the Meeting, even if those matters are not set out in the voting instruction form or this Circular. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically mails a voting instruction form in lieu of the form of proxy. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Broadridge will then provide aggregate voting instructions to the Transfer Agent, which tabulates the results and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting or any adjournment or postponement thereof.

All references to Shareholders in this Circular and the accompanying Instrument of Proxy and Notice are to registered Shareholders unless specifically stated otherwise. The Corporation will be sending proxy-related materials to registered Shareholders using Notice and Access.

REORGANIZATIONS

Background

The Corporation was initially formed in order to acquire an interest in and to explore mineral prospects. In 1989, the Corporation abandoned its mineral prospects. In June of 2011, the Corporation was recapitalized and a new board and management team was put in place with a focus on identifying prospective assets or businesses to acquire or merge with, with a view to increasing value for shareholders.

Reorganizations

On June 30, 2016, the Corporation (formerly Bonanza Blue Corp., “**Bonanza**”) entered into a definitive agreement which provided for the reverse takeover (“**RTO**”) of Bonanza by Cannabis Royalties & Holdings Corp. (“**CRHC**”) by way of a “three-cornered” amalgamation under the provisions of the *Canada Business Corporation Act* (“**CBCA**”). Pursuant to the terms of the RTO, CRHC and a wholly-owned subsidiary of Bonanza (“**AcquisitionCo**”) would amalgamate to form an entity that would continue operating the business of CRHC as a wholly-owned subsidiary of Bonanza.

On December 6, 2016, the RTO was completed under the provisions of the CBCA, pursuant to which CRHC and AcquisitionCo amalgamated. The existing shareholders of CRHC became shareholders of the Corporation, and the amalgamated entity continued as a wholly-owned subsidiary of the Corporation.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Shareholders of record as of April 28, 2017 (the “**Record Date**”) are entitled to receive notice and attend and vote at the Meeting. As at the Effective Date, the Corporation had 41,799,115 issued and outstanding Common Shares. These Common Shares are the only voting shares of the Corporation which are issued and outstanding as of the Record Date. Each Common Share entitles the holder to one vote in respect of any matter that may come before the Meeting.

To the knowledge of the directors and officers of the Corporation, as at the Effective Date, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the issued and outstanding Common Shares.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No directors or officers of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, is or was indebted, directly or indirectly, to

the Corporation or its subsidiaries at any time since the beginning of the financial year ended December 31, 2016.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Circular, no informed person of the Corporation, nor any director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any other insider of the Corporation, nor any associate or affiliate of any one of them, has or has had, at any time since the beginning of the financial year ended December 31, 2016, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation.

In July of 2016, the Corporation purchased certain assets from Vida Cannabis Corp. (“**Vida**”). Immediately following the transaction, former CEO of Vida, Greg Wilson, was appointed Chief Operating Officer of the Corporation.

In November of 2016, the Corporation purchased all issued and outstanding shares of Electric Medialand Inc. (“**EML**”). Immediately following the completion of the transaction, EML owner Todd Marcotte was appointed Chief Marketing Officer of the corporation.

For further information refer to the Corporation’s Annual Information Circular (“**AIF**”), December 31, 2015, “General Development of the Business – Three-Year History and Significant Acquisitions – Corporate”.

INTEREST OF DIRECTORS AND OFFICERS IN MATTERS TO BE ACTED UPON

No director or senior officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting, other than (i) the election of directors of the Corporation, and (ii) the resolution to approve the Share Unit Plan.

EXECUTIVE COMPENSATION

When used in this section, “**Named Executive Officers**” means the Chief Executive Officer, the Chief Financial Officer and each of the most highly compensated executive officers (other than the Chief Executive Officer and Chief Financial Officer) of the Corporation at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year, as well as each individual who would be a Named Executive Officer but for the fact that the individual was neither an executive officer of the Corporation or its subsidiaries, nor acting in a similar capacity, at the end of that financial year.

The following table provides information regarding the compensation earned by the Named Executive Officers for the financial year ended December 31, 2016.

Summary Compensation Table

Name and Principal Position	Year Ended December 31,	Salary (\$)	Share-based awards (\$)	Option-based awards	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual Incentive Plans ⁽¹⁾	Long-term incentive plans			
Marc Lustig, Chief Executive Officer	2016	19,726	657,375	Nil	84,864	Nil	Nil	316,402 ⁽²⁾	1,078,367
François Perrault,	2016	29,247	150,000	Nil	36,699	Nil	Nil	33,711 ⁽³⁾	249,657

Name and Principal Position	Year Ended December 31,	Salary (\$)	Share-based awards (\$)	Option-based awards	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual Incentive Plans ⁽¹⁾	Long-term incentive plans			
Chief Financial Officer									
Greg Wilson, Chief Operating Officer	2016	33,425	856,250	Nil	66,712	Nil	Nil	61,513 ⁽⁴⁾	1,017,900
Todd Marcotte, Chief Marketing Officer	2016	29,247	150,000	Nil	11,699	Nil	Nil	4,387 ⁽⁵⁾	195,333

Notes:

(1) Executive compensation has only been included for the year ending December 31, 2016.

(2) Includes consulting fees of \$56,500 paid to a corporation owned by the executive and success fees of \$256,943, both earned prior to being an employee of CannaRoyalty, and compensation of 15% of base salary totaling \$2,959 received in lieu of benefits and matching RRSP contributions.

(3) Includes consulting fees of \$29,324 paid to a corporation owned by the executive earned prior to being an employee of CannaRoyalty, and compensation of 15% of base salary totaling \$4,387 received in lieu of benefits and matching RRSP contributions

(4) Includes consulting fees of \$56,500 paid to a corporation owned by the executive earned prior to being an employee of CannaRoyalty and compensation of 15% of base salary totaling \$5,013 received in lieu of benefits and matching RRSP contributions

(5) Includes compensation of 15% of base salary totaling \$4,387 received in lieu of benefits and matching RRSP contributions

Outstanding Share-Based Awards and Option-Based Awards

Set forth in the table below is a summary of all share-based and option-based awards held by each of the Named Executive Officers outstanding as of December 31, 2016.

Name	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$) ⁽¹⁾	Market or payout value of vested share-based awards, not paid out or distributed (\$) ⁽¹⁾
Marc Lustig	Nil	N/A	N/A	N/A	832,500	2,747,250	1,102,200
François Perrault	Nil	N/A	N/A	N/A	150,000	495,000	247,500
Greg Wilson	Nil	N/A	N/A	N/A	300,000	990,000	990,000
Todd Marcotte	Nil	N/A	N/A	N/A	150,000	495,000	247,500

Notes:

(1) Based on the closing price of CannaRoyalty shares of \$3.30 at December 31, 2016.

Incentive Plan Awards – Value Vested During the Year

Set forth below is a summary of the value vested during the financial year of the Corporation ended December 31, 2016 in respect of all option-based and share-based awards and non-equity incentive plan compensation granted to the Named Executive Officers.

Name	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – value earned during the year (\$)
Marc Lustig	Nil	657,375 ⁽¹⁾	84,864 ⁽⁵⁾
François Perrault	Nil	150,000 ⁽²⁾	36,699 ⁽⁶⁾
Greg Wilson	Nil	856,250 ⁽³⁾	66,712 ⁽⁷⁾
Todd Marcotte	Nil	150,000 ⁽⁴⁾	11,699 ⁽⁸⁾

Notes:

- (1) On April 12, 2016, the officer was issued 500,000 common shares with a value of \$0.75 per share or \$375,000 as compensation for past services rendered, of which \$93,750 pertained to services rendered during the year ended December 31, 2016. On April 29, 2016 the officer was granted 83,250 RSUs that vested during the period and had a grant date fair value of \$0.75 which was the share price at that date. On September 1, 2016, the officer was granted 334,000 RSUs that vested during the period and had a grant date value of \$1.50 which was the share price at that date.
- (2) On November 1, 2016 the officer was granted 75,000 RSUs that vested during the period and had a grant date value of \$2.00 which was the share price at that date.
- (3) On April 12, 2016, the officer was issued 300,000 common shares with a value of \$0.75 per share or \$225,000 as compensation for past services rendered, of which \$56,250 pertained to services rendered during the year ended December 31, 2016. On November 1, 2016, the officer was granted 400,000 RSUs that vested during the period and had a grant date value of \$2.00 which was the share price at that date.
- (4) On November 1, 2016, the officer was granted 75,000 RSUs that vested during the period and had a grant date value of \$2.00 which was the share price at that date.
- (5) The officer received a discretionary bonus of \$75,000 and an incentive bonus of \$9,864 which represents 50% of base salary earned during the year ended December 31, 2016. These bonuses were paid during April 2017.
- (6) The officer received a discretionary bonus of \$25,000 and an incentive bonus of \$11,699 which represents 40% of base salary earned during the year ended December 31, 2016. These bonuses were paid during April 2017.
- (7) The officer received a discretionary bonus of \$50,000 and an incentive bonus of \$16,712 which represents 50% of base salary earned during the year ended December 31, 2016. These bonuses were paid during April 2017.
- (8) The officer received an incentive bonus of \$11,699 which represents 40% of base salary earned during the year ended December 31, 2016. This bonus was paid during April 2017.

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The Board is responsible for setting the overall compensation strategy of the Corporation and for evaluating and approving the compensation of directors and executive officers. The Corporation has not delegated these responsibilities to a separate board committee. The Board annually reviews the base salary, incentive compensation and long-term compensation for the Corporation's executive officers to determine if the compensation package for executive officers continues to be appropriate, given the status and activities of the business, or if any modifications are required. Factors considered by the Board in establishing suitable compensation packages for its executive officers include, the early stage of development of the Corporation, activity level, the small number of executive officers, financial resources available to the Corporation, competitive factors and the time committed by the executive officer to the affairs of the Corporation.

Objectives of Compensation Program

It is the objective of the Corporation's compensation program to attract and retain highly qualified executives and to link incentive compensation to performance and Shareholder value. It is the goal of the Board to endeavour to ensure that the compensation of executive officers is sufficiently competitive to achieve the objectives of the executive compensation program. The Board gives consideration to the Corporation's contractual obligations, performance, quantitative financial objectives including relative Shareholder return as well as to the qualitative aspects of the individual's performance and achievements.

Role of Executive Officers in Compensation Decisions

The Board will receive and review any recommendations of the President and Chief Executive Officer relating to the general compensation structure and policies and programs for the Corporation and the salary and benefit levels for executive officers.

Elements of the Compensation Program

The Corporation's compensation program comprises (i) base salary, (ii) eligibility to participate in the Share Unit Plan and (iii) annual incentive and discretionary bonuses. Each component of the executive compensation program is addressed below.

Base Salaries and Benefits

Salaries for executive officers, if any, are reviewed annually based on the nature and extent of the current activities of the Corporation, corporate and personal performance and on individual levels of responsibility. Salaries of the executive officers are not determined based on a specific formula. The Board considers and, if thought appropriate, approves salaries recommended by the President and Chief

Executive Officer for the other executive officers of the Corporation. As stated above, base salaries are established to be competitive in order to attract and retain highly qualified executives.

The Corporation is in the process of developing a competitive benefit and pension plan for all of its employees, which is expected to be implemented during fiscal year ending December 31, 2017. Until these benefits are implemented, Named Executive Officers will receive 15% of base salary in lieu of benefits.

It is anticipated that no material additional benefits or perquisites will be provided to members of management that are not available to employees of the Corporation generally, with the exception of the matching RRSP benefit of 6% which exceeds those offered to non-executive employees. Benefits will extended to all employees include health, long-term disability, dental and group life insurance.

Annual Incentive and Discretionary Bonuses

Named Executive Officers are eligible for an annual incentive award between 40% or 50% of their base salary based on their roles, experience and responsibilities in the Corporation. The award is also based on the personal business objectives of the Named Executive Officer and those of the Corporation achieved during the Corporation's fiscal year. The named executive officers were hired as employees effective November 1, 2016. The primary corporate objectives for the year ended December 31, 2016, was becoming publicly listed and for the continued expansion and commercialization of the of the Corporation's asset portfolio.

Given that these corporate objectives were met the Board deemed it appropriate to provide discretionary bonuses to compensate certain individuals who contributed significantly to the achievement of the aforementioned objectives in their capacity as contractors prior to becoming employees of the Corporation.

Long Term Incentives – Share Unit Plan

The Board administers the share unit plan (the “**Share Unit Plan**”) which is designed to provide a long-term incentive that is linked to shareholder value. The Board determines the number of restricted share units (“**RSUs**”) to be granted to each executive officer based on the level of responsibility and experience required for the position. The Board regularly reviews and where appropriate adjusts the number of RSUs granted to individuals and determines the vesting provisions of such RSUs. The Board sets the number of RSUs as appropriate in order to attract and retain qualified and talented personnel. The Board also takes into account the Corporation's contractual obligations and the award history for all participants under the Share Unit Plan.

Share-based awards

A description of the process that the Corporation uses to grant share-based awards to executive officers, including the role of the Board and executive officers, is included under the heading “*Compensation Discussion and Analysis – Elements of Compensation Program – Long Term Incentives and Share Unit Plan*” above.

The Corporation granted 2,400,000 RSUs to executive officers during the year ended December 31, 2016, including 967,500 RSUs that vested in the fiscal period. The remainder of the currently outstanding RSU grants will vest in the fiscal years ending December 31, 2017 and December 31, 2018.

TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS

Pursuant to the terms of each of their respective employment agreements, each of the Named Executive

Officers is entitled to:

- an annual base salary of (i) \$225,000 for Mr. Lustig, (ii) \$200,000 for Mr. Wilson, and (iii) \$175,000 for each of Messrs. Perrault and Marcotte;
- a cash incentive award of up to (i) 50% of base salary for each of Messrs. Lustig and Wilson, and (ii) 40% of base salary for each of Messrs. Perrault and Marcotte, in all instances based on the achievement of specified performance objectives by the relevant individual during a financial period;
- an annual RSU award, in such amount, and subject to such vesting conditions, as determined in the discretion of the Board;
- reimbursement for travel and other expenses, as well as a comprehensive benefits package (or a cash payment, until a benefits plan is implemented);
- a 6% matching contribution to the Named Executive Officer's registered retirement savings plan; and
- on termination without cause, a lump sum payment equal to one year of base salary, automatic vesting of any unvested incentive awards, pro rata bonus payment (without consideration of the achievement of performance objectives), and continuation of all benefits for one year.

As per the employment agreements until a comprehensive benefits package is established by the Corporation each of the Named Executive Officers, will receive a payment equal to 15% of base salary in lieu of such benefits.

Other than the aforementioned agreements, there are no compensatory plans, contracts or arrangements with any Named Executive Officer (including payments to be received from the Corporation or any subsidiary), which result or will result from the resignation, retirement or any other termination of employment of such Named Executive Officer or from a change of control of the Corporation or any subsidiary thereof or any change in such Named Executive Officer's responsibilities, where the Named Executive Officer is entitled to payment or other benefits.

Employment, Consulting and Management Agreements

The material terms of each agreement under which compensation was provided during the year ended December 31, 2016, or is payable in respect of services provided to the Corporation by each Named Executive Officer or director, is set out below.

Marc Lustig – Chief Executive Officer and Director

The Corporation is party to an employment agreement with Marc Lustig pursuant to which Mr. Lustig provides his services as Chief Executive Officer of the Corporation in consideration of a gross annual salary in the amount of \$225,000 as well as participation in any employee benefit plans maintained by the Corporation and entitlement to reimbursement from the Corporation for reasonable costs and expenses in accordance with the Corporation's expense reimbursement policy.

Mr. Lustig's employment may be terminated for cause without notice or payment in lieu of notice. Mr. Lustig's employment may also be terminated without cause, in which case he would be entitled to a severance package that consists of the following:

- a lump sum payment equivalent to one year (52 weeks) of base salary;
- automatic vesting of all outstanding, non-vested RSU's and Stock Options;
- the continuance of all benefits – to the extent permitted by the Corporation's insurer –for one year

- or payment in lieu of; and
- the payment of pro-rata portion of 100% of the annual bonus without consideration for the achievement of personal or corporate objectives.

Mr. Lustig is eligible for an incentive award of up to 50% of his base salary. The award is based on the personal business objectives of Mr. Lustig and those of the Corporation achieved during the Corporation's fiscal year.

Greg Wilson – Chief Operating Officer and Director

The Corporation is party to an employment agreement with Greg Wilson pursuant to which Mr. Wilson provides his services as Chief Operating Officer of the Corporation in consideration of a gross annual salary in the amount of \$200,000, as well as participation in any employee benefit plans maintained by the Corporation and entitlement to reimbursement from the Corporation for reasonable costs and expenses in accordance with the Corporation's expense reimbursement policy. Upon entering into the employment agreement, Mr. Wilson was also awarded 700,000 RSUs, of which 400,000 vested immediately and 150,000 would vest at the end of each his first and second years of service.

Mr. Wilson's employment may be terminated for cause without notice or payment in lieu of notice. Mr. Wilson's employment may also be terminated without cause, in which case he would be entitled to a severance package that consists of the following:

- a lump sum payment equivalent to one year (52 weeks) of base salary;
- automatic vesting of all outstanding, non-vested RSU's and Stock Options;
- the continuance of all benefits – to the extent permitted by the Corporation's insurer –for one year or payment in lieu of; and
- the payment of pro-rata portion of 100% of the annual bonus without consideration for the achievement of personal or corporate objectives.

Mr. Wilson is eligible for an incentive award of up to 50% of his base salary. The award is based on the personal business objectives of Mr. Wilson and those of the Corporation achieved during the Corporation's fiscal year.

François Perrault – Chief Financial Officer

The Corporation is party to an employment agreement with François Perrault pursuant to which Mr. Perrault provides his services as Chief Financial Officer of the Corporation in consideration of a gross annual salary in the amount of \$175,000, as well as participation in any employee benefit plans maintained by the Corporation and entitlement to reimbursement from the Corporation for reasonable costs and expenses in accordance with the Corporation's expense reimbursement policy. Upon entering into the employment agreement, Mr. Perrault was also awarded 225,000 RSUs, of which 75,000 vested immediately and 75,000 would vest at the end of each his first and second years of service.

Mr. Perrault's employment may be terminated for cause without notice or payment in lieu of notice. Mr. Perrault's employment may also be terminated without cause, in which case he would be entitled to a severance package that consists of the following:

- a lump sum payment equivalent to one year (52 weeks) of base salary;
- automatic vesting of all outstanding, non-vested RSU's and Stock Options;
- the continuance of all benefits – to the extent permitted by the Corporation's insurer –for one year or payment in lieu of; and
- the payment of pro-rata portion of 100% of the annual bonus without consideration for the achievement of personal or corporate objectives.

Mr. Perrault is eligible for an incentive award of up to 40% of his base salary. The award is based on the personal business objectives of Mr. Perrault and those of the Corporation achieved during the Corporation's fiscal year.

Todd Marcotte – Chief Marketing Officer

The Corporation is party to an employment agreement with Todd Marcotte pursuant to which Mr. Marcotte provides his services as Chief Marketing Officer of the Corporation in consideration of a gross annual salary in the amount of \$175,000, as well as participation in any employee benefit plans maintained by the Corporation and entitlement to reimbursement from the Corporation for reasonable costs and expenses in accordance with the Corporation's expense reimbursement policy. Upon entering into the employment agreement, Mr. Marcotte was also awarded 225,000 RSUs, of which 75,000 vested immediately and 75,000 would vest at the end of each his first and second years of service.

Mr. Marcotte's employment may be terminated for cause without notice or payment in lieu of notice. Mr. Marcotte's employment may also be terminated without cause, in which case he would be entitled to a severance package that consists of the following:

- a lump sum payment equivalent to one year (52 weeks) of base salary;
- automatic vesting of all outstanding, non-vested RSU's and Stock Options;
- the continuance of all benefits – to the extent permitted by the Corporation's insurer –for one year or payment in lieu of; and
- the payment of pro-rata portion of 100% of the annual bonus without consideration for the achievement of personal or corporate objectives.

Mr. Marcotte is eligible for an incentive award of up to 40% of his base salary. The award is based on the personal business objectives of Mr. Marcotte and those of the Corporation achieved during the Corporation's fiscal year.

COMPENSATION OF DIRECTORS

Directors are currently not paid any fees for their services as directors of the Corporation but are reimbursed for travel and other out-of-pocket expenses incurred in attending directors' and shareholders' meetings. Directors are also entitled to receive compensation to the extent that they provide additional services to the Corporation at rates that would be charged by such directors for such services to arm's length parties. No such additional services were provided to the Corporation by any director in the year ended December 31, 2016. Directors are also entitled to participate in the Share Unit Plan.

Director Compensation

The following table provides a summary of all annual and long-term compensation for services rendered in all capacities to the Corporation for the fiscal year ended December 31, 2016, in respect of the individuals who were, during the fiscal year ended December 31, 2016, directors of the Corporation, other than the Named Executive Officers who also served as directors of the Corporation and who did not receive any additional compensation in their capacities as directors.

Name	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Rob Harris	Nil	66,668	Nil	Nil	Nil	Nil	66,668
Dr. Jim Young	Nil	66,668	Nil	Nil	Nil	Nil	66,668
Chuck Rifici	Nil	66,668	Nil	Nil	Nil	Nil	66,668

Outstanding Share-Based Awards and Option-Based Awards

Set forth in the table below is a summary of all share-based and option-based awards held by each of the directors of the Corporation, other than the Named Executive Officers who also served as directors of the Corporation and who did not receive any additional compensation in their capacities as directors, as of December 31, 2016.

Option-Based Awards					Share-Based Awards		
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$) ⁽¹⁾	Market or payout value of vested share-based awards not paid out or distributed (\$) ⁽¹⁾
Rob Harris	Nil	N/A	N/A	N/A	66,666	219,998	110,002 ⁽¹⁾
Dr. Jim Young	Nil	N/A	N/A	N/A	66,666	219,998	110,002 ⁽¹⁾
Chuck Rifici	Nil	N/A	N/A	N/A	66,666	219,998	110,002 ⁽¹⁾

Notes:

(1) Based on the closing price of CannaRoyalty shares of \$3.30 at December 31, 2016.

Incentive Plan Awards – Value Vested During the Year

Set forth below is a summary of the value vested during the financial year of the Corporation ended December 31, 2016 in respect of all option-based and share-based awards and non-equity incentive plan compensation granted to the directors of the Corporation, other than the Named Executive Officers who also served as directors of the Corporation and who did not receive any additional compensation in their capacities as directors.

Name	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – value earned during the year (\$)
Rob Harris	Nil	66,668 ⁽¹⁾	Nil
Dr. Jim Young	Nil	66,668 ⁽¹⁾	Nil
Chuck Rifici	Nil	66,668 ⁽¹⁾	Nil

Notes:

(1) On December 5, 2016, each board member was granted 100,000 RSU's, of which 33,334 vested immediately upon issuance. The grant date value of these vested shares was \$2.00 which was the share price at the date of the grant.

Equity Compensation Plan Information as of the Fiscal Year-Ended December 31, 2016

Pursuant to the Plan (as defined below) and the Share Unit Plan, the maximum aggregate number of Common Shares which may be subject to options is 10% of the Common Shares outstanding from time to time.

Plan category	Number of shares issuable upon exercise of outstanding RSUs, options, warrant and rights (a)	Weighted-average exercise price of outstanding RSUs, options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	2,799,800	\$0.01 ⁽¹⁾	800,896

(1) At December 31, 2016, there was 2,774,800 RSUs outstanding which have no exercise price and 25,000 options outstanding which have an exercise price of \$1.00.

Stock Option Plan

The Corporation's existing stock option plan (the "**Plan**") provides long term incentives to eligible directors, officers, employees and consultants of the Corporation.

Description of the Plan

The purpose of the Plan is to provide the Corporation with a share-related mechanism to attract, retain and motivate qualified directors, officers, consultants and employees, to reward such of those directors, officers, consultants and employees as may be awarded options under the Plan by the Board from time to time for their contributions toward the long term goals of the Corporation and to enable and encourage such directors, officers, consultants and employees to acquire Common Shares as long term investments.

The following is a summary of the key terms of the Plan:

The Plan provides for options to purchase a Common Share issued pursuant thereto (each, an "**Option**"). The number of Common Shares issuable pursuant to Options granted under the Plan is limited to 10% of the number of Common Shares outstanding from time to time. There were an aggregate of 41,799,115 Common Shares issued and outstanding as of the Record Date. There are currently no options outstanding under the Plan. Accordingly, the Corporation may grant further Options under the Plan. As at the Record Date, the number of Common Shares remaining available for issuance under the Plan is 924,315 (as calculated based upon 10% of the aggregate number of issued and outstanding Common Shares, less the number of Options outstanding under the Plan). The total number of Common Shares which may be reserved for issuance to any one individual under the Plan may not exceed 5% of the outstanding Common Shares. The maximum number of stock options which may be granted to any one consultant under the Plan, any other employer stock options plans or options for services, within any 12 month period, must not exceed 2% of the Common Shares issued and outstanding at the time of the grant (on a non-diluted basis).

The Options granted under the Plan are non-assignable and may be granted for a term not exceeding 10 years from the date of grant. Notwithstanding, if the date on which an Option expires occurs during any period imposed by the Corporation, pursuant to its insider trading policies or otherwise, during which an optionee may be restricted from trading in securities of the Corporation (a "**Blackout Period**") or within two business days after the last day of a Blackout Period, the date of the expiry of such Option will become the tenth business day following the end of the Blackout Period.

Options may be granted under the Plan only to directors, officers, employees and consultants of the Corporation or any related entity of the Corporation, subject to the rules and regulations of applicable regulatory authorities. In the event that any optionee ceases to be an eligible person under the Plan (i.e. ceases to be an officer, director, employee or consultant for any reason other than death or termination with cause), the optionee will be entitled to exercise his or her Options which have vested as of such date of cessation only within a period of one year, in the case of optionees that are directors or officers, or 90 days, in the case of employees or consultants, following the date of such cessation or such other date as may be determined by the Board subject to regulatory approval, but in no event may any Options be exercised following the expiry date thereof. In the event an optionee is terminated with cause, the Options held by such optionee will expire on the date of such termination. In the event of the death of an optionee, any Options held by such optionee which have vested as of the date of death may only be exercised within a period of one year succeeding the optionee's death, but in no event may any options be exercised following the expiry date thereof.

In the event of a change of control of the Corporation (or an impending change of control), the Board will have the discretion to deal with outstanding Options in the manner it deems fair and reasonable in the circumstances, which may include accelerated vesting or expiry of the Options. Under the Plan, a change of control is deemed to occur if one of the following events has taken place:

- the sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation;

- a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Corporation or any of its affiliates and another corporation or other entity, as a result of which the holders of Common Shares immediately prior to the completion of the transaction hold less than 50% of the outstanding voting securities of the successor corporation immediately after completion of the transaction;
- any person or combination of persons at arm's length to the Corporation and its affiliates acquires or becomes the beneficial owner of, directly or indirectly, more than 50% of the voting securities of the Corporation, whether through the acquisition of previously issued and outstanding voting securities, or of voting securities that have not been previously issued, or any combination thereof, or any other transaction having a similar effect;
- a resolution is adopted to wind-up, dissolve or liquidate the Corporation; or
- as a result of or in connection with: (A) a contested election of directors of the Corporation; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Corporation or any of its affiliates and another corporation or other entity (a "**Transaction**"), fewer than 50% of the Corporation's directors following the Transaction are persons who were directors of the Corporation immediately prior to such Transaction

The exercise price of Options granted under the Plan are determined by the Board and may not be lower than the market price of the Common Shares at the time the option is granted. If the Common Shares are not listed on a stock exchange, the maximum permissible discount is 25%.

Options issued under the Plan vest at the discretion of the Board, subject to certain specified limitations.

The Board may at any time amend the Plan or any Options granted thereunder, subject to the receipt of all applicable regulatory approvals, provided that no such amendment may, without the consent of affected optionees, materially decrease the rights or benefits accruing to such optionees or materially increase the obligations of such optionees. For greater certainty, the Plan provides that the Board may amend or terminate the Plan or any Options granted thereunder without obtaining shareholder approval of such amendments or termination, other than the following amendments which shall be subject to the approval of shareholders (together with all applicable regulatory approvals): (i) amendments to the definition of categories of persons eligible to participate in the New Plan; (ii) amendments to the maximum number or percentage of Common Shares (or other securities) issuable under the Plan; (iii) the limitations under the Plan on the number of Options that may be granted to any one person or any category of persons; (iv) the method for determining the exercise price of Options; (v) the maximum term of Options; (vi) the expiry and termination provisions applicable to Options; and (vii) any other provision that is required to be approved by shareholders under applicable law.

Share Unit Plan

The purpose of the Share Unit Plan is to assist the Corporation in attracting, incentivizing and retaining those key Directors, officers, employees and consultants of the Corporation who are considered by the Board to be key to the growth and success of the Corporation, and to align the interests of key Directors, officers, employees and consultants with those of the Corporation's Shareholders through longer term equity ownership in the Corporation.

The following is a summary of the key terms of the Share Unit Plan:

- The Share Unit Plan is established for employees, directors and officers of the Corporation and its affiliates, and for individuals retained as a consultant for the Corporation or companies providing management services to the Corporation, as may be determined by the Board or any other committee of the directors authorized by the Board to administer the Share Unit Plan;

- The Share Unit Plan provides that share units (“**Share Units**”) may be granted by the Board or a compensation committee of the Board or any other committee of the Directors authorized by the Board to administer the Share Unit Plan. Share Units are units created by means of an entry on the books of the Corporation representing the right to receive one Common Share (subject to adjustments) issued from treasury per Share Unit. All grants of Share Units must be evidenced by a confirmation Share Unit grant letter.
- The maximum number of Common Shares that may be granted pursuant to the Share Unit Plan shall not exceed 10% of the then issued and outstanding Common Shares (including Shares underlying outstanding Share Units). Any Common Shares subject to a Share Unit which has been cancelled or terminated in accordance with the terms of the Share Unit Plan without settlement will again be available for grant of a Share Unit under the Share Unit Plan.
- The number of Share Units granted and any applicable vesting conditions are determined in the discretion of the Board or a compensation committee of the Board, with the number of Share Units granted being determined based on the closing market price of the Common Shares on the grant date. In granting Share Units, the Board or a compensation committee of the Board may include any other terms, conditions and/or vesting criteria which are not inconsistent with the Share Unit Plan.
- Share Units are settled by way of the issuance of Common Shares from treasury as soon as practicable following the maturity date determined by the Board or a compensation committee of the Board in accordance with the terms of the Share Unit Plan. Individuals granted Share Units who are Canadian residents or as otherwise may be designated in the Share Unit grant letter (with the exception of U.S. taxpayers) are permitted to elect to defer issuance of all or any part of the Common Shares issuable to them, provided proper notice is provided to the Board or a compensation committee of the Board in accordance with the terms of the Share Unit Plan.
- In the event a cash dividend is paid to shareholders on the Common Shares while a Share Unit is outstanding, each participant will be credited with additional Share Units in lieu of any cash dividends paid to shareholders, equal to the aggregate amount of any cash dividends that would have been paid to the individual if the Share Units had been Common Shares, divided by the market price of the Common Shares on the date on which dividends were paid by the Corporation. If the foregoing shall result in a fractional Share Unit, the fraction shall be disregarded.
- The termination provisions under the Share Unit Plan are as follows subject to any determination otherwise by the Board:
 - in the event of retirement, any unvested Share Units will automatically vest on the date of retirement and the Common Shares underlying such Share Units will be issued as soon as reasonably practical thereafter;
 - in the event of the death, any unvested Share Units will automatically vest on the date of death and the Common Shares underlying all Share Units will be issued to the estate of the deceased as soon as reasonably practical thereafter;
 - in the event of disability (as may be determined in accordance with the policies, if any, or general practices of the Corporation or any subsidiary), any unvested Share Units will automatically vest on the date on which the participant is determined to be totally disabled and the Common Shares underlying the Share Units will be issued as soon as reasonably practical thereafter;
 - in the event of termination without cause of a Share Unit holder, (i) any unvested Share Units that are not subject to performance vesting criteria will automatically vest on the

date on which the individual is terminated and the Common Shares underlying the Share Units will be issued as soon as reasonably practical thereafter, and (ii) any unvested Share Units that are subject to performance vesting criteria will vest in accordance with their normal vesting schedule, except, in either case, as may otherwise be stipulated in the applicable Share Unit grant letter or as may otherwise be determined by the Board; and

- In the event of termination with cause or resignation, all of the Share Units shall become void and the holder shall have no entitlement and will forfeit any rights to any issuance of Common Shares under the Share Unit Plan, except as may otherwise be stipulated in the applicable Share Unit grant letter or as may otherwise be determined by the Board or a compensation Committee of the Board in its sole and absolute discretion. Share Units that have vested but that are subject to an election to set a deferred payment date shall be issued forthwith following the termination with cause or the resignation of the holder.
- In the event of a change of control, all unvested Share Units issued and outstanding shall automatically and immediately vest on the date of such change of control.
- The grant of Share Units under the Share Unit Plan is subject to a restriction such that the number of Common Shares: (i) issued to insiders of the Corporation, within any one year period, and (ii) issuable to insiders of the Corporation, at any time, under the Share Unit Plan, or when combined with all of the Corporation's other security based compensation arrangements, shall not exceed 10% of the Corporation's total issued and outstanding Common Shares, respectively.
- The amendment provisions of the Share Unit Plan provide the Board or a compensation committee of the Board with the power, subject to the requisite regulatory approval, to make the following amendments to the provisions of the Share Unit Plan and any Share Unit grant letter without shareholder approval (without limitation):
 - amendments of a housekeeping nature;
 - the addition or a change to any vesting provisions of a Share Unit;
 - changes to the termination provisions of a Share Unit or the Share Unit Plan; and
 - amendments to reflect changes to applicable securities or tax laws.

However, any of the following amendments require shareholder approval:

- materially increasing the benefits to the holder of any Share Units who is an insider to the material detriment of the Corporation and the Corporation's shareholders;
- increasing the number of Common Shares or maximum percentage of Common Shares which may be issued pursuant to the Share Unit Plan (other than by virtue of adjustments permitted under the Share Unit Plan);
- permitting Share Units to be transferred other than for normal estate settlement purposes;
- removal or exceeding of the insider participation limits;
- materially modifying the eligibility requirements for participation in the Share Unit Plan; or
- modifying the amending provisions of the Share Unit Plan.

Directors' and Officers' Liability Insurance

The Corporation maintains directors' and officer's liability insurance ("**D&O Insurance**") for its

directors and officers. The D&O Insurance insures the Corporation and its directors and officers against liability arising from wrongful acts of the Corporation's directors and officers in their capacity as directors and officers of the Corporation, subject to limitation, if any, contained in the *Business Corporations Act* (Ontario), and has an aggregate policy limit of \$5,000,000 and a sub-limit of liability coverage of \$250,000 for all derivative investigations. The insurance premiums paid for the policy was \$2,488. No portion of the D&O Insurance is directly paid by any director or officer of the Corporation.

AUDIT COMMITTEE

National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (“**NI 52-110**”) requires that the Corporation, if management solicits proxies from the securityholders of the Corporation for the purposes of electing directors to its Board, to disclose in its information circular certain specified information, including the constitution of its audit committee and its relationship with its independent auditor, as set forth below.

Audit Committee Charter

The Audit Committee has adopted a written charter setting out its mandate and responsibilities. The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting processes and internal controls. The Audit Committee's primary duties and responsibilities are to: (i) conduct reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Audit Committee; (ii) assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures; (iii) ensure appropriate standards of corporate conduct for senior financial personnel and employees and, if necessary, adopt a corporate code of ethics; (iv) review the quarterly and annual financial statements and accompanying management's discussion and analysis (“**MD&A**”) of the Corporation's consolidated financial position and operating results and report thereon to the Board for approval; (v) select and monitor the independence and performance of the Corporation's external auditors and approve their remuneration; (vi) provide oversight to related party transactions entered into by the Corporation; and (vii) provide oversight of all disclosure relating to financial statements, MD&A and information derived therefrom. The Audit Committee is responsible for inquiring of management and the external auditors about significant risks or exposures, both internal and external to which the Corporation may be subject and assessing the steps management has taken to minimize such risks. The Audit Committee is also responsible for establishing and implementing procedures in respect of complaints and submissions relating to accounting matters and the approval of non-audit services by the external auditors.

The Charter of the Corporation's Audit Committee is set forth in Appendix “A” hereto.

Composition of the Audit Committee

The Audit Committee has been constituted to oversee the financial reporting processes of the Corporation and is comprised of three independent directors; namely Messrs. Rifici, Harris, and Young. Each member of the Audit Committee is financially literate and possesses extensive financial knowledge, experience and comprehension of financial statements.

Relevant Education and Experience

Each member of the Audit Committee has experience relevant to his responsibilities as an Audit Committee member.

Chuck Rifici

Mr. Rifici is the founder, Chairman & CEO at Nesta Holding Co. Ltd. and Chairman & CEO at Cannabis Wheaton Income Corp. He was the co-founder and former CEO of Tweed Marijuana Inc. and was the

Treasurer of the Liberal Party of Canada. Prior to Tweed, he served as CFO of various technology firms such as Select Start Studios (acquired by Shopify), TekSavvy Solutions Inc. and Cybersurf Corp. Mr. Rifici is a chartered professional accountant. He obtained his MBA from Queen's University and a B.A.Sc. in Computer Engineering from the University of Ottawa.

Rob Harris

Mr. Harris has served as a director of Aralez Pharmaceuticals Inc. since February 5, 2016. He previously served as Founder, President, Chief Executive Officer and a director of Tribute Pharmaceuticals Canada Inc. (or other entities of Tribute Pharmaceuticals) from January 1, 2006 to February 2016 when it was amalgamated with POZEN Pharma to form Aralez Pharmaceuticals. Mr. Harris brings to the Board over 35 years of pharmaceutical industry experience in both Canada and the United States in sales, marketing, business development and general management in both human and animal health markets.

Dr. Jim Young

Dr. Young is the Chairman at Novavax, Inc., Chairman at Targeted Microwave Solutions, Inc. and sits on the board of directors at 3-V Biosciences, Inc. Dr. Young has over 30 years of experience in the fields of molecular genetics, microbiology, immunology and pharmaceutical development. Prior to being acquired by Astra Zeneca, Dr. Young was MedImmune's President of Research and Development. Dr. Young received his doctorate in microbiology and immunology from Baylor College of Medicine in Houston, Texas, and in 2005 was awarded the Albert B. Sabin Humanitarian Award.

Reliance on Certain Exemptions

The Corporation is not relying on any exemptions with respect to NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee charter sets out procedures regarding the provision of non-audit services by the Corporation's independent chartered professional accountants. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted non-audit and non-audit-related services.

External Auditor Service Fees

The following table sets forth, by category, the fees for all services rendered by the Corporation's external auditors, Jackson & Co LLP for the financial year ended December 31, 2016.

Nature of Services	Fees Paid to Auditor in Year Ended December 31, 2016
Audit Fees ⁽¹⁾	\$39,113
Audit-Related Fees ⁽²⁾	\$8,925
Tax Fees ⁽³⁾	\$1,575
All Other Fees ⁽⁴⁾	Nil
Total	\$49,613

Notes:

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Corporation's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

AUDITOR

The auditor of the Jackson & Co LLP, 1199 West Hastings St., Suite 800, Vancouver, British Columbia, V6E 3T5. Jackson & Co LLP has served as the Corporation's auditor since April 2016.

CORPORATE GOVERNANCE

National Policy 58-201 - *Corporate Governance Guidelines* of the Canadian Securities Administrators has set out best practice guidelines for effective corporate governance (the "**Guidelines**"). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. National Instrument 58-101 - *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators ("**NI 58-101**") requires that if management solicits proxies from its securityholders for the purposes of electing directors, specified disclosure of the corporate governance practices must be included in its management information circular.

Set out below is a description of the Corporation's corporate governance practices in accordance with NI 58-101, based on the Guidelines.

The Board of Directors

For the purposes of NI 58-101, a director is considered to be independent if he or she does not have any direct or indirect material relationship with the Corporation. A material relationship is in turn defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with such member's independent judgement. The Board has determined that a majority of the directors of the Corporation are "independent" within the meaning of NI 58-101.

Pursuant to National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators ("**NI 52-110**"), a director is considered independent if he or she has no direct or indirect material relationship with the Corporation that the Board believes could reasonably be perceived to materially interfere with his or her ability to exercise independent judgment. NI 52-110 sets out certain situations where a director is deemed to have a material relationship with the Corporation.

The Board is currently comprised of five directors, three of whom are independent within the meaning of NI 52-110. Messrs. Harris, Young, and Rifici are independent directors. Mr. Lustig is the Chief Executive Officer of the Corporation and Mr. Wilson is the Chief Operating Officer of the Corporation and accordingly, neither is considered to be independent.

Directorships

Certain of the directors of the Corporation are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

Name of Director	Other Reporting Issuer (or equivalent in a foreign jurisdiction)
Rob Harris	Aralez Pharmaceuticals Inc.
Dr. Jim Young	Novavax, Inc. Targeted Microwave Solutions, Inc.
Chuck Rifici	Cannabis Wheaton Income Corp.

Orientation and Continuing Education

While the Corporation currently has no formal orientation and education program for new Board members, sufficient information is provided to any new Board member to ensure that new directors are familiarized with the Corporation's business and the procedures of the Board. In addition, new directors are encouraged to visit and meet with management on a regular basis.

Ethical Business Conduct

The Board monitors the ethical conduct of the Corporation and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and disclose to the Board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction.

It is the Corporation's intention to apply the following principles outlined in the proposed Code of Business Conduct and Ethics (the "Code") to all contracts and working arrangements with consultants, contractors or others providing services to the Corporation:

- (a) The Corporation and its employees will avoid conflicts of interest and any actions that have the potential to create the perception of a conflict of interest.
- (b) No employee may pay or receive a bribe, kickback or any other improper payment. No employee shall accept business gifts of more than a token value from any supplier or customer of the Corporation.
- (c) In cases where a conflict of interest cannot be avoided, it must be declared to the Corporation in writing. Employees are expected to excuse themselves from any decision or action that touches upon the area or subject of the conflict.
- (d) Employees may not compete directly with the Corporation.
- (e) Employees are expected to protect the confidentiality of Corporation information. Disclosure of confidential Corporation information to any external parties with the exception of the external auditors must be approved in writing.

The Board is in the process of adopting a formalized written Code. Once approved by the Board, the Code will be filed with regulators, in accordance with applicable legislation, and will be available under the Corporation's profile on SEDAR at www.sedar.com.

Nomination of Directors

The Board performs the functions of a nominating committee with responsibility for the appointment and assessment of directors. The Board believes that this is a practical approach at this stage of the Corporation's development. While there are no specific criteria for Board membership, the Corporation attempts to attract and maintain directors with a wealth of business knowledge and a particular knowledge of the Corporation's industry or other industries, which provide knowledge, which would assist in guiding the officers of the Corporation. As such, nominations tend to be the result of recruitment efforts by management of the Corporation and discussions among the directors prior to the consideration of the Board as a whole.

Compensation

Following the RTO, the Corporation granted 100,000 RSUs to each of its non-executive directors, being Rob Harris, Chuck Rifici and Dr. Jim Young. The ongoing compensation of the non-executive directors

will be determined by the Board. Compensation may be comprised of cash, equity awards, or a combination of both. The Corporation will also reimburse expenses incurred by such persons for acting as directors of the Issuer.

The Board is responsible for determining the compensation of directors and the Chief Executive Officer, and for reviewing the Chief Executive Officer's recommendations regarding compensation of the other executive officers of the Corporation. The Board generally reviews compensation paid to directors and determines appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and executive officers of the Corporation while taking into account the financial and other resources of the Corporation. No formal compensation program or benchmarking has been established given the size and stage of the Corporation.

Assessments

The Board assesses, on an annual basis, the contributions of the Board as a whole, any committees of the Board and each of the directors, in order to determine whether each is functioning effectively.

MATTERS TO BE CONSIDERED AT THE MEETING

To the knowledge of the Board, the only matters to be brought before the Meeting are set forth in the accompanying Notice of Meeting. These matters are described in more detail under the headings below.

1. Financial Statements

Shareholders will receive and consider the Corporation's audited financial statements for the fiscal year ended December 31, 2016 together with the report of the auditor thereon. No vote of the Shareholders is required with respect to this item of business.

2. Re-appointment of Auditor

Jackson & Co LLP, Chartered Accountants, 800 – 1199 West Hastings Street, Vancouver, BC V6E 3T5, are the current auditors of the Corporation and were first appointed as auditors of the Corporation on April 2016, following completion of the RTO.

Shareholders will be asked at the Meeting to consider, and if thought appropriate, to pass, an ordinary resolution, the text of which is as follows:

"BE IT HEREBY RESOLVED that:

- (1) the re-appointment of Jackson & Co LLP, Chartered Accountants, as auditor of the Corporation to hold office until the close of the next annual meeting of the Shareholders is hereby approved; and
- (2) the Board is hereby authorized to fix the remuneration of the auditors so appointed."

The persons designated as proxyholders in the accompanying Instrument of Proxy (absent contrary directions) intend to vote FOR the re-appointment of the auditors and the authorization of the Board to fix the remuneration of the auditors as set forth above and herein.

3. Election of Directors

At the Meeting, Shareholders are required to elect the directors of the Corporation to hold office until the close of the next annual meeting of Shareholders or until their successors are elected or appointed.

The Board presently consists of five directors and it is intended to elect five directors for the ensuing year.

The persons designated as proxyholders in the accompanying Instrument of Proxy (absent contrary directions) intend to vote FOR the election of the directors as set forth below and herein. The

Corporation does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies held by the persons designated as proxyholders in the accompanying Instrument of Proxy will be voted FOR another nominee in their discretion unless the Shareholder has specified in his, her or its form of proxy that his, her or its Common Shares are to be withheld from voting in the election of directors.

Each Director elected will hold office until the next annual general meeting of the Corporation or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Corporation, or with the provisions of the *Business Corporations Act* (Ontario) (the “OBCA”).

The following table sets forth the name of each of the persons proposed to be nominated for election as a director of the Corporation, all positions and offices in the Corporation presently held by such nominees, the nominees’ municipality and country of residence, current principal occupation, the period during which the nominees have served as directors, and the number and percentage of Common Shares beneficially owned by the nominees, directly or indirectly, or over which control or direction is exercised.

Name, Municipality of Residence⁽¹⁾, Proposed Position with the Corporation	Term	Principal Occupation or Employment	Number and Percentage of Common Shares Held
Marc Lustig West Vancouver, British Columbia Canada Director, President and Chief Executive Officer	December 5, 2016 to Current	Chief Executive Officer of CannaRoyalty; Principal at KES 7 Capital; Head of Capital Markets at Dundee Capital Markets.	3,371,085 ⁽²⁾ 8.06%
Greg Wilson Ottawa, Ontario Canada Director, Chief Operating Officer	December 5, 2016 to Current	Chief Operating Officer of CannaRoyalty; EMT Capital Corp.; Chief Executive Officer of Vida Cannabis Corp.	300,000 ⁽³⁾ 0.72%
Rob Harris ⁽⁷⁾⁽⁹⁾⁽¹¹⁾⁽¹²⁾ Milton, Ontario Canada Director	December 5, 2016 to Current	Director of Aralez Pharmaceuticals Inc.; President, Chief Executive Officer of Tribute Pharma Canada Inc. and Tribute Pharmaceuticals Canada Ltd., December 2011 to February 2016.	Nil ⁽⁴⁾
Chuck Rifici ⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹¹⁾ Ottawa, Ontario Canada Director	December 5, 2016 to Current	Founder and CEO of Nesta Holding Inc. October 2015 to present. Chairman and CEO of Cannabis Wheaton Income Corp. from May 2017 to present; Chairman of National Access Cannabis from February 2016 to present.; CEO of Tweed Marijuana Inc., December 2012 to August 2014; President of Rifici Services Inc., April 2010 to December 2012; CFO of Sitebrand March 2007 to April 2010. Chartered Professional	Nil ⁽⁵⁾

		Accountant	
Dr. Jim Young ⁽⁷⁾⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾ Potomac, Maryland United States Director	December 5, 2016 to Current	Chairman at Novavax, Inc.; Chairman at Targeted Microwave Solutions, Inc.; Director at 3-V Biosciences, Inc.	250,000 ⁽⁶⁾ 0.60%

Notes:

1. The information as to municipality of residence and principal occupation, not being within the knowledge of CannaRoyalty, has been furnished by the respective directors and officers individually.
2. This does not include vested and deferred RSUs or unvested RSUs currently held but this does include 171,335 CannaRoyalty Shares held by AJKNJ Corp. Additionally, Mr. Lustig owns 1,166,500 RSUs, of which 334,000 have vested.
3. Additionally, Mr. Wilson owns 700,000 RSUs, of which 400,000 have vested.
4. Mr. Harris owns 100,000 RSUs, of which 33,334 have vested.
5. Mr. Rifici owns 100,000 RSUs, of which 33,334 have vested.
6. Additionally, Dr. Young owns 100,000 RSUs, of which 33,334 have vested.
7. Member of the Audit Committee.
8. Chair of the Audit Committee.
9. Member of Compensation and Governance Committee.
10. Chair of Compensation and Governance Committee.
11. Member of Regulatory Committee.
12. Chair of Regulatory Committee.
13. The term of each director of CannaRoyalty will expire on the date of the next annual meeting of shareholders of the Corporation.

The following are brief biographical descriptions of the persons proposed to be elected as directors of the Corporation.

Marc Lustig: Mr. Lustig holds MSc and MBA degrees from McGill University. He began his professional career in the pharmaceutical industry at Merck & Co. In 2000, he started his capital markets career in institutional equity research in the Life Sciences sector at Orion Securities. For the next 14 years, Mr. Lustig worked as a top producer at GMP Securities L.P. and as Head of Capital Markets at Dundee Capital Markets before becoming Partner at KES 7 Capital. Mr. Lustig founded Cannabis Royalties & Holdings Corp. in early 2015.

Rob Harris: Mr. Harris has served as a director of Aralez Pharmaceuticals Inc. since February 5, 2016. He previously served as President, Chief Executive Officer and a director of Tribute Pharmaceuticals Canada Inc. (or entities of Tribute Pharmaceuticals) from November, 2005 to February 2016. Mr. Harris was formerly the President and CEO of Legacy Pharmaceuticals Inc. from September 2004 to October 2005, VP of Business Development at Biovail Corporation and GM of Biovail Pharmaceuticals Canada at a time when the company experienced rapid growth in the Canadian division from October 1997 to September 2004. Before Biovail, Mr. Harris worked in various senior commercial management positions during his twenty-year tenure at Wyeth (Ayerst) from 1977 to 1997 in both the human and animal health markets. Mr. Harris brings to the Board over 35 years of pharmaceutical industry experience in both Canada and the United States in sales, marketing, business development and general management. Mr. Harris is currently the CEO of a privately owned business, Kelso Capital Inc.

Chuck Rifici: Mr. Rifici is currently Chairman & CEO at Nesta Holding Co. Ltd. and Chairman & CEO at Cannabis Wheaton Income Corp. He was the co-founder and former CEO of Canopy Growth Corp. (formerly Tweed Marijuana Inc.). He is the Chairman at National Access Cannabis Corp. Previously, he served as a director at Aurora Cannabis Inc. and Supreme Pharmaceuticals Inc. as well as Treasurer on the National Board of Directors of the Liberal Party of Canada. Mr. Rifici is a chartered professional accountant. He obtained his MBA from Queen's University and a B.A.Sc in Computer Engineering from the University of Ottawa.

Greg Wilson: Mr. Wilson is an entrepreneur and corporate finance strategist with more than 20 years' experience advising and structuring capital market financings for start-up and emerging growth enterprises. In 2005, Mr. Wilson co-founded Paramount Gold & Silver Corp., a precious metals exploration company that was sold to Coeur Mining for over \$200 million in late 2014. Mr. Wilson is

currently CEO of Vida Cannabis Corp. and also sits on the Board of Directors of Consumer Choice Awards, a Canadian private company.

Dr. Jim Young: Dr. Young is the Chairman at Novavax, Inc., Chairman at Targeted Microwave Solutions, Inc. and sits on the board of directors at 3-V Biosciences, Inc. Dr. Young has over 30 years of experience in the fields of molecular genetics, microbiology, immunology and pharmaceutical development. Prior to being acquired by Astra Zeneca, Dr. Young was MedImmune's President of Research and Development. Dr. Young received his doctorate in microbiology and immunology from Baylor College of Medicine in Houston, Texas, and in 2005 was awarded the Albert B. Sabin Humanitarian Award.

Other Reporting Issuer Experience

The following table sets out the members of the persons proposed to be elected as directors that are directors of other issuers that are reporting issuers (or the equivalent) in Canada or a foreign jurisdiction, the name of such reporting issuers and the name of the exchange or market applicable to such reporting issuers:

Name	Name of Reporting Issuer	Name of Exchange or Market (if applicable)
Chuck Rifici	Cannabis Wheaton Income Corp.	TSXV
Rob Harris	Aralez Pharmaceuticals Inc.	TSX; NASDAQ
Jim Young	Novavax, Inc. Targeted Microwave Solutions, Inc.	NASDAQ TSXV

Cease Trade Orders, Bankruptcies and Penalties

To the knowledge of the Corporation, no proposed director of the Corporation is, as of the Effective Date, or has been within the 10 years prior to the Effective Date, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (a) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days and that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days and that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Corporation, no proposed director of the Corporation

- (a) is, as at the Effective Date, or has been, within the 10 years prior to the Effective Date, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years prior to the Effective Date, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or

instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

To the knowledge of the Corporation, no proposed director of the Corporation has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

ADDITIONAL INFORMATION

Financial information pertaining to the Corporation is provided in the Corporation's financial statements and accompanying MD&A for the financial year ended December 31, 2016. Copies of the Corporation's financial statements and related MD&A can be obtained by contacting François Perrault, Chief Financial Officer of the Corporation, 333 Preston St., Tower 1, Suite 610, Ottawa, ON K1S 5N4, Telephone: (613) 694-4418. Additional Information relating to the Corporation is available on its SEDAR profile at www.sedar.com.

DIRECTOR APPROVAL

The contents of this Circular and the sending thereof to the Shareholders of the Corporation have been May 8, 2017

(signed) "Marc Lustig"

Chief Executive Officer

APPENDIX “A” – CHARTER OF THE AUDIT COMMITTEE

CANNAROYALTY CORP.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

1. PURPOSE OF THIS CHARTER

The Audit Committee (the “**Committee**”) is appointed by the Board of Directors (the “**Board**”) of CannaRoyalty Corp. (the “**Corporation**”) to assist the Board in fulfilling its oversight responsibilities relating to financial accounting, reporting and internal controls for the Corporation. The Committee’s primary duties and responsibilities are to:

- a) conduct such reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- b) assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- c) review the quarterly and annual financial statements and management’s discussion and analysis of the Corporation’s financial position and operating results and in the case of the annual financial statements and related management’s discussion and analysis, report thereon to the Board for approval of same;
- d) select and monitor the independence and performance of the Corporation’s external auditors, including attending at private meetings with the external auditors and reviewing and approving all renewals or dismissals of the external auditors and their remuneration; and
- e) provide oversight of all disclosure relating to, and information derived from, financial statements, management’s discussion and analysis and information.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the external auditors, as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee’s duties.

The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval.

In fulfilling its responsibilities, the Committee will carry out the specific duties set out in Part 4 of this Charter.

2. AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the authority to:

- a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- b) set and pay the compensation for advisors employed by the Committee; and
- c) communicate directly with the internal and external auditors.

3. COMPOSITION AND MEETINGS

The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including, without limitation, those of the Ontario Securities Commission (“OSC”), the Toronto Stock Exchange, the *Business Corporations Act* (Ontario) and all applicable securities regulatory authorities.

- a) The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. Unless a Chair is elected by the Board, the members of the Committee shall designate from amongst themselves by majority vote of the full Committee a member who shall serve as Chair. The position description and responsibilities of the Chair are set out in Schedule “A” attached hereto.
- b) Each member of the Committee shall be “independent” and “financially literate”. An “independent” director is a director who has no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship which, in the view of the Board, could be reasonably expected to interfere with the exercise of the director’s independent judgement or a relationship deemed to be a material relationship pursuant to Sections 1.4 and 1.5 of National Instrument 52-110 — *Audit Committees*, as set out in Schedule “B” hereto. A “financially literate” director is a director who has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can be reasonably expected to be raised in the Corporation’s financial statements.
- c) Each member of the Committee shall sit at the pleasure of the Board, and in any event, only so long as he or she shall be independent. The Committee shall report to the Board.
- d) The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements. A minimum of two and at least 50% of the members of the Committee present, either in person or by telephone, shall constitute a quorum.
- e) If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present (a “Reduced Quorum”).
- f) If, and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office or a Reduced Quorum is present in respect of a specific Committee meeting.
- g) The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other communication equipment, by giving at least 48 hours’ notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.
- h) Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member

participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

- i) The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.
- j) Any director of the Corporation may attend meetings of the Committee, and the Committee may invite such officers and employees of the Corporation and its subsidiaries as the Committee may see fit, from time to time, to attend at meetings of the Committee.
- k) Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. The Committee shall report its determinations to the Board at the next scheduled meeting of the Board, or earlier as the Committee deems necessary. All decisions or recommendations of the Committee shall require the approval of the Board prior to implementation, other than those relating to non-audit services and annual audit fees which do not require the approval of the Board. The Board can delegate, as appropriate, the approval of the quarterly unaudited financial statements, management's discussion and analysis and news release to the Committee.
- l) The Committee members will be elected annually at the first meeting of the Board following the annual general meeting of shareholders.
- m) The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

4. RESPONSIBILITIES

- a) Financial Accounting and Reporting Process and Internal Controls
 - i) The Committee shall review the annual audited and interim financial statements and related management's discussion and analysis before the Corporation publicly discloses this information to satisfy itself that the financial statements are presented in accordance with applicable accounting principles and in the case of the annual audited financial statements and related management's discussion and analysis, report thereon and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. With respect to the annual audited financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the external auditors as and when the Committee deems it appropriate to do so. The Committee shall consider whether the Corporation's financial disclosures are complete, accurate, prepared in accordance with International Financial Reporting Standards and fairly present the financial position of the Corporation. The Committee shall also satisfy itself that, in the case of the annual financial statements, the audit function has been effectively carried out by the auditors and, in the case of the interim financial statements, that the review function has been effectively carried out.
 - ii) The Committee shall ensure internal control procedures are reviewed at least twice annually.

- iii) The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases, and periodically assess the adequacy of these procedures in consultation with any disclosure committee of the Corporation.
- iv) The Committee shall review any press releases containing disclosure regarding financial information that are required to be reviewed by the Committee under any applicable laws or otherwise pursuant to the policies of the Corporation (including before the Corporation publicly discloses this information).
- v) The Committee shall meet no less than annually with the external auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a Chief Financial Officer, the officer of the Corporation in charge of financial matters, deem appropriate.
- vi) The Committee shall inquire of management and the external auditors about significant financial and internal control risks or exposures and assess the steps management has taken to minimize such risks.
- vii) The Committee shall review the post-audit or management letter, if any, containing the recommendations of the external auditors and management's response and subsequent follow-up to any identified weaknesses.
- viii) The Committee shall periodically review and make recommendations regarding the Code of Business Conduct and Ethics adopted by the Board;
- ix) The Committee shall follow procedures established as set out in the Whistleblower Policy of the Corporation, for:
 - the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, auditing matters or violations to the Corporation's Code of Business Conduct and Ethics; and
 - the submission by employees, consultants, contractors, directors or officers of the Corporation, on a confidential and anonymous basis, of concerns regarding questionable accounting, auditing matters or violations to the Corporation's Code of Business Conduct and Ethics.
- x) The Committee shall ensure that management establishes and maintains an appropriate budget process, which shall include the preparation and delivery of periodic reports from the Chief Financial Officer to the Committee comparing actual spending to the budget. The budget shall include assumptions regarding economic parameters that are well supported and shall take into account the risks facing the Corporation.
- xi) The Committee shall have the authority to adopt such policies and procedures as it deems appropriate to operate effectively.

b) Independent Auditors

- i) The Committee shall recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation, shall set the compensation for the external auditors, provide oversight of the external auditors and shall ensure that the external auditors' report directly to the Committee.
- ii) The Committee shall ensure that procedures are in place to assess the audit activities of the independent auditors and the internal audit functions.
- iii) The pre-approval of the Committee shall be required as further set out in Schedule "C" prior to the undertaking of any non-audit services not prohibited by law to be provided by the external auditors in accordance with this Charter.
- iv) The Committee shall monitor and assess the relationship between management and the external auditors and monitor, support and assure the independence and objectivity of the external auditors and attempt to resolve disagreements between management and the external auditors regarding financial reporting.
- v) The Committee shall review the external auditors' audit plan, including the scope, procedures and timing of the audit.
- vi) The Committee shall review the results of the annual audit with the external auditors, including matters related to the conduct of the audit.
- vii) The Committee shall obtain timely reports from the external auditors describing critical accounting policies and practices, alternative treatments of information within International Financial Reporting Standards that were discussed with management, their ramifications, and the external auditors' preferred treatment and material written communications between the Corporation and the external auditors.
- viii) The Committee shall review fees paid by the Corporation to the external auditors and other professionals in respect of audit and non-audit services on an annual basis.
- ix) The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
- x) The Committee shall have the authority to engage the external auditors to perform a review of the interim financial statements.

c) Other Responsibilities

The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

SCHEDULE “A”

CANNAROYALTY CORP.

POSITION DESCRIPTION FOR THE CHAIRMAN OF THE AUDIT COMMITTEE

1. PURPOSE

The Chairman of the Committee shall be an independent director who is elected by the Board or designated by majority vote of the Committee to act as the leader of the Committee in assisting the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Corporation.

2. WHO MAY BE CHAIRMAN

The Chairman will be selected from amongst the independent directors of the Corporation who have a sufficient level of financial sophistication and experience in dealing with financial issues to ensure the leadership and effectiveness of the Committee.

The Chairman will be selected annually at the first meeting of the Board following the annual general meeting of shareholders or designated by majority vote of the Committee.

3. RESPONSIBILITIES

The following are the primary responsibilities of the Chairman:

- a) chair all meetings of the Committee in a manner that promotes meaningful discussion;
- b) ensure adherence to the Committee’s Charter and that the adequacy of the Committee’s Charter is reviewed annually;
- c) provide leadership to the Committee to enhance the Committee’s effectiveness, including:
 - i) act as liaison and maintain communication with the Board to optimize and coordinate input from directors, and to optimize the effectiveness of the Committee. This includes ensuring that Committee materials are available to any director upon request and reporting to the Board on all decisions of the Committee at the first meeting of the Board after each Committee meeting and at such other times and in such manner as the Committee considers advisable;
 - ii) ensure that the Committee works as a cohesive team with open communication, as well as to ensure open lines of communication among the independent auditors, financial and senior management and the Board for financial and control matters;
 - iii) ensure that the resources available to the Committee are adequate to support its work and to resolve issues in a timely manner;
 - iv) ensure that the Committee serves as an independent and objective party to monitor the Corporation’s financial reporting process and internal control systems, as well as to monitor the relationship between the Corporation and the independent auditors to ensure independence;
 - v) ensure that procedures as determined by the Committee are in place to assess the audit activities of the independent auditors and the internal audit functions; and

- vi) ensure that procedures as determined by the Committee are in place to review the Corporation's public disclosure of financial information and assess the adequacy of such procedures periodically, in consultation with any disclosure committee of the Corporation;
- d) ensure that procedures as determined by the Committee are in place for dealing with complaints received by the Corporation regarding accounting, internal controls and auditing matters, and for employees to submit confidential anonymous concerns;
- e) manage the Committee, including:
 - i) adopt procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;
 - ii) prepare the agenda of the Committee meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
 - iii) ensure meetings are appropriate in terms of frequency, length and content;
 - iv) obtain a report from the independent auditors on an annual basis, review the report with the Committee and arranging meetings with the auditors and financial management to review the scope of the proposed audit for the current year, its staffing and the audit procedures to be used;
 - v) oversee the Committee's participation in the Corporation's accounting and financial reporting process and the audits of its financial statements;
 - vi) ensure that the auditor's report directly to the Committee, as representatives of the Corporation's shareholders; and
 - vii) annually review with the Committee its own performance, report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board; and
 - viii) together with the Board, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time; and
- f) perform such other duties as may be delegated from time to time to the Chairman by the Board.

SCHEDULE “B”

CANNAROYALTY CORP.

NATIONAL INSTRUMENT 52-110 AUDIT COMMITTEES (“NI 52-110”)

Section 1.4 — Meaning of Independence

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a “material relationship” is a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because

- (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
 - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
- (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Section 1.5 — Additional Independence Requirements for Audit Committee Members

- (1) Despite any determination made under section 1.4 of NI 52-110, an individual who
- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities,
- is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

SCHEDULE “C”

CANNAROYALTY CORP.

PROCEDURES FOR APPROVAL OF NON-AUDIT SERVICES

1. The Corporation’s external auditors shall be prohibited from performing for the Corporation the following categories of non-audit services:
 - (a) bookkeeping or other services related to the Corporation’s accounting records or financial statements;
 - (b) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
 - (c) actuarial services;
 - (d) internal audit outsourcing services;
 - (e) management functions;
 - (f) human resources;
 - (g) broker or dealer, investment adviser or investment banking services;
 - (h) legal services; and
 - (i) any other service that the Canadian Public Accountability Board or International Accounting Standards Board or other analogous board which may govern the Corporation’s accounting standards, from time to time determines is impermissible.
2. In the event that the Corporation wishes to retain the services of the Corporation’s external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Corporation shall consult with the Chair of the Committee, who shall have the authority, subject to confirmation that such services will not compromise the independence of the Corporation’s external auditors, to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.
3. The Chief Financial Officer of the Corporation shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.



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)

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	-
		<u>7,197,410</u>	<u>223,772</u>	<u>518,790</u>
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	-	-
		<u>25,000,528</u>	<u>3,688,943</u>	<u>-</u>
		<u>\$ 32,197,938</u>	<u>\$ 3,912,715</u>	<u>\$ 518,790</u>
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	-
		<u>3,852,807</u>	<u>2,032,145</u>	<u>42,992</u>
Deferred tax liability	25	3,001,766	-	-
		<u>\$ 6,854,573</u>	<u>\$ 2,032,145</u>	<u>\$ 42,992</u>
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)	-	-
		<u>25,343,365</u>	<u>1,880,570</u>	<u>475,798</u>
		<u>\$ 32,197,938</u>	<u>\$ 3,912,715</u>	<u>\$ 518,790</u>

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.
 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	-	567,500
Share issuance costs - cash	-	(11,288)	-	-	-	-	(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	-	-	-	-	-	-	(142,914)	-	(142,914)
Shares issued for prior year subscription	125,000	62,500	(62,500)	-	-	-	(3,032,938)	-	(3,032,938)
Shares issued for cash - private placement	7,353,333	4,510,000	-	-	-	-	4,510,000	-	4,510,000
Share issuance costs - cash	-	(72,290)	-	-	-	-	(72,290)	-	(72,290)
Balance at March 31, 2016	16,353,343	\$ 5,056,422	\$ -	\$ -	\$ -	\$ -	\$ (3,475,852)	\$ -	\$ 1,880,570
Balance at March 31, 2016	16,353,343	\$ 5,056,422	\$ -	\$ -	\$ -	\$ -	\$ (3,475,852)	\$ -	\$ 1,880,570
Comprehensive loss for the period	-	-	-	-	-	-	(3,475,852)	-	(3,475,852)
Change in foreign currency translation adjustment	-	-	-	-	-	(102,762)	(10,314,475)	-	(10,314,475)
Shares issued for cash - private placement	250,000	500,000	-	-	-	-	500,000	-	500,000
Shares and warrants issued for cash - private placement	4,737,735	3,553,303	-	1,184,434	-	-	4,737,737	-	4,737,737
Shares and broker warrants issued in brokered offering	2,502,000	4,844,623	-	159,377	-	-	5,004,000	-	5,004,000
Share issuance costs - cash	-	(537,783)	-	-	-	-	(537,783)	-	(537,783)
Shares issued for services	1,300,000	975,000	-	-	-	-	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	-	10,125,000
Shares issued for convertible debt	220,000	165,000	-	-	-	-	165,000	-	165,000
Shares issued for exercise of warrants	1,430,375	2,145,563	-	(715,188)	715,188	-	2,145,563	-	2,145,563
Shares issued on RTO transaction	1,813,303	3,627,148	-	-	-	-	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 Achelios 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	-
	<u>(3,959,247)</u>	<u>(2,990,803)</u>	<u>(142,914)</u>
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
	<u>(3,911,694)</u>	<u>(1,485,082)</u>	<u>(131,695)</u>
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)	-	-
	<u>(6,767,374)</u>	<u>(3,879,199)</u>	<u>-</u>
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	-
	<u>13,618,806</u>	<u>4,883,421</u>	<u>618,712</u>
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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

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 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 acquisition 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.



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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 acquisition 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



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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.

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
	<u>3,712,389</u>
Less - Identified tangible net assets	
Cash	5,773
Amounts receivable	7,998
Non-cash listing expense	<u>3,698,618</u>
Cash paid listing expense	202,393
Total Listing expense	<u>\$ 3,901,011</u>

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	<u>\$ 556,170</u>	<u>\$ 2,500</u>	<u>\$ -</u>

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).



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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.



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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
<i>CannaRoyalty's share of loss, year ending December 31, 2016 (i)</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
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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 its 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.



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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).



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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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

- 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).

CannaRoyalty Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

Dated: April 12, 2017

This CannaRoyalty Corp. (the "Company" or "CannaRoyalty") Management's Discussion and Analysis ("MD&A") is dated April 12, 2017. The MD&A should be read in conjunction with the Company's audited consolidated financial statements (the "Financial Statements") for the nine months ended December 31, 2016, including the accompanying notes.

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars, except share amounts. The Company prepared this MD&A of the Financial Condition and Results of Operations with reference to National Instrument 52-109 – Continuous Disclosure Obligations of the Canadian Securities Administrators ("NI 52-109"). This MD&A provides information for the nine months ended December 31, 2016 and up to and including April 12, 2017.

The Financial Statements and this MD&A have been approved by the Company's Board of Directors.

The accompanying Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and include the accounts of the Company and its wholly-owned subsidiaries or controlling equity interests including Electric Medialand Inc. ("EML") located in Canada, and Cannroy Delaware Inc. ("Cannroy Delaware"), Cannroy Distribution LLC ("Cannroy Distribution"), Dreamcatcher Labs Inc. ("Dreamcatcher"), Green Rock Botanicals Inc. ("GreenRock"), and Achelois LLC ("Achelois") located in the United States of America. All inter-company balances and transactions have been eliminated on consolidation.

Additional information filed by us with the Canadian Securities Administrators is available on-line at www.sedar.com and also on the Company's website at www.cannaroyalty.com.

HIGHLIGHTS FOR NINE MONTHS ENDING DECEMBER 31, 2016

- Revenues were \$642,277 for the nine months ending December 31, 2016, compared to \$nil for the for the year ended March 31, 2016.
- Cash and cash equivalents were \$2,945,895 at December 31, 2016, as compared to \$6,157 at March 31, 2016.
- Net loss of \$10,314,475 and a net loss per share of \$0.41 for the nine months ended December 31, 2016, as compared to a loss of \$3,032,938 and net loss per share of \$0.26 for the year ended March 31, 2016.
- Current assets of \$7,197,410 at December 31, 2016, as compared to \$223,772 at March 31, 2016.
- Adjusted EBITDA loss for the nine months ended December 31, 2016, was \$6,132,014 as compared to \$2,830,402 for the year ending March 31, 2016.

CannaRoyalty Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

RECENT DEVELOPMENTS

Acquisition of 20% Equity Interest in Anandia Laboratories Inc.

On February 17, 2017, CannaRoyalty closed the acquisition of a 20% equity stake in Anandia Laboratories Inc. ("Anandia"). The Company provided aggregate consideration of \$4,042,439 in exchange for this through a combination of \$500,000 in equipment and services to be provided in the second quarter of fiscal 2017, \$1,521,218 in cash, and 689,568 CannaRoyalty shares. CannaRoyalty has received 5,079,441 shares of Anandia and a further 716,941 shares of Anandia will be issued to CannaRoyalty on the delivery of the \$500,000 of equipment and services, which delivery is expected to occur in Q2 2017.

Anandia is a biotechnology company with a focus on providing leading analytical testing services and developing cannabis strains for safe and effective medical applications.

Anandia is the only independent Canadian testing facility specializing exclusively in cannabis. Together with a significant intellectual property position that includes cannabinoid pathway patents and proprietary genetics, Anandia possesses a Health Canada Dealers License. The dealers license permits Anandia to undertake research and development, and to develop products beyond those currently permitted for licensed producers under Health Canada's Access to Cannabis for Medical Purposes Regulations (ACMPR).

Royalty Financing Arrangement with Rich Extracts LLC

On February 9, 2017, CannaRoyalty entered into a binding term sheet regarding a royalty financing arrangement with Rich Extracts LLC ("Rich Extracts") whereby the Company will receive a 30% royalty on Rich Extracts' gross revenues in perpetuity. The term sheet replaced the Company's existing term sheet with Rich Extracts 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 \$155,765 (\$115,888 USD) will need to be repaid to CannaRoyalty.

In June 2016, Rich Extracts was granted its medical processing license (MMPS#281970) by the Oregon Health Authority (OHA) for processing of cannabis products in accordance with the Oregon Medical Marijuana Program (OMMP). In anticipation of the new standards that were to be enacted by the Oregon Liquor Control Commission (OLCC), in August 2016 Rich Extracts began a significant development and expansion of its operations in order to meet the expected OLCC guidelines.

Rich Extracts has constructed a 30,000-square foot facility in Oregon to produce cannabis extract products using a variety of extraction processes. The facility houses equipment including extractors capable of processing up to 60,000 grams per month and short path distillation units that can process up to 4,000 grams per week. Commercial operations will commence, and are subject to, the facility obtaining the necessary permits from the OLCC, which are expected to be received during the first half of 2017.

CannaRoyalty Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

Bought Deal Financing of \$15,000,000

On February 15, 2017, CannaRoyalty closed its offering of an aggregate of 5,000,000 units (the "Units") at a price of \$3.00 per Unit, for aggregate gross proceeds to the Company of \$15,000,000 (the "Offering"). 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 Units. Each Unit was comprised of one CannaRoyalty Share and half of one CannaRoyalty Share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant will be 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.

The proceeds from this offering are in large part for acquisitions and investment in growth opportunities in addition to continued funding of existing holdings working capital purposes.

Inclusion on the OTCQB Venture Market

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. based investors better access to invest in CannaRoyalty.

Royalty Financing Arrangement and Distribution Agreement with River Wellness Inc.

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 advance an initial tranche of \$3,500,000 USD to River on the date of closing and a second tranche 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 \$15,000,000 USD of CannaRoyalty brand products over the term of the agreement.

River was the first company in California to receive a permit for medical cannabis wholesale logistics, distribution and transportation. River has built a leadership position whereby it represents over 20 leading cannabis brands, supporting over 100 cannabis farmers and manufacturers, and has relationships with over 400 retail collectives throughout California.

CannaRoyalty Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

River serves the medical cannabis community in California and provides safe storage and transport of medical cannabis products throughout California. The company maintains a qualified sales force to grow revenue for each of its brand partners and ensures the safety and quality of the product to their retail partners by way of product testing with third party cannabis testing laboratories.

Distribution is a key strategic component of most cannabis sales verticals, and accordingly, is a critical segment of the cannabis market. River has quickly become a leading cannabis distributor due in large part to its focus on compliance and best practices.

Letter of Intent with Zenabis Limited Partnership

On April 3, 2017, the Company entered into a binding letter of intent with Zenabis Limited Partnership ("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 of intent supersedes any penalty provisions contained in any 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 prior letters of intent Zenabis paid \$500,000 to CannaRoyalty during November 2016. In return they subscribed to 243,902 shares that have yet to be issued.

Zenabis is a biopharmaceutical company with a focus on medical marijuana research and development. Zenabis has 25 years of low cost, large-scale production experience with a diverse team who bring facility management, pharmaceuticals, cultivation and sustainability experience under one roof.

Zenabis has a state of the art licensed facility for the production of distribution of pharmaceutical-grade marijuana located in New Brunswick. The facility is located on a 20 acre site and is scalable as demand grows.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" and forward-looking information within the meaning of Canadian securities laws, including such statements relating to:

- assumptions and expectations described in the Company's critical accounting policies and estimates;
- the Company's expectations regarding the adoption and impact of certain accounting pronouncements;

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

- the Company's expectations regarding legislation, regulations and licensing related to the cultivation, production and sale of cannabis products by the company's wholly-owned subsidiaries;
- the expected number of users of medical marijuana or the size of the medical marijuana market in Canada and the United States;
- the potential time frame for the introduction of legislation to legalize recreational marijuana use in Canada and the United States, and the potential form that this legislation will take;
- the potential size of the recreational marijuana market in Canada and the United States, should recreational use be legalized;
- the ability to enter and participate in international market opportunities;
- the Company's expectations with respect to the company's future financial and operating performance;
- product sales expectations; and
- the Company's ability to achieve profitability without further equity financing.

The words "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results "may", "could", "would", "might", or "will" be taken, occur or to achieve are all forward-looking statements. Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "RISKS AND UNCERTAINTIES". Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

CannaRoyalty Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

DESCRIPTION OF THE BUSINESS

OVERVIEW OF CANNAROYALTY

CannaRoyalty is a public corporation, incorporated in Canada, with its head office located at the 333 Preston St., Suite 610, Ottawa, Ontario, K1S 5N4.

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 has twenty-four holdings focused on three high-value segments of the cannabis market, including research/intellectual property; brands; and infrastructure, with operations in four U.S. States, Canada and Puerto Rico. CannaRoyalty invests its capital via royalties, equity, licenses and convertible debt.

On December 6, 2016, the Company completed a three-cornered amalgamation with Cannabis Royalties & Holdings Corp. ("CRHC"), resulting in the reverse-takeover ("RTO") of CannaRoyalty by CRHC. Pursuant to the RTO, the issued and outstanding securities of CRHC were exchanged for equivalent securities of CannaRoyalty on a one-for-one basis. Prior to the RTO, CannaRoyalty changed its name from Bonanza Blue Corp. ("Bonanza Blue") to CannaRoyalty and completed a 5 for 1 share consolidation.

Prior to the RTO, Bonanza Blue had no active business operations. Upon effecting the RTO, CannaRoyalty continued operating the business of CRHC. On December 8, 2016, CannaRoyalty commenced trading on the CSE under the symbol "CRZ".

CannaRoyalty intends to build on its existing relationships by developing operating plans and providing oversight, strategy and management of the business units' growth and integration. Further, CannaRoyalty plans to continue expanding its reach by building new partnerships with vertical market partners and end-user products companies as well as exploring opportunities with successful cultivators and processors. Through its expansion efforts, CannaRoyalty intends to utilize online sales and marketing platforms, participate in relevant trade shows, and develop various advertising materials to communicate its approach to its intended audience and target market. CannaRoyalty is also well-positioned to participate in the large and growing legal cannabis market for enhanced downstream cannabis products and new products with various consumer and medical applications.

CannaRoyalty's business plan is targeted at the growth of its business units and expanding their reach to end-users and partners. Although the business units will be primarily responsible for developing and operating their respective businesses, CannaRoyalty will be available to provide functional expertise, oversight and a framework of disciplined planning to the operations of the business units when needed.

CannaRoyalty's short-term objective is to create a sustainable business in the key states of California, Washington, Arizona, Oregon and Colorado by integrating its holdings to create synergies and true end-to-end solutions geared to the needs of patients and consumers. CannaRoyalty has positioned itself for commercial growth by focusing its expanded resource based on finding and partnering with the best and

CannaRoyalty Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

most innovative companies, projects, assets and overall business frameworks in the legal cannabis sector in the aforementioned key states.

To achieve its objective, the Company will continue making specific and deliberate investments, including acquisitions, to:

1. increase the diversity and quality of the Company's product offerings across different market segments; and
2. increase the strength and segmentation of the Company's diversified portfolio of product brands.

In addition, management believes that a significant opportunity exists today and will develop further in the future, to leverage the Company's expertise, financial strength and business model in legal cannabis markets around the world. CannaRoyalty intends on pursuing opportunities in a number of jurisdictions where medical cannabis use is legal, and/or where governments are actively pursuing legalization.

Subject to legislative and regulatory compliance, strategic business opportunities pursued by the Company could include:

1. providing advisory services to third-parties that are interested in establishing licensed cannabis cultivation, processing and sales operations;
2. entering into strategic relationships that create value by sharing expertise and industry knowledge;
3. providing capital in the form of debt, royalties, or equity to new business units; and
4. entering into licensing agreements to generate revenue, create strategic partnerships, or other business opportunities.

The Company engaged its first full time employees effective November 1, 2016, and as at December 31, 2016, the Company had 9 full-time employees.

CANNABIS REGULATORY FRAMEWORK IN THE UNITED STATES

In the United States, more than twenty-eight states and Washington D.C. have legalized medical cannabis, while eight states and Washington, D.C. have legalized recreational cannabis use. Although cannabis currently remains a Schedule I drug under federal law, the U.S. Department of Justice issued a memorandum (the "Cole Memorandum") in 2013 to the U.S. Attorneys offices (Federal Prosecutors) directing that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs should not be prosecuted for violations of federal law. This federal policy was reinforced by the passage of a 2014 federal budget bill that prohibits the use of federal funds to interfere in the implementation of state laws legalizing cannabis and state medical marijuana laws. This bill is targeted at the Department of Justice, which

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

encompasses the Drug Enforcement Agency (DEA). This bill evidenced the development of bi-partisan support in the U.S. Congress for legalizing the use of cannabis. It is anticipated that the federal government will eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco.

Political and regulatory risks also exist due to the recent election of Donald Trump to the U.S. presidency, and his nomination of Sen. Jeff Sessions to the post of Attorney General. Mr. Trump's positions regarding marijuana are difficult to discern; however, Sen. Sessions has been a consistent opponent of marijuana legalization efforts throughout his political career. It remains unclear what stance the Department of Justice under the new administration might take toward legalization efforts in U.S. states, but federal enforcement of the Controlled Substances Act and other applicable laws is possible.

Despite the legal, regulatory, and political obstacles the marijuana industry currently faces, the industry has continued to grow.

BANKING REGULATORY FRAMEWORK IN CANADA AND THE UNITED STATES

Under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Treasury Department issued a memorandum in February of 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal law. Under these guidelines, financial institutions must submit a "suspicious activity report" (SAR) as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated. In the U.S., a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all. In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes to help reduce these challenges would eliminate these challenges for companies in the cannabis space, and would improve the efficiency of both significant and minor financial transactions.

CannaRoyalty Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

MARIJUANA REGULATORY FRAMEWORK IN CANADA

On August 24, 2016, the Access to Cannabis for Medical Purposes ("ACMPR") was introduced to allow for reasonable access to cannabis for medical purposes for Canadians who have been authorized to use cannabis by their health care practitioner. The ACMPR will replace the Marijuana for Medical Purposes Regulations ("MMPR"), introduced in June 2013, reflecting the federal government's evolving view on medical marijuana policy. MMPR and The Marihuana Medical Access Regulations ("MMAR") are both legislative schemes that were important early steps in the Canadian government's legislative path towards legalizing and regulating medical cannabis.

Despite MMAR being repealed on March 31, 2014, and MMPR ceasing to be in effect on August 24, 2016; the cannabis medical research and patient treatment industries have continued to grow. The introduction of ACMPR further regulates the production and distribution of medical cannabis, demonstrating Health Canada's commitment to improving the regulatory landscape surrounding medical cannabis use, in addition to ensuring that production occurs under secure and regulated commercial production facilities. Under the ACMPR, Canadians who have been authorized by their health care practitioner will continue to have the option of purchasing safe, quality-controlled cannabis from one of the 34 producers licensed by Health Canada. Canadians will also be able to produce a limited amount of cannabis for their own medical purposes, or designate someone to produce it for them.

On April 20, 2016, the Canadian Federal Government announced its intention to introduce, by the spring of calendar 2017, legislation to legalize the recreational use of cannabis in Canada. This position is promising given that legalization at a federal level will open the door to investment, innovation, and more opportunities. It will also relax restrictive tax policies and allow banks to deal with the cannabis industry more similarly to other industries.

MARIJUANA USE IN THE UNITED STATES AND CANADA

In the United States, sales of legal cannabis flowers and cannabis-infused derivative and edible products totalled \$5.7 billion in 2015 and are expected to reach \$7.1 billion in 2016 with approximately 70% of sales for medical use and 30% for full adult use. According to ArcView, Industry sales are forecasted to grow to \$21.8 billion by 2020, and Cowen & Co. forecast the market in the U.S. will reach \$50 billion by 2026. The California market alone is expected to grow from \$2.7 billion in 2015 to \$6.6 billion in 2020, and could reach \$18 billion or higher in a full adult use market.

Health Canada estimates that close to 70,000 patients in Canada used doctor prescribed medical cannabis in 2015, establishing a market worth in excess of \$100 million. By 2024, Health Canada estimates that the number of patients using medical cannabis will grow to 450,000, creating a market worth an estimated \$1.3 billion. CIBC World Markets reports estimates of the potential value of the recreational cannabis market in Canada range from \$5 billion to \$10 billion per year.

CannaRoyalty Corp.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2016**

INTERNATIONAL DEVELOPMENT

Medical marijuana opportunities are becoming increasingly available as new jurisdictions move towards establishing new or improved medical marijuana systems. As Canada has developed an enviable regulatory model, companies acting within that framework have expertise, knowledge and potentially product to share with the global community.

BUSINESS UNITS AND HOLDINGS

CannaRoyalty has built a platform of holdings via controlling and non-controlling equity interest, royalty agreements, convertible and non-convertible debt, and licensing agreements in various businesses in Canada, the U.S. and Puerto Rico ("business units" or "holdings"). At December 31, 2016, CannaRoyalty has a total of twenty-four holdings in its portfolio of investments. The tables below summarize the holdings by type and highlight the carrying value at December 31, 2016, as compared to March 31, 2016.

SUMMARY OF HOLDINGS

Acquisitions of Controlling Equity Interests

During the final quarter of the nine months ending December 31, 2016, CannaRoyalty completed three acquisitions of companies that became subsidiaries of CannaRoyalty. The following is a summary of the assets that were acquired by CannaRoyalty on the acquisition of these companies:

CannaRoyalty Corp.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2016**

	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		-		280,645		-	280,645
Acquired brands		2,342,614		-		-	2,342,614
Acquired technologies		4,932,521		-		-	4,932,521
Deferred tax liability		(2,964,618)		(74,371)		-	(3,038,989)
Goodwill		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

Dreamcatcher Labs, Inc.

On October 24, 2016, the Company entered into a definitive share purchase agreement with Dreamcatcher and GreenRock 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.

CannaRoyalty issued 3,000,000 common shares on 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.

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These shares were valued at \$6,000,000 based on a valuation of \$2.00 per common share.

In addition to the 3,000,000 common 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 the market. At the purchase date, management assessed that the conditions to earn these shares were more likely to be met than not and a share value of \$4,020,000 was included within equity.

Rock Vapor supplies e-cigarettes and vaporizers for the tobacco market while Dreamcatcher is an industrial filling and packaging system. The firm has designed and manufactured a proprietary cartridge for the cannabis sector. 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. The cartridge delivery system provides users an experience that is unique and very creative. The product ensures that users have an ability to access a vast array of extracts and oil and can enjoy diverse types of strains and experiences.

A unique cannabis cartridge and battery unit have made GreenRock's E-Vaporizer an industry favourite. These E-Vaporizers are manufactured and produced by Dreamcatcher. This product is easy-to-use, requires no charging of batteries, no changing of cartridges, and causes no smoke or smell. Vaping is one of the fastest growing segments of the cannabis market as it provides a smoke free experience for potential new users of cannabis products. This product is being distributed in California and white label agreements are in place in California and Arizona.

Electric Medialand Inc.

On November 1, 2016 CannaRoyalty acquired all of the issued and outstanding shares in EML. The purchase of EML was \$200,000 cash and 750,000 common shares of CannaRoyalty valued at \$2.00 per share. The \$200,000 cash portion of the purchase price will be paid in three equal installments on the closing date of this transaction, six months from closing, and the balance, twelve months from closing. As a result of the transaction, the founder and owner of EML became the Chief Marketing Officer of the Company.

EML adds expertise in sales, marketing and product commercialization to support CannaRoyalty's current and future brand portfolio to generate increased revenues.

Achelois LLC

On November 30, 2016, CannaRoyalty subscribed for a 70% membership interest in Achelois for nominal consideration of \$13 (\$10 USD). Concurrent with the closing of the subscription agreement, a note payable of \$451,618 (\$336,000 USD) was issued from Achelois to the former shareholder. This note will mature in November 2017. The Company also agreed to provide funding commitments and services as necessary to Achelois to grow its operations and retained the former owner of Achelois as an integral consultant to the

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Company.

Achelois operates in the State of California and develops and manufactures a line of DermaLeaf skincare products, which are cannabis infused skin lotions with fibroblast technology for healing and pain relief. DermaLeaf products target a growing market for topical, cannabis-infused skincare and health and beauty products. DermaLeaf's formula combines fibroblast cells with certain cannabinoids extracted from cannabis. Fibroblasts are a type of cell found in the connective tissue of the body's organs, where they produce proteins such as collagen. Dermal fibroblasts exist within the dermis layer of skin which are responsible for generating connective tissue and allowing the skin to recover from injury.

In addition to providing the capital required to commercialize DermaLeaf products, initially in California and ultimately across a number of U.S. states and globally, CannaRoyalty is also providing a range of strategic and functional expertise, including branding, marketing and distribution.

Royalty Investments

	December 31, 2016	March 31, 2016
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) Cascadia Holdings LLC ("Cascadia"):** In July 2016, the Company finalized a royalty agreement with Cascadia, a subsidiary of AltoTerra Capital Partners Ltd. ("AltoTerra"), in which the Company provided funding and the use of property and equipment in consideration for a perpetual 30% royalty stream on Cascadia's gross revenues. As of December 31, 2016, the Company has provided Cascadia with royalty financing of \$1,027,866.

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 (WSLCB).

- (2) NuTrae LLC ("NuTrae"):** Pursuant to an agreement dated April 1, 2016 between CannaRoyalty and Vida Cannabis Corp. ("Vida"), the Company purchased a 3.5 % royalty on the net revenue of NuTrae for a period of 10 years, commencing January 1, 2016. In return for this royalty stream the Company provided a combination of shares and cash which were valued at \$1,130,000.

NuTrae is a Colorado based company developing drug delivery systems and products. This firm has a broad portfolio that includes a host of projects and assets which include transdermal patches, oral dissolvable film, creams, lotions and balms, intimacy oil, a meter dosing inhaler and aerosolizer, disposable and rechargeable vape pens, and wax and shatter. CannaRoyalty began to earn royalty revenues from NuTrae in February 2017.

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NuTrae is a subsidiary of AltMed and launched the MüV product line in Q3, 2016 exclusively in the Arizona medical market where its affiliate operates a world-class state-of-the-art 30,000 square foot cultivation and processing facility. Since then MüV has won multiple "Best of Arizona" medical cannabis awards, including two 1st prizes for MüV's proprietary ethanol extractions. CannaRoyalty has an exclusive right to license the MüV Transdermal Patch and MüV Metered Dose Inhaler, in Canada, Puerto Rico, Massachusetts, Washington, Oregon, Nevada and California.

- (3) Three Leaf Holdings Corporation ("Three Leaf"):** In accordance with a private placement on March 17, 2016, CannaRoyalty agreed to enter in a royalty arrangement with Three Leaf. In return for a \$100,000 investment, the arrangement provides CannaRoyalty with 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.

CannaRoyalty amended its royalty financing arrangement with Three Leaf to extend the end of the period for the 2% referral fees from March 12, 2017 to March 12, 2018. Furthermore, this amendment guarantees the full recovery of CannaRoyalty's investment in the event that the royalties earned from the arrangement do not attain \$100,000.

Three Leaf is a logistics and fulfillment company focused exclusively on the cannabis sector. The firm ensures the highest levels of security clearance and boasts proprietary tracking and fulfillment capabilities. Three Leaf is a sister company of JP Logistics, which is a global logistics company with operations in North America, Europe and Asia, and whose clients include Amazon, Costco and the Home Shopping Network.

- (4) Natural Ventures PR, LLC ("Natural Ventures"):** On December 20, 2016, CannaRoyalty entered into a binding term sheet with 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% license fee on revenue that Natural Ventures generates from CannaRoyalty's branded product portfolio in the Puerto Rican market over a 10-year period.

Located in San Juan, Natural Ventures is one of Puerto Rico's first and largest licensed cultivation and manufacturing medical cannabis companies, featuring a 100,000-square foot indoor cultivation facility. Natural Ventures is also one of two companies in Puerto Rico that has received a manufacturer's license for its 30,000-square foot manufacturing facility. The Puerto Rican

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company has successfully harvested its first crop and has begun selling cannabis products to licensed medical dispensaries.

In Q1 2017, Natural Ventures intends to sell its newly produced CO2 oil in CannaRoyalty's proprietary Dreamcatcher Labs vape cartridges and expand its commercial portfolio of products to include CannaRoyalty's skin care related brand, DermaLeaf.

The U.S. island territory of Puerto Rico legalized medical cannabis for qualifying health conditions in 2015 and permits the use of medical cannabis derivatives only (e.g. capsules, extractions, lotions, patches, edibles, suppositories, flower and oils). Puerto Rico's population is estimated at 3.6 million and receives 2 million tourists annually

Aphria Inc.

On October 19, 2016, the Company issued and sold a secured convertible debenture to Aphria Inc., a publicly traded, licensed medical marijuana producer in Ontario ("Aphria") 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. Aphria also has the option to redeem the principal and accrued interest at any time prior to maturity.

Aphria is a publicly traded, Health Canada licensed producer of medical cannabis products who focus on quality medical cannabis that is 100% greenhouse grown. The Company is focused on producing and selling medical marijuana through a two-pronged growth strategy, including both retail sales and wholesale channels.

Associated Companies and Joint Ventures

Associated companies are those for which CannaRoyalty owns 20% to 50% of the equity of the company and demonstrates other factors of significant influence.

	December 31, 2016	March 31, 2016
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	\$ -

- (1) **Resolve Digital Health Inc. ("Resolve"):** On November 16, 2015, a letter of intent was signed between CannaRoyalty, Vida, and Resolve, whereby CannaRoyalty invested \$750,000 in Resolve in return for an 11% equity interest. On April 1, 2016, the Company purchased Vida's rights and obligations to acquire an additional 24% of the common shares of Resolve for consideration of \$1,695,000 in CannaRoyalty common shares and cash. Since CannaRoyalty is deemed to have

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significant influence over Resolve due to its equity interest and its right to appoint a director to Resolve's board, this investment became valued under the equity method. 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.

On March 28, 2017, CannaRoyalty made an additional equity investment of \$80,000 in Resolve. This investment was part of a \$5,000,000 Series A financing round at \$0.50/unit which reduced the overall equity holding to 27%. Based on the financing price in this Series A round the total shares owned by CannaRoyalty have an implied value of approximately \$7.1 million.

Resolve is an integrated digital health platform designed for symptom relief. Resolve's 'Breeze' product is a patent-pending dosage control smart inhaler. The Breeze product has been created with proprietary tracking and analytics software.

The Breeze "Smart Pods" are pre-measured, hygienically packed individual dose of very high pharmaceutical grade cannabis with no need to handle or measure product. The pods are geared towards users' specific symptoms and custom formulated by cannabis experts focusing on improving control, sleep, energy and appetite while suppressing stress, anxiety and inflammation.

The Resolve Digital Dosing & Tracking System monitors doses, dose effectiveness, symptoms, medicine, reporting, lifestyle, retail, supply chain management, and support. Users can connect to the app via Bluetooth on their smart phones to get information on genetics, place of origin, testing reports and expiration date. The Breeze product also includes LCD and Touch Screen Displays that provide messages and security to users. The firm's quality assurance includes over twenty steps to ensure the highest quality standards from genetics and cultivation to packaging.

- (2) Wagner Dimas, Inc. ("Wagner Dimas"):** On May 25, 2016, CannaRoyalty acquired a 20% equity interest in Wagner Dimas for \$818,125 (\$625,000 USD). CannaRoyalty also has a representative on the Wagner Dimas board.

Wagner Dimas is a Nevada registered corporation operating primarily in California that has developed a highly-scalable innovative process for creating machine rolled cannabis products. The innovative process creates all-natural uniform and perfectly packaged cigarettes made only from the finest 100% cannabis flowers. Wagner Dimas has entered into several co-packing agreements and has developed and commercialized its own Lucy's brand of pre-rolls that are sold through its California mutual benefit corporation.

- (3) Mobile Medicine:** On July 22, 2016, the Company entered into a joint venture with CannaCraft Inc. ("CannaCraft"), a California based cannabis company. The joint venture is conducted under the name Mobile Medicine, whose purpose is to manufacture and lease mobile gelatin encapsulation machines. In the initial phase of the project, CannaCraft contributes one third of the funds required, and is responsible for the design and manufacturing of the machines.

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CannaRoyalty contributed two thirds of the funding required for a 50% equity interest, of which \$192,540 (\$150,000 USD) has been advanced as at December 31, 2016.

At December 31, 2016, the Mobile Medicine joint venture is not commercially operational and has not conducted any activities.

Convertible notes receivable (including embedded derivatives)

	December 31, 2016		March 31, 2016	
Eureka (1)	\$	563,783	\$	133,115
BAS Research (2)		415,528		-
Total Convertible notes receivable	\$	979,311	\$	133,115

- (1) Eureka Management Services Inc. ("Eureka"):** During February and April 2016, the Company entered into two loan agreements totalling \$537,640 (\$400,000 USD) with Eureka. These agreements provide CannaRoyalty with two options, each option with a 5% equity stake in lieu of repayment. Interest on these loans accrue at 10% per annum; accrued interest is \$26,143 as at December 31, 2016.

Eureka operates the Magnolia Wellness Dispensary in Oakland, California which has a fully integrated license for cultivation, extraction and dispensing cannabis and cannabis related products.

In addition to the investment, CannaRoyalty has secured a preferred a supplier agreement that includes shelf space for brand testing.

- (2) BAS Research ("BAS"):** During July 2016, the Company entered into a loan agreement totalling \$403,230 (\$300,000 USD) with BAS. This agreement provides CannaRoyalty with an option to receive an equity stake in lieu of repayment. Interest on the loan accrues at 7% per annum, and accrued interest is \$12,298 as at December 31, 2016.

BAS is a fully licensed and compliant lab and manufacturing and processing facility located in Berkeley, California. This firm carries out research and genetics work. BAS is a leading group of PhDs and chemists who have undertaken R&D work regarding advanced tissue culture and genetics. The research work and studies are to determine ailment-specific strains as well as extraction and post-processing. The firm can tailor products to clients' specific needs.

In addition to its investment in BAS, CannaRoyalty has secured a supplier relationship that includes buying processed cannabis oil at preferred rates, and tailoring the product to specific requirements.

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Other portfolio investments

The following is a summary of investment for which CannaRoyalty holds less than a 20% equity interest and does not exert significant influence. These investments are all recorded at cost.

	December 31, 2016	March 31, 2016
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) Alternative Medical Enterprises, LLC ("AltMed"):** CannaRoyalty owns an 8.2% equity interest in AltMed, a Florida based company focused on medical cannabis.

AltMed was founded by one of the principals of MedImmune (which was acquired by Astra Zeneca in 2007 for over \$15 billion). AltMed has three wholly owned subsidiaries:

- NuTrae is developing a number of cannabis-based products including a transdermal patch, a metered dose inhaler, and a line of creams, lotions and balms;
- AltMed North America LLC which has a 75% interest in a 34,000-square foot licensed indoor cultivation, extraction and post-processing facility in Arizona and a 10% interest in a company with real estate and agriculture holdings focused on the cannabis sector in Colorado; and
- AltMed LLC which has plans for operations in Florida consisting of cultivation, dispensary, laboratory, and extraction as well as a 50% ownership interest in Vida Pets LLC ("Vida Pets"). Vida Pets is at the very early stage of designing a clinical trial on a colony of aged beagles to determine the effectiveness of pure CBD derived from hemp on joint mobility and anxiety in animals.

- (2) Resolve** – The Company's equity interest in Resolve rose from 11% at March 31, 2016, to 33% at December 31, 2016, and as such became an associated company treated under the equity method.

- (3) Bodhi Research Inc. ("Bodhi"):** On April 7, 2016, the Company entered into an agreement to purchase a 10% equity interest in Bodhi for \$250,000.

Bodhi is an Ontario corporation that is conducting research trials for exploring the use of cannabis in the treatment of concussions and post-concussive syndrome.

The collaboration is with foremost experts in concussion and pain management that includes: (a) Dr. Neilank Jha (Neurosurgeon and Founder of Konkussion – the largest network of concussion

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clinics in North America); and (b) Dr. Mark Ware (MD, Professor of Medicine McGill University, Director of Clinical Research and Pain Management Unit McGill University Health Centre).

(4) **Eureka:** On May 5, 2016, the Company acquired a 6% equity interest in Eureka for \$128,630 (\$100,000 USD).

RESULTS OF OPERATIONS

The following table sets forth consolidated statements of operations data for the indicated periods as well as certain balance sheet data as at March 31, 2016 and the period ended March 31, 2015.

	Nine months ended December 31, 2016	Year ended March 31, 2016	Year ended October 3, 2014 to March 31, 2015
Consolidated Statements of Comprehensive Loss			
Revenue	\$ 642,277	\$ -	\$ -
Gross margin	328,490	-	-
Operating expenses	7,013,726	2,681,670	142,914
Loss from operations	(6,685,236)	(2,681,670)	(142,914)
Net and comprehensive loss	(10,314,475)	(3,032,938)	(142,914)
Net loss per common share - basic and diluted	(0.41)	(0.26)	(0.14)
Weighted average common shares - basic and diluted	25,237,273	11,873,717	988,837

REVENUE

The following is a summary of the CannaRoyalty's revenue by type:

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

	Nine months ended December 31, 2016	Year ended March 31, 2016	Year ended March 31, 2015
Research	\$ 12,218	\$ -	\$ -
Devices	229,124	-	-
Supporting assets	400,935	-	-
Total	\$ 642,277	\$ -	\$ -

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Revenue for the nine months ended December 31, 2016 was \$642,277 as compared to nil for the prior periods in this MD&A. CannaRoyalty began generating revenue during the current fiscal year, the majority of which came from royalty streams generated from Cascadia and product sales from the recently acquired Dreamcatcher subsidiary. The Company also generated marketing related service revenue from its recently acquired EML subsidiary and interest income for loans it has made to business units to fund their start-up operations.

The majority of the current revenue from the supporting assets segment is from the royalty income generated from Cascadia and the majority of the current revenue from the brands segment is from Dreamcatcher. The research revenue is generated from interest on our convertible note with BAS Research.

CannaRoyalty expects to progressively increase its revenues over the next 12 months from an increasing number of royalty agreements and business units coming on-line for the entire period and due to positive recent developments in the legalization of marijuana.

COST OF SALES AND GROSS MARGIN

	Nine months ended December 31, 2016	Gross Margin %	Year ended March 31, 2016	Year ended March 31, 2015
Cost of product sales	\$ 190,505	16%	\$ -	\$ -
Cost of service	27,506	29%	-	-
Cost of royalties	95,776	73%	-	-
Total	\$ 313,787	51%	\$ -	\$ -

Cost of sales was \$313,787 for the nine months ended December 31, 2016, as compared to nil for the periods ending March 31, 2016 and March 31, 2015. The gross margin for the nine months ended was 51%.

The cost of product sales is related to sales of Dreamcatcher, the cost of services is related to sales of EML, and the cost of royalties pertains to the amortization of equipment which has been provided to Cascadia. Moving forward the cost of royalties will also include the amortization of financing arrangements with a fixed royalty stream. The amortization of these costs will commence once these business units begin to generate royalty revenue.

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OPERATING EXPENSES

	Nine months ended December 31, 2016	Year ended March 31, 2016	% Change	October 3, 2014 to March 31, 2015
Sales and marketing	\$ 573,469	\$ 22,990	2394%	\$ -
Research and development	744,762	984,993	-24%	-
General and administrative	5,564,274	1,673,687	232%	142,914
Amortization of intangibles	131,221	-	n/a	-
Total	\$ 7,013,726	\$ 2,681,670	162%	\$ 142,914

Total operating expenses have increased by 162% in the nine months ended December 31, 2016, as compared to the year ending March 31, 2016. This is largely due to the increased spending in general and administrative expenses and sales and marketing expenses to support our asset growth. Due to the Company's current stage of operations, operating expenses are not analyzed as a percentage of total revenues.

For the nine months ending December 31, 2016, sales and marketing (S&M) expenses were \$573,469 as compared to \$22,990 for the year ending March 31, 2016, which represents an increase of \$550,479 or 2394% period over period. The increased expenses include additional share based compensation of \$187,603, professional services incurred to provide expert marketing, packaging and promotion advice and services to CannaRoyalty's business units. These expenditures are consistent with the Company's view that early-mover advantage and strong brand recognition are essential to a successful ongoing acquisition strategy. These costs represent a strategic investment, which management believes will have a future benefit in the acquisition and retention of business units.

Research and development (R&D) expenses were \$744,762 for the nine months ending December 31, 2016 as compared to \$984,993 for the twelve months ending March 31, 2016. R&D costs have remained steady despite the increase in G&A due to CannaRoyalty's focus on acquisition of equity investments and royalty streams. The Company's development team is researching a variety of intellectual property and other related opportunities. The Company has been in discussion with several parties and has been working towards obtaining appropriate licensing that would allow research and development with respect to the extraction of cannabis oils and the development or licensing of potential delivery mechanisms. The Company has also incurred development costs related to creating products for its Soul Sugar Kitchen brand.

General and administrative (G&A) expenses increased by 232% to \$5,564,274 for the nine months ending December 31, 2016 as compared to \$1,673,687 for the year ending March 31, 2016. The increase in expenses period over period of \$3,890,587 is driven primarily by an increase in share based compensation of \$2,298,527, by professional and consulting services required for increased acquisition and financing activities, costs incurred in supporting business units, costs related to our merger transaction with Bonanza Blue and our going public transaction, and the cost of new employees hired on or after November

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1, 2016, to support our increased marketing, legal, finance, and other administrative and operational needs.

Expenses related to the amortization of brands and technologies were \$131,221 for the nine months ending December 31, 2016 as compared to nil for the year ending March 31, 2016. These expenses relate to the brands and technologies that were acquired from Dreamcatcher in October 2016.

Share-based compensation, a non-cash expense, was \$2,486,130 for the nine months ended December 31, 2016. Restricted share units ("RSUs") were first issued in April 2016 and for this reason there were no costs in prior periods. The expenses relate to shares issued under a share unit plan established in the current fiscal year, whereby the executive team, the board of directors and new employees were granted restricted share units that vest as service conditions are reached. For most RSU's one-third of the shares vest immediately upon issuance. Since these RSUs are typically issued at the start of employment, and the executive team and other management became employees in 2016, the expense incurred in the nine months ending December 31, 2016 may be higher than future periods. These costs have been fully classified as G&A in accordance with their corporate functions, with the exception of \$187,603 which has been included in sales and marketing. The shares are measured at fair value at the date of grant and expensed in the period the services were provided or over the service period in which they vest.

OTHER INCOME AND EXPENSES

	Nine months ended 31 December 2016	Year ended March 31, 2016	October 3, 2014 to March 31, 2015
Share of profit of equity accounted investees	\$ 63,401	\$ -	\$ -
Listing expense	(3,901,011)	-	-
Interest expense	(176,958)	(177,986)	-
Gain on investment from change to equity method	26,875	-	-
Bargain purchase	59,358	-	-
Interest income	-	17,585	-
Loss on sale of property and equipment	-	(42,135)	-
Foreign exchange gain (loss)	246,872	(148,732)	-
Total	\$ (3,681,463)	\$ (351,268)	\$ -

The share of profit from equity accounted investees was \$63,401 for the nine-month period ending December 31, 2016. This was made up of a gain of \$238,050 on the deemed disposition resulting from the dilution of CannaRoyalty's investment in Resolve from 35% to 33%, which was offset by a proportionate loss of \$174,649 from the two associate companies. The associated companies are in the start up phase of operations and it is expected that they will become profitable in the future.

Listing expense was \$3,901,011 for the nine-month period ending December 31, 2016. This expense includes a \$3,698,618 non-cash charge relating to the issuance of 1,813,574 shares to the former shareholders and directors of Bonanza Blue prior to the RTO transaction. These shares were valued at \$2.00 per share which was the fair value of the shares at the time of the completion of the RTO. When

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the binding RTO agreement was signed, CannaRoyalty shares were valued at \$0.75, which indicates that most this expense has been caused by the significant increase in the value of CannaRoyalty shares. The remaining expense relates to legal fees incurred with respect to the listing.

Interest expense was \$176,958 for the nine months ended December 31, 2016, as compared to \$177,986 for the year ended March 31, 2016. Most interest expense in the current and prior period relates to short term financing obtained from various shareholders. In the current period, there was an additional interest expense of \$15,000 related to the convertible debt with Aphria.

CannaRoyalty obtained significant influence over Resolve in July 2016 which necessitated a switch to equity accounting. As a result, CannaRoyalty's original share in Resolve needed to be restated which resulted in a \$26,875 gain recorded in other comprehensive income.

CannaRoyalty recognized a bargain purchase gain of \$59,358 related to the acquisition of Achelois as the fair value of tangible net assets assumed from Achelois exceeded the purchase consideration.

Interest Income for the nine months ending December 31, 2016 has been classified as revenue since providing working capital is one of the services that the Company provides to its business unit partners.

During the year ending March 31, 2016, the Company sold some 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.

DEFERRED TAX RECOVERY

The Company realized a deferred tax gain of \$52,224 during the nine months ended December 31, 2016, related to the deferred tax liability established on the acquisition of intangible assets from Dreamcatcher and EML. As the Company recognizes amortization on these intangible assets an offsetting deferred tax gain is established.

The Company has no current tax expense and does not meet the attributes necessary under IFRS to recognize deferred tax assets for its losses to date.

NET AND COMPREHENSIVE LOSS

The net and comprehensive loss for the nine months ended December 31, 2016, amounted to \$10,314,475 as compared to a loss of \$3,032,938 for the year ended March 31, 2016. Due to the current business stage of CannaRoyalty's holdings, losses are largely driven by the lack of sufficient revenues to fund operating expenses necessary for the company to achieve long term growth.

CannaRoyalty Corp.**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2016****ADJUSTED EBITDA**

	Nine months ended December 31, 2016	Year ended March 31, 2016	October 3, 2014 to March 31, 2015
Net loss for the period	\$ (10,314,475)	\$ (3,032,938)	\$ (142,914)
<i>Add (Subtract)</i>			
Amortization of property and equipment	111,331	-	-
Amortization of intangible assets	131,221	-	-
Interest expense	176,958	177,986	-
Interest income	(26,478)	(17,585)	-
Deferred income tax recovery	(52,224)	-	-
EBITDA	(9,973,667)	(2,872,537)	(142,914)
Listing expense	3,901,011	-	-
Bargain purchase	(59,358)	-	-
Loss on sale of property and equipment	-	42,135	-
TOTAL ADJUSTED EBITDA	\$ (6,132,014)	\$ (2,830,402)	\$ (142,914)
Weighted average number of common shares outstanding - basic and diluted	25,237,273	11,873,717	988,837
Adjusted EBITDA per share - basic and diluted	\$ (0.24)	\$ (0.24)	\$ (0.14)

Adjusted EBITDA is a non-GAAP financial measure and accordingly it is not an earnings measure recognized by IFRS and does not carry standard prescribed significance. Moreover, our method for calculating adjusted EBITA may differ from that used by other companies using the same designation. Accordingly, we caution readers that Adjusted EBITDA should not be substituted for determining net income (loss) as an indicator of operating results or as a substitute for cash flows from operating and investing activities.

For the nine months ending December 31, 2016, CannaRoyalty incurred an Adjusted EBITDA loss of \$6,132,014 as compared to \$2,830,402 in the prior year. The increase of \$3,301,612 in the period over period Adjusted EBITDA loss, was primarily due to higher operating expenses and in particular the increase in share based compensation of \$2,486,130. The increased operating expense was partially offset by an increase of \$312,061 in gross margin as the company began to generate revenues.

The Company believes that adjusted EBITDA is a useful financial metric and is meaningful and useful to investors, analysts, and other stakeholders for measuring and predicting CannaRoyalty's operating performance by excluding interest expense, income taxes, and depreciation as well as the following charges which are non-recurring in nature:

- \$3,901,011 listing expense for the nine months ended December 31, 2016 which related to the completion of the RTO and the listing on the CSE. This amount includes a \$3,698,618 non-cash charge related to the 1,813,303 CannaRoyalty shares issued to the shareholders of Bonanza Blue as part of the

CannaRoyalty Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

RTO;

- \$59,358 bargain purchase gain realized in the nine months ending December 31, 2016 on the acquisition of Achelois related to the estimated fair value of the net tangible value assets received from Achelois exceeding the purchase consideration provided; and
- 42,135 loss on the sale of property and equipment during the year ended March 31, 2016.

FOURTH QUARTER REVIEW

The following is a summary of the results for the final quarter of the nine-month period ending December 31, 2016 as compared to the final quarter for the periods ending March 31, 2016 and March 31, 2015:

	3 months ended December 31, 2016	3 months ended March 31, 2016	3 months ended March 31, 2015
Consolidated Statements of Comprehensive Loss			
Revenue	\$ 502,152	\$ -	\$ -
Gross margin	236,787	-	-
Operating expenses	4,161,119	1,679,848	129,192
Loss from operations	(3,924,332)	(1,679,848)	(129,192)
Other Income (loss)	(3,480,025)	(186,997)	-
Net and comprehensive loss	(7,404,357)	(1,866,845)	(129,192)
Net loss per share - basic and diluted	\$ (0.24)	\$ (0.14)	\$ (0.07)
Weighted average shares - basic and diluted	31,475,058	13,532,830	1,966,767

- Revenues of \$502,152 in the quarter ending December 31, 2016 as compared to nil for the quarter ending March 31, 2016.
- Gross margin was \$236,787 or 47% for the quarter ending December 31, 2016. There was no revenue or cost of sales in the comparable period.
- Operating expenses increased by 148% or \$2,481,271 in the final quarter of the period ending December 31, 2016 as compared to final quarter of the period ending March 31, 2016. The increase in expenses is primarily related to additional G&A and S&M expenses which was driven by additional share based compensation of \$1,814,479, professional and consulting services required for increased acquisition and financing activities, costs incurred in supporting business units, costs related to our merger transaction with Bonanza Blue and our public listing transaction, and the cost of new employees hired on or after November 1, 2016, to support our increased marketing, legal, finance, and other administrative and operational needs.
- A reduction in operating expenses is expected in the first quarter of fiscal 2017 due to the elimination of certain non recurring charges.
- Other losses increased from a loss of \$186,997 for the final quarter of the period ending March 31, 2016, to \$3,477,021 for the final quarter of the period ending December 31, 2015. This

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

increase is primarily related to listing expenses related to the RTO transaction.

- Comprehensive loss increased due to the additional operating expenses as well as the listing expense related to the RTO.
- Net loss per share increased to \$0.24 in the final quarter of the period ending December 31, 2016, as compared to a loss of \$0.14 per share in the final quarter of the period ending March 31, 2016. If the loss per share is adjusted for the one time listing expense related to the RTO of \$3,901,011, the loss per share for the quarter ending December 31, 2016 would have decreased from \$0.23 per share to \$0.11 per share.

SELECTED CONSOLIDATED QUARTERLY RESULTS

	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015	31-Mar 2016	30-Jun 2016	30-Sep 2016	31-Dec 2016
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,418	\$ 127,707	\$ 502,152
Gross margin	-	-	-	-	-	434	91,269	236,787
Operating expenses	129,192	328,752	354,850	318,219	1,679,848	927,655	1,924,952	4,161,119
Loss from operations	(129,192)	(328,752)	(354,850)	(318,219)	(1,679,848)	(927,221)	(1,833,683)	(3,924,332)
Net and comprehensive loss	(129,192)	(353,772)	(431,800)	(403,619)	(1,843,747)	(1,043,273)	(1,866,845)	(7,404,357)
Net loss per share - basic and diluted	\$ (0.07)	\$ (0.03)	\$ (0.04)	\$ (0.03)	\$ (0.14)	\$ (0.06)	\$ (0.07)	\$ (0.23)
Weighted average shares - basic and diluted	1,966,677	10,255,505	10,750,010	12,956,967	13,532,830	18,242,358	25,814,087	31,475,058

LIQUIDITY

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, acquisition and organic growth requirements. The Company monitors its liquidity based on total liquid assets and working capital.

The table below sets out relevant liquidity related financial information at December 31, 2016, March 31, 2016 and March 31, 2015:

	December 31, 2016	March 31, 2016	March 31, 2015
Cash and cash equivalents	\$ 2,945,895	\$ 6,157	\$ 487,017
Liquid assets (1)	3,502,065	8,657	487,017
Quick ratio (2)	0.91	0.00	11.33
Working capital (deficit)	3,344,603	(1,808,373)	475,798
Working capital ratio (3)	1.87	0.11	12.07
Long term and convertible debt	1,515,000	-	-

(1) Liquid assets include cash and amounts receivable

(2) Quick ratio is defined as liquid assets divided by current liabilities

(3) Working capital ratio is defined as current assets divided by current liabilities

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CannaRoyalty's liquid assets as of December 31, 2016 and March 31, 2016 include cash and cash equivalents and amounts receivable. The Company's level of liquid assets is relevant to meet the current operating needs of the company and uses the quick ratio to measure its short-term liquidity.

As of December 31, 2016, the Company had liquid assets of \$3.5 million compared to \$8,657 at March 31, 2016. Over the same period the quick ratio has increased from 0.00 to 0.91. With a quick ratio of 0.91, the Company has enough liquidity to meet its short term operational needs without requiring short term financing. However, if the Company were to use its liquid assets to complete acquisitions or is unable to generate sufficient revenues, the level of liquid assets could decrease to the point where short-term financing may be required. The Company has been able to successfully obtain short-term financing in the past 9 months to meet its obligations. Furthermore, the recently completed bought deal financing of \$15.0 million should reduce the need for additional financing to meet operational needs for most of the next 12 months. While the Company has incurred cash losses to date, management anticipates eventual cash profitability of the business which will increase its liquid assets. However, there can be no assurance that the Company will gain adequate market acceptance for its products or be able to generate sufficient positive cash flow to reach sustained profitability.

CannaRoyalty monitors its level of working capital and working capital ratio in order to assess the ability to enter into strategic opportunities such as equity investments, royalty financing arrangements and providing start-up working capital to its existing and/or future business units. The level of working capital has increased from a deficit position of \$1.8 million at March 31, 2016 to a surplus position of \$3.3 million at December 31, 2016. While there has been an increase in working capital, the surplus at December 31, 2016 is not sufficient on its own for the Company to undertake the level of strategic opportunities it would like to pursue. The Company has been able to pursue several strategic opportunities in the current fiscal period despite its working capital position. This is largely due to proceeds of \$13.9 million from share and share purchase warrant issuances, the exercise of warrants and stock options, and the issuance of convertible debt between April 1, 2016 and December 31, 2016. The recently completed bought deal financing of \$15.0 million in February 2016 has helped the Company pursue two significant transactions in the first quarter of fiscal 2017, namely Anandia and River.

In the past nine months, the Company has been able to use the issuance of common shares instead of cash to complete certain acquisitions of equity, to complete royalty arrangements, and to settle some of the services provided by various contractors. However, there can be no assurance that the Company will be able to continue to finance its strategic opportunities via the issuance of shares.

As CannaRoyalty had a limited level of working capital at December 31, 2016, the Company relied on the completion of the \$15.0 million bought deal financing in February 2016 to continue to meet its strategic objectives and operational needs into fiscal 2017.

While CannaRoyalty will receive certain cash flows in the upcoming fiscal year, these may not be enough to fund current operations. Therefore, if the Company is unable to continue to find sources of equity financing or short or long-term debt, it may be unable to meet its strategic initiatives or be unable to meet

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its operating requirements. Please refer to note 2, "Going Concern Uncertainty" in the consolidated financial statements as of December 31, 2016.

The Company has lease commitments related to head office rent and subsidiary rent as follows:

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

The chart below highlights the Company's cash flows during the nine months ended December 31, 2016 the year ended March 31, 2016 and the period from October 3, 2014 to March 31, 2015.

Net cash provided (used by)	Nine months ended December 31, 2016	Year ended March 31, 2016	October 3, 2014 to March 31, 2015
Operating activities	\$ (3,911,694)	\$ (1,485,082)	\$ (131,695)
Financing activities	13,618,806	4,883,421	618,712
Investing activities	(6,767,374)	(3,879,199)	-
Cash, beginning	6,157	487,017	-
Cash, end	\$ 2,945,895	\$ 6,157	\$ 487,017

CASH USED IN OPERATING ACTIVITIES

The cash used in operating activities during the nine months ended December 31, 2016 was \$3.9 million as compared to the cash used of \$1.5 million for the year ending March 31, 2016. The use of cash from operating activities is primarily due to cash based operating expenses which in the current business stage are only partially offset by revenues. The increase in cash used in the current period was driven by professional and consulting services required for increased acquisition and financing activities, costs incurred in supporting business units, costs related to our merger transaction with Bonanza Blue and our going public transaction, and the cost of new employees hired on or after November 1, 2016.

CASH FROM FINANCING ACTIVITIES

The cash provided by financing activities during the nine months ended December 31, 2016 was \$13.6 million. The largest source of financing has been the issuance of shares and share purchase warrants in private placements and a brokered offering which have generated cash of \$9.7 million, the exercise of warrants which has generated cash of \$2.1 million and the issuance of convertible debt to Aphria of \$1.5 million.

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For the year ended March 31, 2016, cash provided by financing activities was \$4.9 million. The largest source of financing was the issuance of shares in private placements which generated cash of \$4.5 million and net proceeds from short-term financing of \$0.45 million.

Shares were issued from \$0.50 to \$0.75 per share in the year ending March 31, 2016 as compared to an increasing range of \$0.75 to \$2.00 per share in the nine months ending December 31, 2016.

CASH USED IN INVESTING ACTIVITIES

The cash used in investing activities during the nine months ended December 31, 2016 was \$6.8 million. The most significant uses of cash were net cash outflows of \$2.9 million related to loans and advances to current or prospective business units, cash investments of \$1.9 million in equity interests of less than 50% (Resolve, Wagner Dimas, Bodhi and Eureka), and \$0.8 million related to the issuance of convertible debt. CannaRoyalty provides working capital to assist these interests in their early business stage to become commercially operational. These loans and advances are classified as investment activities as they are extended to businesses that are expected to become future revenue sources.

The cash used in investing activities for the year ended March 31, 2016 was \$3.9 million. The primary uses of cash were \$2.1 million spent on the acquisitions of equity in AME and Resolve, \$0.9 million of royalty financing to Cascadia, and \$0.7 million for purchase of property and equipment.

FINANCING AND CAPITAL RESOURCES

The Company is subject to risks including, but not limited to, its ability to raise additional funds through debt and/or equity financing to support the Company's development and continued operations and to meet the Company's liabilities and commitments as they come due. Specifically, as of December 31, 2016 the Company has a history of losses with an accumulated deficit of \$13,490,327, share capital of \$30,636,253 and working capital of \$3,344,263. This compares to an accumulated deficit of \$3,175,852, share capital of \$5,056,422 and working capital deficit of \$1,808,373 as at March 31, 2016. See the risk factors related to the ability to raise financing.

CAPITAL ACTIVITIES

The Company manages its capital with the objective of maximizing shareholder value and sustaining future development of the business. The Company defines capital as the Company's equity and any debt it may issue. The Company manages its capital structure based on the funds available to support its activities. Upon approval from the Board, management will undertake to balance its overall capital structure through new share issues, the issue of debt or by undertaking other activities as deemed appropriate under specific circumstances.

The Company's principal capital needs are for funds to use towards its current projects, pipeline projects, upcoming products launches, and general working capital requirements to support growth including new

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opportunities. Since its formation, the Company has financed its cash requirements primarily through the issuance of capital stock.

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its investment growth strategy, 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 research, brands and supporting assets 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 investments into successful businesses and obtain returns on its investments.

The Company monitors its capital based on the adequacy of its cash resources to fund its business plan. To maximize flexibility to finance the Company's ongoing growth, CannaRoyalty 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.

The Company's authorized share capital is an unlimited number of common shares of which 36,006,956 common shares were issued and outstanding as at December 31, 2016 (March 31, 2016 – 16,353,343 common shares). The Company has issued 2,774,800 RSUs that have not been exercised as at December 31, 2016 including 1,065,637 that have vested (March 31, 2016 – Nil). As of December 31, 2016, there are share purchase warrants and broker warrants outstanding that can potentially be converted to 1,113,633 shares (March 31, 2016 – Nil).

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Refer to note 21 of the consolidated financial statements for the nine months ending December 31, 2016.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, in accordance with NI 52-109, have both certified that they have reviewed the financial report and this MD&A (the "Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the filings; and (b) the financial report together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost-effective basis, Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

ACCOUNTING MATTERS

Critical Accounting Estimates

The Financial Statements include certain amounts that are inherently uncertain and judgmental in nature. As a result, management is required to make assumptions and best estimates to determine the reported values. The Company considers an accounting estimate to be critical if: (1) it requires that significant assumptions be made to deal with uncertainties; and (2) changes in the estimate could have a material impact on operating results, financial condition or liquidity. The Company believes that the material items requiring such subjective and complex estimates are:

- 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; and
- estimates and assumptions used in applying IFRS 2 "Share Based Payment"

The Company believes that the amounts included in the Financial Statements reflect management's best judgment. However, factors including, without limitation, those noted under "Risks and Uncertainties" below could cause actual events or results to differ materially from our underlying assumptions and estimates. Accordingly, this could lead to a material adverse impact on our results of operations, financial condition and/or liquidity.

Adoption of New Accounting Policies

None of the new accounting standards adopted during the nine months ended December 31, 2016 (see Note 4 of the Financial Statements) resulted in a change in accounting policies.

Future Accounting Pronouncements

Refer to Note 4 of the Financial Statements for the nine months ended December 31, 2016.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Refer to Note 26 of the Financial Statements for the nine months ended December 31, 2016.

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RISKS AND UNCERTAINTIES

Many factors could cause the Company's actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors, which are discussed in greater detail in the Company's Listing Statement filed with securities regulators and available on www.sedar.com, which risk factors are incorporated by reference into this document, and should be reviewed in detail by all readers:

- The activities of the Company are subject to regulatory changes by governmental authorities in Canada and the U.S.;
- Third parties with which the Company does business may perceive that they are exposed to reputational risk because of the Company's cannabis business activities;
- The operation of the Company can be impacted by adverse changes or developments affecting the Company's subsidiaries and other interests;
- The Company's ability to recruit and retain management, skilled labour and suppliers is crucial to the Company's success;
- The Company and its subsidiaries and other interests have limited operating histories;
- The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability;
- Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company;
- There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;
- The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity;

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- The Company and its subsidiaries and other interests face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury;
- The products of the Company's subsidiaries and other interests could be subject to the recall or return of their products for a variety of reasons. If a product recall or return should happen, the Company could be required to incur unexpected expenses and divert management attention and could see harm caused to its image and product sales decline. In addition, as result of the product recall or return, the Company and its subsidiaries and other interests could face increased operational scrutiny by regulatory agencies, requiring further management attention and potential legal fees and other expenses;
- Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company;
- The Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada or the United States. A failure in the demand for its products to materialize because of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;
- The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls;
- The Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;
- The Company could fail to integrate subsidiaries and other interests into the business of the Company;
- Completed acquisitions, strategic transactions, or investments could fail to increase shareholder value;
- Certain of the Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies;
- The Company, its subsidiaries, or other interests may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- The market price for the common shares may be volatile and subject to wide fluctuations in

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response to numerous factors, many of which are beyond the Company's control;

- There can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Company;
- A substantial number of common shares are owned by a limited number of existing shareholders and as such these shareholders can exercise influence over matters requiring shareholder approval or cause delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders; and
- The Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.