QUARTERLY REPORT

For the three and six months ended June 30, 2017 and June 30, 2016

(Expressed in Canadian Dollars)

The attached unaudited interim condensed consolidated financial statements have been prepared by Management of CannaRoyalty and approved by the Board of Directors on August 23, 2017.

CANNAROYALTY CORP.

Unaudited Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	June 30, 2017	December 31, 2016
ASSETS			
Current			
Cash and equivalents		$ 6,441,303	$ 2,945,895
Amounts receivable	5	1,307,101	556,170
Inventory	6	713,858	641,350
Prepaid and other assets	7	2,129,254	110,834
Loans receivable	8	1,180,350	2,943,161
Assets held for sale	9	333,160	-
		12,105,026	7,197,410
Convertible notes receivable	10	887,054	864,806
Derivative assets	10	96,852	114,505
Interest in equity accounted investees	11	8,012,147	3,541,281
Investments	12	2,228,750	2,228,750
Royalty investments	13	12,088,130	2,593,891
Property and equipment	14	1,165,198	1,393,112
Intangible assets and goodwill	15	13,435,194	14,264,183
		37,913,325	25,000,528
		$ 50,018,351	$ 32,197,938
LIABILITIES			
Current			
Amounts payable and accrued liabilities	16	$ 5,057,112	$ 1,886,189
Loan payable	17	437,260	451,618
		5,494,372	2,337,807
Convertible debt	18	1,464,690	1,414,414
Derivative liabilities	18	84,559	100,586
Deferred tax liability	23	2,957,138	3,001,766
		$ 10,000,759	$ 6,854,573
SHAREHOLDERS' EQUITY			
Share capital	20	$ 44,067,512	$ 30,636,253
Shares and contingent shares to be issued	20	2,510,000	4,520,000
Warrants reserve	20	5,217,805	628,623
Contributed surplus		6,876,799	3,154,582
Foreign currency translation adjustment		(639,897)	(102,762)
Accumulated deficit		(17,984,006)	(13,490,327)
Non-controlling interest		(30,621)	(3,004)
		40,017,592	25,343,365
		$ 50,018,351	$ 32,197,938

Subsequent Events (note 28)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

On behalf of the Board

"Marc Lustig" Director   "Rob Harris" Director

CANNAROYALTY CORP.

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Note	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Revenue	25	**$ 960,157**	$ 12,418	**$ 1,261,268**	$ 12,418
Cost of sales	25	**(538,476)**	(11,984)	**(595,114)**	(11,984)
Gross margin		**421,681**	434	**666,154**	434
Operating expenses					
Sales and marketing		**409,221**	2,939	**646,081**	10,942
Research and development		**148,852**	161,272	**625,093**	679,655
General and administrative	26	**1,977,734**	763,444	**4,114,922**	1,739,131
Amortization of brands and technologies	15	**205,878**	-	**408,350**	-
Loss from operations		**(2,320,004)**	(927,221)	**(5,128,292)**	(2,429,294)
Other income (expenses)					
Gain (loss) on reclassification to assets held for sale	9	**(10,000)**	-	**88,674**	-
Profit (loss) from equity accounted investees, net of tax	11	**(98,483)**	-	**843,914**	-
Penalties from non-completion of transactions	16	**(37,578)**	-	**(221,053)**	-
Listing expense		-	-	**(38,193)**	-
Foreign exchange loss		**(61,628)**	(11,431)	**(187,280)**	(76,237)
Interest expense		**(18,499)**	(104,521)	**(36,119)**	(273,807)
Net loss before tax		**(2,546,192)**	(1,043,173)	**(4,678,349)**	(2,779,338)
Deferred tax recovery	23	**78,681**	-	**157,053**	-
Net and comprehensive loss for the period		**$ (2,467,511)**	$ (1,043,173)	**$ (4,521,296)**	$ (2,779,338)
Net loss per common share - basic and diluted	22	**$ (0.06)**	$ (0.06)	**$ (0.11)**	$ (0.17)
Weighted average number of common shares outstanding - basic and diluted	22	**41,829,704**	18,242,358	**40,356,024**	15,887,594
Net and comprehensive loss for the period attributable to:					
Owners of the company		**$ (2,455,709)**	$ (1,043,173)	**$ (4,493,679)**	$ (2,779,338)
Attributable to non-controlling interest		**(11,802)**	-	**(27,617)**	-
		$ (2,467,511)	$ (1,043,173)	**$ (4,521,296)**	$ (2,779,338)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

CANNAROYALTY CORP.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholder's 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 December 31, 2015	**13,020,010**	**$ 2,608,390**	**$ 684,486**	**$ -**	**$ -**	**$ -**	**$ (1,439,687)**	**$ -**	**$ 1,853,189**
Comprehensive loss for the period	-	-	-	-	-	-	(1,043,173)	-	(1,043,173)
Shares and warrants issued for cash - private placement	6,333,333	4,750,000	(684,486)	750,000	-	-	-	-	4,815,514
Share issuance costs - cash		(73,847)	-	-	-	-	-	-	(73,847)
Shares issued in connection with services rendered	1,300,000	975,000	-	-	-	-	-	-	975,000
Share issued for exercise of share units	100,200	75,150	-	-	(75,150)	-	-	-	-
Share based compensation			-	-	89,385	-	-	-	89,385
Balance at June 30, 2016	**20,753,543**	**$ 8,334,693**	**$ -**	**$ 750,000**	**$ 14,235**	**$ -**	**-$ 2,482,860**	**$ -**	**$ 6,616,068**
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**
Comprehensive loss for the period	-	-	-	-	-	-	(4,493,679)	-	**(4,493,679)**
Change in foreign currency translation adjustment	-	-	-	-	-	(536,884)	-	-	**(536,884)**
Shares and warrants issued in bought deal financing	5,000,000	12,213,000	-	2,787,000	-	-	-	-	**15,000,000**
Share issuance costs - cash	-	(1,254,757)	-	-	-	-	-	-	**(1,254,757)**
Shares issued for exercise of restricted share units	63,550	106,288	-	-	(106,288)	-	-	-	-
Witholding taxes on exercise of restricted share units	-	-	-	-	(77,511)	-	-	-	**(77,511)**
Stock based compensation	-	-	-	-	1,804,212	-	-	-	**1,804,212**
Shares issued in acquisitions of equity interests	689,568	2,021,222	-	-	-	-	-	-	**2,021,222**
Shares issued for exercise of warrants	163,421	292,092	-	(120,218)	120,218	-	-	-	**292,092**
Share options exercised	25,000	53,414	-	-	(28,414)	-	-	-	**25,000**
Warrants issued with credit facility (note 7)	-	-	-	1,922,400	-	-	-	-	**1,922,400**
Contingent shares recorded on acquisition (note 20)	-	-	(2,010,000)	-	2,010,000	-	-	-	-
Minority Interest of Achelois LLC	-	-	-	-	-	(251)	-	(27,617)	**(27,868)**
Balance at June 30, 2017	**41,948,495**	**$ 44,067,512**	**$ 2,510,000**	**$ 5,217,805**	**$ 6,876,799**	**$ (639,897)**	**$ (17,984,006)**	**$ (30,621)**	**$ 40,017,592**

See accompanying notes to the unaudited condensed interim consolidated financial statements.

CANNAROYALTY CORP.

Unaudited Condensed Interim Consolidated Statement of Cash Flows

(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Comprehensive loss for the period	**$ (2,467,511)**	$ (1,043,273)	**$ (4,521,296)**	$ (2,779,438)
Items not affecting cash:				
Bad debts recovery	**99**	-	**(13,219)**	-
Income (loss) from equity accounted investees (note 11)	**98,483**	-	**(843,914)**	-
Amortization of property and equipment (note 14)	**49,456**	11,984	**91,198**	11,984
Amortization of intangibles (note 15)	**205,878**	-	**408,350**	-
Amortization of royalties (note 13)	**144,271**	-	**165,392**	-
Share based compensation (note 21)	**645,816**	89,385	**1,804,212**	89,385
Deferred tax recovery (note 23)	**(78,681)**	-	**(157,053)**	-
(Gain) loss on reclassification to assets held for sale (note 9)	**10,000**	-	**(88,674)**	-
	(1,392,189)	(941,904)	**(3,155,004)**	(2,678,069)
Changes in non-cash items relating to operations:				
Increase in amounts receivable	**(497,458)**	(12,500)	**(747,099)**	(12,500)
Increase in inventory	**(113,593)**	-	**(72,508)**	-
Decrease (increase) in prepaid and other assets	**(37,102)**	5,833	**(96,020)**	(63,661)
Increase (decrease) in accounts payable and accruals	**(369,801)**	(181,428)	**(794,122)**	882,653
	(2,410,143)	(1,129,999)	**(4,864,753)**	(1,871,577)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Purchase of property and equipment (note 14)	**(61,710)**	(66,796)	**(132,014)**	(140,614)
Increase in share subscription receivable	-	-	-	(2,500)
Purchase of equity investments	-	(589,970)	**(1,601,218)**	(683,760)
Purchase of Royalty Investment	**(2,750,631)**	(194,188)	**(2,750,631)**	(194,188)
Purchase of Intangible asstes	-	(17,062)	-	(17,062)
Loans advanced to debtors, net of repayment	**(476,265)**	(801,457)	**(1,140,800)**	(801,457)
Convertible loans advanced to debtors, net of repayment	-	(166,282)	-	(296,269)
	(3,288,606)	(1,835,755)	**(5,624,663)**	(2,135,850)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Proceeds from shares in private placements, net of issuance costs (Note 20)	-	3,053,121	-	5,501,153
Proceeds from shares in bought deal financing, net of issuance costs (Note 20)	**(4,806)**	-	**10,958,243**	-
Proceeds from issuance of warrants, including broker warrants (Note 20)	-	-	**2,787,000**	-
Proceeds from exercise of warrants (Note 20)	**262,842**	-	**292,092**	-
Proceeds from issuance of stock options (Note 21)	-	-	**25,000**	-
Net advances / (repayment to) lenders		216,401	-	(558,238)
Tax withholding paid on exercise of restricted share units	**(64,401)**	-	**(77,511)**	-
Decrease in share subscriptions payable	-	-	-	(684,486)
	193,635	3,269,522	**13,984,824**	4,258,429
INCREASE (DECREASE) IN CASH	**(5,505,114)**	303,768	**3,495,408**	251,002
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**11,946,417**	6,157	**2,945,895**	58,923
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 6,441,303**	$ 309,925	**$ 6,441,303**	$ 309,925

See accompanying notes to the unaudited condensed interim consolidated financial statements.

1. Nature of Operations

CannaRoyalty Corp. ("the Company" or "CannaRoyalty") is an active investor, asset manager and consumer brand operator in the legal cannabis industry with holdings currently in the U.S., Canada and Puerto Rico. The Company provides strategic capital and leverages its functional expertise to develop its diversified CR Brands portfolio of cannabis products that are highly scalable across multiple jurisdictions. The Company's strategy is focused on investing in CR Holdings cannabis assets that work synergistically to expand the depth and distribution of its cannabis product platform. CannaRoyalty invests capital via royalties, equity, licenses and convertible debt. CannaRoyalty's CR Advisory division supports and helps accelerate the growth of its investees.

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". On April 26, 2017, the Company was upgraded to the OTCQX market. 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 and Holdings Corp. ("CRHC"). CannaRoyalty's head office is located at 333 Preston Street, Preston Square Tower 1, Suite 610, Ottawa, Ontario K1S 5N4.

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"). In June 2017, the company created CR Advisory Services Inc..

2. Going Concern Uncertainty

In the past 12 months, CannaRoyalty has continued to implement its strategy of raising equity financing, significantly growing its portfolio of business holdings and completing a going public transaction. CannaRoyalty's holdings are generally in the early stages of development or commercialization and some operate in the U.S. cannabis sector, a sector with legislative uncertainty.

CannaRoyalty has incurred net losses of $4,521,296 for the six months ended June 30, 2017. As of June 30, 2017, the Company has cash of $6,441,303 and working capital of $6,610,654 which will be used for acquisitions, investment in current holdings and for operational needs. If sufficient revenue cannot be generated from its early stage investees, the Company's ability to fully meet operational needs may be dependent on its ability to obtain financing. While the Company has been successful in raising equity and debt financing in the past, including a recent agreement to provide a credit facility of $12.0M (note 28), there is no assurance that it will be able to obtain additional financing or that such financing will be available on reasonable terms.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue to operate 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

These interim condensed consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, they do not include all of the information and footnotes required under IFRS for complete financial statements. In the opinion of management, these interim condensed consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the Company’s financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year. All intercompany accounts and transactions have been eliminated.

The Company’s independent auditor has not performed an audit or review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants.

Convertible debt and derivative liabilities are presented as non-current liabilities for the period ended June 30, 2017. This accounting treatment is in accordance with IAS 1, paragraph 69(d), which states that terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. Since the debt is repayable in more than 12 months, it is classified as a non-current liability. The convertible debt and derivative liabilities balances as at December 31, 2016 of $1,414,414 and $100,586, respectively, have been reclassified to non-current liabilities to comply with the presentation adopted in the current year. The reclassification has no impact on the consolidated statements of loss and comprehensive loss, shareholders’ equity, cash flows or notes to the consolidated financial statements.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors (the “Board”) on August 23, 2017.

4. Significant Accounting Policies and New Standards

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended December 31, 2016.

Effective January 1, 2017, the Company has adopted the amended disclosure requirements for IAS 7 – Statement of Cash Flow. This results in additional disclosures for liabilities arising from financing activities. Since the amendments were issued one year before the effective date, comparative information is not necessary in the first year of application. These updated disclosures are reflected in note 16 and note 17 of these statements.

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 period ended June 30, 2017 and have not been applied in preparing these consolidated financial statements.

IFRS 2 – Share-based Payment, effective January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of share-based payment transactions.

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 practicable methods to determine their fair value.

IAS 12 – Income Taxes, effective for annual periods beginning on or after January 1, 2017, with early adoption permitted, amended to clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use;
- The carrying amount of an asset does not limit the estimation of probable future taxable profits;
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; and

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

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.

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.

The Company is assessing the impact of these new and revised standards.

(Expressed in Canadian Dollars)

5. Amounts receivable

		June 30, 2017		December 31, 2016
Trade account receivables	$	**394,553**	$	163,289
Royalty receivables		**861,904**		351,113
HST and sales tax receivable		-		17,708
Other receivables		**50,644**		24,060
Total Amounts Receivable	$	**1,307,101**	$	556,170

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 June 30, 2017, the allowance for doubtful trade accounts was $nil (December 31, 2016 – $nil). In the three and six-month periods ended June 30, 2017, the Company wrote off balances totalling $6,601 (June 30, 2016 - $nil and $nil).

The aging of trade receivables at the reporting date was:

			June 30, 2017		December 31, 2016
Current		$	**255,939**	$	64,067
Past due:	Less than 30 days		**59,828**		-
	31 - 60		**27,484**		59,831
	61 - 90		**10,092**		21,164
	Greater than 90 days		**41,210**		18,227
Total trade accounts receivable		$	**394,553**	$	163,289

At June 30, 2017, one customer accounted for 62% of total trade receivables (December 31, 2016 – three customers, 91% total, largest 62%). Since June 30, 2017 and through August 16, 2017, the Company has collected $213,829, including $5,594 of balances greater than 90 days from the above outstanding trade receivables. Management does not believe that any significant trade receivables not provided for are not collectible.

Since June 30, 2017, the Company has yet to collect on its largest royalty receivable. This receivable is expected to be collected in fiscal 2017 in accordance with the terms in the royalty financing arrangement.

6. Inventory

		June 30, 2017		December 31, 2016
Finished goods	$	**79,473**	$	165,558
Raw materials		**634,385**		475,792
Total Inventory	$	**713,858**	$	641,350

For the three and six months ended June 30, 2017, certain inventory was consumed or written off as part of our product research and development activities

The amount of inventory that was included in cost of sales was $306,416 for both the three and six months ended June 30, 2017. Prior to June 30, 2016, there were no sales of product, and accordingly no costs of sales.

(Expressed in Canadian Dollars)

7. Prepaids and other assets

		June 30, 2017		December 31, 2016
Professional fee retainers	$	5,893	$	14,737
Insurance		59,459		68,882
Warrants issued with credit facility (1)		1,922,400		-
Other		141,502		27,215
Total Prepaid and other assets	$	2,129,254	$	110,834

(1) On June 19, 2017, the Company executed a binding term sheet with Sprott Inc. ("Sprott") to complete a $12.0M financing and form a joint venture to finance opportunities in the Canadian cannabis market. On August 23, 2017, the two parties executed a $12.0M secured credit facility with a three-year term. The facility will bear interest at an annual rate of 10%, payable quarterly in cash or CannaRoyalty shares. If the interest is repaid in CannaRoyalty shares, the share price will be determined based on a 10% discount of the volume weighted average price in the five trading days immediately prior to the second last business day of the quarter.

On June 19, 2017, the binding term sheet date, CannaRoyalty issued Sprott 1,800,000 non-transferable common share purchase warrants which were valued at $1,922,400. The warrants will be exercisable for $2.05 per warrant, in whole or in part for a 36-month period following the date of issuance. These warrants were valued using the Black Scholes model with the following key assumptions; a grant price of $2.05, exercise price of $2.05, volatility of 80% based on comparable industry benchmarks, life of 3 years, and a risk-free interest rate of 1.27%.

As no debt was issued as of June 30, 2017 and since the issuance of warrants and the debt are connected, the Company has recorded this amount as an asset. When debt is issued under the credit facility this balance will be applied against the liability balance for the amount drawn. The initial value of these warrants will be amortized into interest expense over the three- year life of the credit facility.

8. Loans receivable

		June 30, 2017		December 31, 2016
Stokes Confections (1)	$	65,832	$	68,255
Rich Extracts (2)		696,022		2,428,672
Cascadia (3)		349,998		364,463
CannaCraft (4)		68,498		71,018
Other advances (5)		-		10,753
Total Loans Receivable	$	1,180,350	$	2,943,161

(1) 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 $64,820 ($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 June 30, 2017, the total receivable includes $1,012 of accrued interest (December 31, 2016 – $1,050). The advance is unsecured and due on demand. The Company expects to complete a definitive agreement in a future period.

(2) 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 (See note 12). In exchange for the royalties, Rich Extracts has received financing of $2,812,200 ($2,150,000 USD). As of June 30, 2017, the Company has provided additional advances of $696,022 ($536,888 USD) that will need to be repaid to CannaRoyalty. These advances are secured by a general security agreement, whereby the Company has rights to the Debtor's Collateral including all of the Debtor's present and after-acquired personal property. These advances have no fixed repayment terms and are non-interest bearing. An additional $81,818 ($63,112 USD) has been advanced since June 30, 2017.

(3) CannaRoyalty has advanced a total of $349,998 ($269,977 USD) to provide Cascadia Holdings LLC ("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.

(4) The Company advanced funds of $324,100 ($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 $255,602 ($197,163 USD). The balance of the advance at June 30, 2017, is $68,498 ($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.

(5) An advance of $10,753 ($8,000 USD) was forfeited resulting from the non-completion of a term sheet.

Provision Recovery

During fiscal 2017 the Company received a payment proposal from Santa Barbara Patients Collective and Healing Center in which the debtor would repay the principal portion of a loan of $100,000 USD. A full allowance had been provided against this loan at December 31, 2016. Payments of $19,820 ($15,000 USD) have been received and bad debt recoveries of the same amount have been recorded within general and administrative expenses for the three and six months ending June 30, 2017.

9. Assets held for sale

Certain equipment has been classified as assets held for sale in connection with the Company's acquisition of a 20% equity interest in Anandia Laboratories Inc. ("Anandia") (see note 11).

As a result of this transaction, the equipment represents a disposal group and the equipment is classified and presented as "Assets Held for Sale" on the Consolidated Statements of Financial Position at June 30, 2017. It will be removed from this classification once it is delivered and installed at Anandia. The carrying value of this equipment was $244,486 prior to being classified as assets held for sale in the first quarter of fiscal 2017.

(Expressed in Canadian Dollars)

The carrying value of the assets held for sale of $333,160 represents the subsequent proceeds on disposal of $340,000 (see note 11) less estimated transaction costs of $6,840. At June 30, 2017, a loss of $10,000 was recorded as the fair value of these assets was re-assessed. The Company recorded a gain of $88,674 for the six months ended June 30, 2017 which has been included in other income within the Consolidated Statements of Loss and Comprehensive Loss.

10. Convertible notes receivable

	Notes Receivable		Derivative Assets	
	June 30, 2017	December 31, 2016	**June 30, 2017**	December 31, 2016
Eureka (1)	$ **479,007**	$ 461,691	$ **90,524**	$ 102,092
BAS (2)	**408,047**	403,115	**6,328**	12,413
Total	$ **887,054**	$ 864,806	$ **96,852**	$ 114,505

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

Commencing on the third anniversary of the loans (February 2019 and August 2019 respectively), the Company has the option to convert all or part of 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 $90,524 at June 30, 2017 (December 31, 2016 - $102,092).

As at June 30, 2017, the notes receivable totalled $479,007 (December 31, 2016 - $461,691), which includes $50,971 of interest accrued and receivable (December 31, 2016 - $26,143).

(2) During July 2016, CannaRoyalty advanced $300,000 USD to BAS Research ("BAS") in two separate tranches of $150,000 USD. 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.

(Expressed in Canadian Dollars)

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 $6,328 at June 30, 2017 (December 31, 2016 - $12,413).

As at June 30, 2017, the note receivable totalled $408,047 (December 31, 2016 - $403,115) which includes $25,456 of interest accrued and receivable (December 31, 2016 - $12,298).

11. Interest in equity accounted investees

		June 30, 2017		December 31, 2016
Associated Companies				
Resolve (1)	$	3,422,050	$	2,589,202
Wagner Dimas (2)		771,802		759,539
Anandia (3)		3,625,755		-
		7,819,607		3,348,741
Joint Ventures				
Mobile Medicine (4)		192,540		192,540
Total Equity accounted investments	$	8,012,147	$	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"), 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 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 33.3%. 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 financing round at $0.50 per unit. As a result of this financing round, CannaRoyalty's total equity interest was reduced to 27.2% of the non-diluted shares of Resolve. In accordance with the equity accounting method this represented a deemed disposal, and the Company recorded a gain of $1,132,107 which has been included in the profit from equity accounted interests on the statement of operations for the six months ending June 30, 2017. Based on the share price in this financing, the Resolve shares held by CannaRoyalty had an implied value of approximately $7.1M.

(Expressed in Canadian Dollars)

(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 purchased 2,000,000 shares of Wagner Dimas for $818,125 ($625,000 USD).

(3) On February 17, 2017, CannaRoyalty agreed to acquire a 20% entity stake in 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 $4,042,439 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 later in 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 were to be issued to CannaRoyalty on delivery of the equipment and related services valued at $500,000. On July 25, 2017, the Company received 487,520 shares of Anandia on the delivery of equipment. This distribution was based on an agreed value of $340,000 for the equipment delivered and a share price consistent with the initial agreement.

The following tables summarize, 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 June 30, 2017 and December 31, 2016.

	June 30, 2017	December 31, 2016
Current assets	$ 8,890,118	$ 1,158,000
Non-current assets	28,967,030	10,466,345
Current liabilities	(389,321)	(56,097)
Non-current liabilities	(864,900)	-
Net assets	36,602,927	11,568,248
Carrying amount of interest in associate	$ 7,819,607	$ 3,348,741

	Three Months Ending		Six Months Ending	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Selected financial results of equity acconted investees				
Revenue	$ 1,056,971	$ -	$ 1,850,448	$ -
Loss from operations and total comprehensive loss	(205,664)	-	(765,202)	-
Share of profit (loss) from equity accounted investees				
Share of loss and total comprehensive loss	(98,483)	-	(288,193)	-
Add - gain on deemed disposal after dilution	-	-	1,132,107	-
CannaRoyalty's profit from equity acounted investees	$ (98,483)	$ -	$ 843,914	$ -

(i) CannaRoyalty's share of profit is based solely on the period from which the company gained significant influence.

Joint Venture

(4) On July 22, 2016, the Company entered into a joint venture with CannaCraft, a California corporation that supplies equipment and cannabis-based medicines. The joint venture is

(Expressed in Canadian Dollars)

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 June 30, 2017 (December 31, 2016 - $192,540).

As of June 30, 2017, the joint venture has incurred capital spending of $215,949 ($166,576 USD), and has yet to begin commercial activity (December 31, 2016 - $221,777 ($165,000 USD).

12. Investments

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

	June 30, 2017	December 31, 2016
AltMed (1)	$ 1,850,070	$ 1,850,070
Bodhi (2)	250,000	250,000
Eureka (3)	128,680	128,680
Total Investments	**$ 2,228,750**	$ 2,228,750

(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 LLC ("NuTrae"), a company developing drug delivery systems and products such as the transdermal patch, a meter-dosing inhaler and aerosolizer, creams, lotions and balms under the MüV brand. 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 8.3% equity interest which is accounted for at cost.

(2) 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.

(3) 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.

13. Royalty investments

The following is a summary of the CannaRoyalty's royalty investments with related terms and accounting basis:

(Expressed in Canadian Dollars)

Cost	December 31, 2016	Additions	Acquisitions	June 30, 2017
Cascadia (1)	$ 1,027,866	$ 19,431	$ -	**$ 1,047,297**
NuTrae (2)	1,130,000	-	-	**1,130,000**
Three Leaf (3)	100,000	-	-	**100,000**
Natural Ventures (4)	336,025	-	-	**336,025**
Rich Extracts (5)	-	2,812,200	-	**2,812,200**
River (6)	-	6,828,000		**6,828,000**
Total	$ 2,593,891	$ 9,659,631	$ -	**$ 12,253,522**

Accumulated Amortization	December 31, 2016	Amortization	June 30, 2017
Cascadia (1)	$ -	$ -	**$ -**
NuTrae (2)	-	(52,694)	**(52,694)**
Three Leaf (3)	-	-	**-**
Natural Ventures (4)	-	-	**-**
Rich Extracts (5)	-	-	**-**
River (6)	-	(112,698)	**(112,698)**
Total	$ -	$ (165,392)	**$ (165,392)**

Net Book Value	$ 2,593,891	**$ 12,088,130**

(1) During July 2016, CannaRoyalty finalized a royalty agreement with Cascadia. As part of this agreement the Company has provided cash advances totaling $1,047,297 ($808,474 USD), and provided the use of its equipment in consideration for a thirty percent royalty stream on Cascadia's gross revenues in perpetuity. During the six months ending June 30, 2017, the Company provided advances of $19,431.

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.

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.

(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 10)

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

This royalty investment stream is for a definite period and it is recorded at amortized cost. NuTrae has demonstrated commercial operations that generated revenue in February 2017, and accordingly amortization commenced in the three months ending June 30, 2017 and is included within cost of sales on the Consolidated Statement of Loss and Comprehensive Loss.

(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. Three Leaf has yet to demonstrate commercial operations which would result in royalty revenue and therefore 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 to earn revenue and to record amortization, will begin in the first quarter after Natural Ventures has generated net income, which has yet to occur as of June 30, 2017.

(5) On February 9, 2017, the Company entered into a 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 $2,812,200 ($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 a loan from CannaRoyalty to Rich Extracts (note 8).

Rich Extracts received its commercial cannabis producing license to sell product from the state of Oregon on May 15, 2017, During the three months ended June 30, 2017, Rich Extracts had not yet begun generating revenues.

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.

(6) On May 15, 2017, the Company completed an agreement regarding a strategic financing and other related arrangements with River. River is the first medical cannabis distributor to receive local permits for medical cannabis wholesale logistics, distribution and transportation in California.

(Expressed in Canadian Dollars)

The agreement included the following components:

- Promissory note financing of $5,000,000 USD to River over fiscal 2017. CannaRoyalty advanced $2,000,000 USD on the execution date to River pursuant to a secured promissory note, which provides first place security, and will advance a further $3,889,200 ($3,000,000) USD in two equal tranches during 2017, subject to the satisfaction of certain financial milestones. The repayment of principal and 15% annual interest commences in January 2018.

- A consulting services arrangement which includes provision of consulting services such as product launch, marketing and development by CannaRoyalty, to develop high quality products tailored to the California market's demands/needs during the term of the agreement. The compensation payable to CannaRoyalty for consulting services is based on a formula net of any other payments made to CannaRoyalty under the arrangement. This ensures total compensation from River within this arrangement being equal to 2.25% of River's gross revenues until repayment of the $5,000,000 USD invested, and 1.75% thereafter until December 31, 2024.

- A preferred product distribution arrangement which provides a significant channel for CannaRoyalty's products to access the California market. The arrangement entitles CannaRoyalty to preferential rates on River's distribution services, and commits River to acquire $20,000,000 USD of CannaRoyalty branded products over the term of the agreement subject to certain conditions.

As this agreement will result in CannaRoyalty receiving a prescribed benefit based on the revenue earned by River, the components of this agreement combine to make up a royalty investment.

River has a payment holiday on any of its payment obligations, including interest and consulting, until January 2018.

The purchase price of this royalty investment of $6,828,000 ($5,000,000 USD) is based on the historical exchange rate at the date of the investment. The Company has recorded a liability for the future funding obligations (note 16) as it has purchased an asset as of June 30, 2017.

14. Property and equipment

The following is a summary of the activity for the six months ending June 30, 2017:

Cost	December 31, 2016	Additions	Disposals	Impact of f/x	June 30, 2017
Extractors	$ 367,826	$ -	$ (196,802)	$ -	**$ 171,024**
Filling machines and labeling systen	766,306	-	-	(27,196)	**739,110**
Chillers, condensers, and ovens	97,212	-	(79,478)	-	**17,734**
Lighting equipment	125,344	-	-	-	**125,344**
Furniture, fixtures and leaseholds	56,004	107,124	-	51	**163,179**
Computers and related equipment	18,431	24,890	-	(60)	**43,261**
Other processing equipment	73,320	-	(16,777)	(1,233)	**55,310**
Total cost	$ 1,504,443	$ 132,014	$ (293,057)	$ (28,438)	**$ 1,314,962**

(Expressed in Canadian Dollars)

Accumulated Amortization		December 31, 2016		Amortization		Disposals		Impact of f/x		June 30, 2017
Extractors	$	(42,342)	$	(15,106)	$	22,390	$	-	$	**(35,058)**
Filling machines and labeling system		(11,684)		(38,227)		-		3,662		**(46,249)**
Chillers, condensers, and ovens		(28,354)		(3,141)		23,181		-		**(8,314)**
Lighting equipment		(14,623)		(11,072)		-		-		**(25,695)**
Furniture, fixtures and leaseholds		(3,191)		(12,464)		-		417		**(15,238)**
Computers and related equipment		(135)		(5,650)		-		-		**(5,785)**
Other processing equipment		(11,002)		(5,538)		3,000		115		**(13,425)**
Total accumulated amortization	$	(111,331)	$	(91,198)	$	48,571	$	4,194	$	**(149,764)**
Net Book Value	$	1,393,112							$	**1,165,198**

The Company started to amortize equipment in June 2016 when the equipment became operational. The amortization for the three and six months period ended June 30, 2016 was $11,984 and was included within cost of sales. There were no disposals during the three months ending June 30, 2016.

As certain equipment is being used by a subsidiary and by a royalty investee to generate additional revenues, $49,827 and $73,534 of amortization has been included in cost of sales for the three and six months ended June 30, 2017, respectively. The remaining amortization expense of $17,664 for the six months ended June 30, 2017 has been included within general and administrative expenses.

15. Intangible assets and goodwill

The following is a summary of the intangible balance at June 30, 2017:

	Amortization Period		Cost		Accumulated Amortization		Balance at June 30, 2017
Acquired brands	10 years	$	2,287,022	$	(153,533)	$	**2,133,489**
Acquired technology	10 years		4,815,345		(323,274)		**4,492,071**
Employment agreement	5 years		280,645		(37,419)		**243,226**
Product formulations	10 years		315,864		(13,163)		**302,701**
Goodwill	n/a		6,263,706		-		**6,263,706**
Total Intangibles and goodwill		$	13,962,582	$	(527,389)	$	**13,435,194**

During the three and six months ended June 30, 2017 amortization expense has been charged as follows:

		Three months ending June 30, 2017		Six months ending June 30, 2017
Acquired brands	$	**59,235**	$	**118,225**
Acquired technology		**124,721**		**248,930**
Employment agreement		**14,033**		**28,065**
Product formulations		**7,889**		**13,131**
Total amortization expense	$	**205,878**	$	**408,350**

(Expressed in Canadian Dollars)

There were no intangible assets as of June 30, 2016, and accordingly no amortization for the three and six months ended June 30, 2016.

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

16. Amounts payable and accrued liabilities

Amounts payable and accrued liabilities consist of the following:

		June 30, 2017		December 31, 2016
Trade accounts payable	$	**185,157**	$	1,148,036
Termination penalty (1)		**210,325**		
Other accrued liabilities		**698,522**		437,008
River investment obligations (2)		**3,889,200**		-
Purchase consideration payable (3)		**66,667**		133,333
Management bonus payable (4)		-		165,427
Other payables		**7,241**		2,385
Total amounts payable	$	**5,057,112**	$	1,886,189

(1) Prior to the release of the March 31, 2017 financial statements CannaRoyalty management determined that an agreement would not be completed with Zenabis Limited Partnership ("Zenabis"). At that time, a penalty provision of $183,475 was recorded in accordance with the binding letter of intent. The Company has now reached an agreement to issue 89,500 shares to Zenabis. At June 30, 2017, the penalty provision was increased by $27,950 to $210,325 in accordance with the Company's share price at the end of this quarter. These penalty charges are recorded as other income in the consolidated statement of loss and comprehensive loss. These shares will be issued during the next quarter.

(2) As discussed in note 13, the Company entered into a royalty based arrangement with River during the second quarter of fiscal 2017. As part of this arrangement, the Company is still required to make $3,889,200 ($3,000,000 USD) of payments to River which will be paid by December 31, 2017.

(3) The purchase consideration payable pertains to cash owing to the former shareholders of EML which will be paid in in one final instalment of $66,667 prior to the end of fiscal 2017. A payment of $66,666 was made in the quarter ended June 30, 2017.

(4) The management bonus payable pertains to a bonus owing to an executive officer for services rendered to EML prior to its acquisition date. This liability was fully paid in the first quarter of fiscal 2017.

17. Loan payable

On November 30, 2016, in connection to CannaRoyalty's acquisition of a 70% membership interest in Achelois LLC ("Achelois"), a promissory note for $336,000 USD was issued by Achelois to its founding shareholder. The note bears interest at 0.66% per annum and is fully repayable by November 30, 2017. The loan payable balance is $437,260 at June 30, 2017 which includes accrued interest of $1,670 (December 31, 2016 - $451,618).

(Expressed in Canadian Dollars)

The following is a reconciliation of the loan payable activity for the six months ended June 30, 2017.

Balance at January 1, 2017	**$**	**451,618**
Accrued interest		1,670
Impact of foreign exchange		(16,028)
Balance at June 30, 2017	**$**	**437,260**

18. Convertible debt

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, 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 represents an embedded derivative in the form of a put option to the Company. The derivative liability was valued at $84,559 as at June 30, 2017 (December 31, 2016 - $100,586). At June 30, 2017, the convertible loan payable totalled $1,464,690 and included $49,249 of accrued interest (December 31, 2016 - $1,414,414 including $15,000 accrued interest).

The following is a reconciliation of the convertible debt for the six months ended June 30, 2017.

Balance at January 1, 2017	**$**	**1,414,414**
Accrued interest		34,249
Decrease in derivative liability		16,027
Balance at June 30, 2017	**$**	**1,464,690**

19. Related party transactions

The following is a summary of the related party balances payable and receivable as of June 30, 2017 and December 31, 2016:

		June 30, 2017		December 31, 2016
Purchase consideration owing to key management (note 16)	$	**66,667**	$	133,333
Travel reimbursements owing to key management		**4,508**		7,136
Travel reimbursements owing to directors of the Company		**17,907**		13,969
Management bonus assumed on EML acquisition (note 16)		-		165,427
Total	$	**89,082**	$	319,865

(Expressed in Canadian Dollars)

The following is a summary of the related party transactions for the three and six months ending June 30, 2017 and June 30, 2016:

	Three months ending June 30, 2017	Three months ending June 30, 2016	Six months ending June 30, 2017	Six months ending June 30, 2016
Consulting fees (i)	$ -	$ 117,375	$ -	$ 583,125
Professional fees (i)	-	42,375	-	100,215
Rent and occupancy costs (ii)	**11,918**	-	**22,517**	-
Total	**$ 11,918**	$ 159,750	**$ 22,517**	$ 683,340

(i) The consulting and professional fees were paid to third party companies owned by the CEO and CFO.
(ii) Rent and occupancy costs pertain to charges paid by a subsidiary for office space owned by an executive officer of the company.

20. Share capital

Authorized:

Unlimited number of common shares

Issued:

41,948,495 common shares.

The following table lists all share issuances for the three and six months ended June 30, 2016 and June 30, 2017.

	Number	Amount
Balance as at December 31, 2015	**13,020,010**	**$ 2,608,390**
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**
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 $21,879)	3,000,000	2,228,122
Shares issued in connection with the exercise of vested share units (iii) – June 28, 2016	100,200	75,150
Balance as at June 30, 2016	**20,753,543**	**$ 8,334,694**

(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.

(ii) On June 7, 2016, the Company closed a private placement, issuing 3,000,000 units of the Company valued at $1.00 per unit for gross proceeds of $3,000,000. 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

(Expressed in Canadian Dollars)

Company at a price of $1.50 and will expire 18 months subsequent to the issuance of the $1.00 unit.

(iii) On June 28, 2016, the Company issued 83,500 common shares in the Company to the CEO and 16,700 common shares in the Company to a former CFO under the Company's share unit plan (note 20)

	Number	Amount
Balance as at December 31, 2016	**36,006,956**	**$ 30,636,253**
Shares issued in connection with the exercise of share options at $1.00 per share - January 17, 2017	25,000	53,414
Shares issued in connection with a bought deal financing at $2.52 per share - February 15, 2017 (iv) (net of share issuance costs of $1,249,951 and value of broker warrants of $387,000)	5,000,000	10,963,049
Shares issued in connection with Anandia purchase at $2.93 per share (v) - February 17, 2017	689,568	2,021,222
Shares issued in connection with exercise of warrants - February 24, 2017	19,500	29,250
Shares issued in connection with exercise of RSUs - March 24. 2017	15,400	30,800
Balance as at March 31, 2017	**41,756,424**	**$ 43,733,988**
Further issuance costs from February financing	-	(4,806)
Shares issued in connection with exercise of warrants	143,921	262,842
Shares issued in connection with exercise of RSUs - June 30. 2017	48,150	75,488
Balance as at June 30, 2017	**41,948,495**	**$ 44,067,512**

(iv) On February 15, 2017, CannaRoyalty closed an equity financing offering of an aggregate of 5,000,000 units at a price of $3.00 per Unit, for aggregate gross proceeds to CannaRoyalty of $15,000,000. Each unit was comprised of one CannaRoyalty share and half of one CannaRoyalty share purchase warrant. Each half share purchase warrant was valued at $0.48, leaving a value of $2.52 for each common share. Furthermore, as part of this financing 300,000 broker warrants with a value of $1.29 per warrant or $387,000 total were issued.

(v) On February 17, 2017, CannaRoyalty closed a 20% equity interest purchase agreement with Anandia (see note 11) which included share consideration of $2,021,222. As per the agreement, 682,097 common shares were issued to Anandia at a price of $2.93. The share price was based on the volume weighted average price of the shares in the ten days prior to closing. A further 7,471 common shares were issued at closing to maintain the Company's 20% equity interest. These shares were value at $2.84 based on the prior day closing price.

Issued and Outstanding Share Purchase Warrants

As of June 30, 2017, the outstanding share purchase and broker warrants could potentially be exercised for a total of 5,550,212 common shares. These outstanding warrants are classified as a warranty reserve totalling $4,675,035 at period end.

(Expressed in Canadian Dollars)

The following tables summarize the movement of warrants for the periods ended June 30, 2016 and June 30, 2017:

	Number of warrants		Grant date value		Weighted average exercise price
Outstanding and exercisable at January 1, 2016	-	$	-	$	-
Grants	1,500,000		0.50		1.50
Outstanding and exercisable at June 30, 2016	**1,500,000**	**$**	**0.50**	**$**	**1.50**

	Number of warrants		Grant date value		Weighted average exercise price
Outstanding and exercisable at January 1, 2017	**1,113,633**	**$**	**0.56**	**$**	**1.58**
Grants	4,600,000		1.02		3.44
Exercises	(163,421)		0.74		1.79
Outstanding at June 30, 2017	**5,550,212**	**$**	**0.94**	**$**	**3.12**
Warrants not yet exercisable	(1,800,000)		1.07		2.05
Outstanding and exercisable at June 30, 2017	**3,750,212**	**$**	**0.88**	**$**	**3.63**

A total of 1,800,000 warrants were issued in the three-month period ended June 30, 2017 (June 30, 2016 – 1,500,000 warrants). During the three months ended June 30, 2017, 143,921 warrants were exercised (June 30, 2016 – nil).

The warrants reserve of $5,271,085 at June 30, 2017 (December 31, 2016 - $628,623), is based on the number of outstanding warrants and their weighted average grant date value.

In connection with the equity financing completed on February 15, 2017, an aggregate of 5,000,000 units at a price of $3.00 per unit were issued. Each unit was comprised of one CannaRoyalty common share and half of one CannaRoyalty share purchase warrant. Each full share purchase warrant is exercisable to acquire one common share for a period of two years following the closing date of the offering, at an exercise price of $4.50. Each half share purchase warrant was valued at $0.48, and accordingly the 2,500,000 full share purchase warrants were valued at $0.96 each. These warrants were valued using the Black Scholes model with the following key assumptions; a grant price of $2.95 based on the average closing price the five days before the offering was completed, volatility of 82% based on comparable industry benchmarks, and a risk-free interest rate of 0.73%.

An additional 300,000 broker warrants were issued as part of the equity financing completed on February 15, 2017. These broker warrants can be exercised for $3.00 per share and will expire within 2 years, or February 15, 2019. The value of these warrants was $1.29 per share, or $387,000 total, which was valued using the Black Scholes model with the following key assumptions; a grant price of $2.95 based on the average closing price the five days before the offering was completed, volatility of 82% based on comparable industry benchmarks, and a risk-free interest rate of 0.73%.

As disclosed in note 7 to these consolidated financial statements, 1,800,000 share purchase warrants were issued to Sprott as part of a credit facility arrangement. These warrants were valued at $1,922,400 in aggregate, or at $1.07 per warrant using the Black Scholes model. These shares expire on June 19, 2019, and are not exercisable until August 23, 2017 which is the date the credit facility became available to CannaRoyalty.

(Expressed in Canadian Dollars)

The following is a summary of the expiry dates of outstanding warrants as at June 30, 2017. On average, the warrants will expire in 1.88 years.

Expiry date	Warrants outstanding		Exercise price
December 7, 2017	450,000	$	1.50
January 15, 2018	282,500		1.50
January 28, 2018	136,493		1.50
October 4, 2018	81,219		2.00
February 15, 2019	300,000		3.00
February 15, 2019	2,500,000		4.50
June 19, 2020	1,800,000		2.05
Total	5,550,212	$	3.12

Shares to be Issued and Contingent Shares

The shares and contingent shares to be issued balance at June 30, 2017 of $2,510,000, is made up of $500,000 of shares subscribed by Zenabis and contingent shares with a value of $2,010,000 issued on the acquisition of Dreamcatcher.

In connection with a letter of intent with Zenabis, Zenabis paid $500,000 to CannaRoyalty during November 2016. This payment was made to subscribe to 243,902 shares. These shares will be issued in the third quarter of fiscal 2017.

In connection with the acquisition of Dreamcatcher on October 24, 2016, CannaRoyalty potentially needed to issue an additional 2,000,000 common shares to the former shareholders of Dreamcatcher. These issuances were contingent on Dreamcatcher meeting specific targets six months after the acquisition date and twelve months after the acquisition date. At the acquisition date, the contingent consideration was deemed to be an equity instrument and was valued at $4,020,000. The six-month target date was April 24, 2017, and the targets were not achieved. As a result of the targets not being met, 1,000,000 shares will not be issued and $2,010,000 was transferred to contributed surplus in the quarter ending June 30, 2017.

21. Share unit plan and share option 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 June 30, 2017, a total of 1,141,822 Restricted Stock Units ("RSUs") were available for grant.

The number of share units granted and any applicable vesting conditions are determined at the discretion of the CannaRoyalty 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.

(Expressed in Canadian Dollars)

Summary of RSU Activity

The following table provides a summary of the movement in RSUs during the three and six months ended June 30, 2017 and June 30, 2016:

	Three Months Ending June 30, 2017		Three Months Ending June 30, 2016		Six Months Ending June 30, 2017		Six Months Ending June 30, 2016	
	Amount	**Value**	Amount	Value	**Amount**	**Value**	Amount	Value
Outstanding, Beginning of Period	**3,184,800**	**$ 1.71**	-	$ -	**2,774,800**	**$ 1.73**	-	$ -
Granted	**9,878**	**2.33**	300,000	0.75	**459,878**	**3.07**	300,000	0.75
Settled in common shares	**(48,150)**	**1.57**	(100,200)	0.75	**(63,550)**	**1.67**	(100,200)	0.75
RSU's withheld as tax on exercise	**(26,834)**	**2.00**	-	-	**(31,434)**	**2.00**	-	-
Forfeitures	**(66,666)**	**2.00**	-	-	**(86,666)**	**2.00**	-	-
Outstanding, End of Period	**3,053,028**	**$ 1.93**	199,800	$ 0.75	**3,053,028**	**$ 1.93**	199,800	$ 1.93

(1) Value is defined as the weighted average fair value of the RSU's at the Grant Date

Of the outstanding RSUs at June 30, 2017, 1,210,465 have vested and have not been exercised. The 1,842,563 unvested RSUs will vest in an average of 0.85 years.

As of June 30, 2017, the Company has committed to issue RSUs with a total value of $92,750 to two consultants. The RSUs will only be issued if the consultants continue to provide services between the agreement start date and a specified date, ranging from July 31, 2017 to April 30, 2018. The number of RSUs issued will be determined by the volume weighted average trading price of CannaRoyalty shares for the five proceeding days. Since the value of the RSUs is fixed, this is considered an equity instrument under IFRS 2, and the value of these shares has been amortized from the service start date to the specified receiving date. As of June 30, 2017, the Company has recorded an RSU expense of $36,720 related to these RSUs.

The following is a summary of the RSU expense by function for each accounting period:

	Three Months Ending June 30		Six Months Ending June 30	
	2017	2016	**2017**	2016
General and administrative	**$ 570,402**	$ 89,385	**$ 1,649,291**	$ 89,385
Sales and marketing	**67,095**	-	**146,602**	-
Research and Development	**8,319**	-	**8,319**	-
Outstanding, End of Period	**$ 645,816**	$ 89,385	**$ 1,804,212**	$ 89,385

Stock Options

At the completion of the RTO transaction the Company adopted, on the same terms, a stock option plan. This plan provides for a maximum number of common shares issuable with the ceiling set at a rolling maximum of 10% of the Company's issued and outstanding shares. At June 30, 2017, a total of 4,194,849 stock options were available for grant.

There are currently no stock options outstanding.

During the first quarter of this year, 25,000 stock options were exercised by a director of Bonanza Blue. These options were issued as part of the RTO transaction completed in fiscal 2016.

During the second quarter of this year, the company issued 100,000 options to a consultant which were cancelled before the end of the period.

(Expressed in Canadian Dollars)

22. Net loss per share

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Numerator for basic and diluted loss per share:				
Net loss for the period	**$ (2,467,511)**	$ (1,043,173)	**$ (4,521,296)**	$ (2,779,338)
Denominator for basic loss per share:				
Weighted average number of common shares outstanding	**41,829,704**	18,242,358	**40,356,024**	15,887,594
Effect of potential dilutive securities (1)	-	-	-	-
Adjusted denominator for diluted loss per share	**41,829,704**	18,242,358	**40,356,024**	15,887,594
Basic and diluted net loss per share	**$ (0.06)**	$ (0.06)	**$ (0.11)**	$ (0.17)

(1) Excluded from the calculation of diluted net loss per share for the three and six months ended June 30, 2017 were the securities from convertible loans payable (note 18), exercisable warrants (note 20), vested RSU's (note 21), subscribed and contingent shares (note 20) and shares to be issued as penalty for non-completed transactions (note 16). Excluded from the calculation of diluted net loss per share for three and six months ended June 30, 2016 was exercisable warrants and vested RSU's. These items were excluded as they were anti-dilutive.

23. Income taxes

The Company has a deferred tax liability of $2,957,138 (December 31, 2016 - $3,001,766) related to the acquisition of various intangible assets which are measured based on the tax rates in the respective jurisdictions at June 30, 2017.

For the three and six months ended June 30, 2017, the Company recognized a deferred tax recovery related to the amortization of these intangible assets of $78,681 and $157,053, respectively (June 30, 2016 - $nil and $nil).

24. Fair value of financial instruments

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:

	June 30, 2017	December 31, 2016
Fair value through profit or loss assets (liabilities):		
Cash	**$ 6,441,303**	$ 2,945,895
Derivative assets	**96,852**	114,505
Derivative liabilities	**84,559**	100,586
Loans and receivables:		
Loans receivable	**1,180,350**	2,943,161
Amounts receivable	**1,307,101**	556,170
Convertible notes receivable	**887,054**	864,806
Available for sale financial assets:		
Investments (1)	**2,228,750**	2,228,750
Financial liabilities at amortized cost:		
Amounts payable	**259,065**	1,449,181
Loans payable	**437,260**	451,618

(1) certain investments are recorded at cost (note 12)

(Expressed in Canadian Dollars)

Determination of fair value

The estimated fair values of cash, trade and amounts receivables, loans receivable, loans payable, and trade and amount 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 June 30, 2017 or December 31, 2016. The Company has not transferred any financial instruments between Level 1, 2 or 3 of the fair value hierarchy during the three months ended June 30, 2017.

25. Segmented information

CannaRoyalty operates under one reporting segment.

During the three and six months ended June 30, 2017 and 2016 the Company has generated the following types of revenues:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Product sales	$ 372,993	$ -	$ 404,328	$ -
Services	232,574	-	273,142	-
Royalties	332,630	-	543,094	-
Interest income	21,960	12,418	40,704	12,418
Total	**$ 960,157**	$ 12,418	**$ 1,261,268**	$ 12,418

Three parties generated 58% of the total revenue for the three months ended June 30, 2017, (June 30, 2016 - two parties, 100%) the largest accounting for 24% (June 30, 2016 – 59%). Two parties generated 55% of the total revenue for the six months ended June 30, 2017 (June 30, 2016 – two parties, 100%), the largest accounting for 33% (June 30, 2016 – 59%).

Interest income is recorded in revenue as providing capital to potential developing partners in the cannabis industry is part of CannaRoyalty's business mandate.

(Expressed in Canadian Dollars)

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

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Cost of product sales	$ 360,931	$ -	$ 360,931	$ -
Cost of services	25,885	-	37,695	-
Cost of royalties	151,660	11,984	196,488	11,984
Total	$ 538,476	$ 11,984	$ 595,114	$ 11,984

Revenue verticals

The Company operates in three main industry verticals within the cannabis sector consisting of Holdings, Brands, and Advisory Services.

The following table is a summary of revenues by operating verticals for three and months ended June 30, 2017 and 2016:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Holdings	$ 353,731	$ 12,418	$ 583,797	$ 12,418
Brands	373,852	-	404,329	-
Advisory services	232,574	-	273,142	-
Total	$ 960,157	$ 12,418	$ 1,261,268	$ 12,418

Geographic segments

The following table is a summary of revenues by geographic segments for three and six months ended June 30, 2017 and 2016:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Canada	$ 3,967	$ -	$ 17,827	$ -
United States of America	956,190	12,418	1,243,441	12,418
Total	$ 960,157	$ 12,418	$ 1,261,268	$ 12,418

The geographic segment is based on the location of the purchased of goods or services or the head office of the royalty issuer.

The Company's corporate and administrative offices are in Canada. As of June 30, 2017, $234,772 of the Company's property and equipment is in Canada (December 31, 2016 – $27,607). The remainder of the property and equipment is in the United States.

(Expressed in Canadian Dollars)

26. General and administrative Expense

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Accounting & audit fees	**$ 163,537**	$ 62,708	**$ 230,170**	$ 109,682
Bad debt	**99**	-	**(13,219)**	-
Advisory & consulting fees	**260,072**	431,616	**332,698**	1,211,940
Legal fees	**87,250**	87,210	**231,808**	171,541
Office & administration costs	**190,064**	36,987	**312,650**	43,776
Salary-based compensation	**566,121**	-	**1,130,046**	-
Stock-based compensation	**570,402**	89,385	**1,649,291**	89,385
Depreciation	**13,865**	-	**17,664**	-
Travel	**126,324**	55,538	**223,814**	112,807
Total	**$ 1,977,734**	$ 763,444	**$ 4,114,922**	$ 1,739,131

27. Capital management

The Company's capital is composed of its shareholders' equity. The Company's objective in managing its capital is to ensure financial stability and sufficient liquidity to increase shareholder value through organic growth and active support of its current interests, future acquisitions and royalty financing arrangements, and investment in marketing and product development. The Company's senior management is responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and investments to support its growth strategy. The Board is responsible for overseeing this process. In order to maintain or adjust its capital structure, the Company could issue new shares, repurchase shares, approve special dividends or issue debt.

28. Subsequent Events

(1) During July 2017, the Company advanced $250,000 to Farmacopeia Inc. ("Farmacopeia"), a corporation based in the province of Ontario that is applying for a Producer's Licence from Health Canada under the Access to Cannabis for Medical Purposes Regulations. The advance of $250,000 has been converted into 250,000 shares which will represent a 2.1% equity interest in Farmacopeia.

(2) In accordance with the Company's agreement to purchase a 20% equity interest in Anandia (note 11), the Company received 487,520 shares of Anandia on July 25, 2017, subsequent to the delivery of equipment. This distribution is based on an agreed value of $340,000 for the equipment delivered to Anandia and a share price consistent with the initial agreement. A further 229,421 shares, representing a value of $160,000, will be delivered when the Company provides installation and training services. These services are expected to be completed in the current fiscal year.

(3) On July 5, 2017, $150,000 USD of unsecured debt was advanced to Wagner Dimas, a 20% equity investee of the Company. The parties are in negotiation on a broader agreement which could change the nature of this advance.

(4) During the month of July, a supplier filed a claim for an overdue payment against Rich Extracts. The claim also included CannaRoyalty and a subsidiary with respect to any royalty payments made by Rich Extracts to CannaRoyalty. At this time, CannaRoyalty does not have exposure under the claim as Rich Extracts has not yet commenced royalty payments. As a result, a

contingent liability has not been recorded at June 30, 2017. Furthermore, the Company has assessed that the carrying value of the royalty investment and the advance receivable from Rich Extracts are not currently impacted.

(5) On August 23, 2017, subsequent to a binding term sheet on June 19, 2017, the Company executed an agreement with Sprott to complete a $12.0M financing. The financing is comprised of a revolving $12.0M secured credit facility with a three-year term. The facility will bear interest at an annual rate of 10%, payable quarterly in cash or CannaRoyalty shares. If the interest is repaid in CannaRoyalty shares, the share price will be determined based on a 10% discount of the volume weighted average price in the five trading days immediately prior to the second last business day of the quarter.

Concurrent to the execution of the binding term-sheet, CannaRoyalty issued Sprott 1,800,000 non-transferable common share purchase warrants. The value of these warrants has been included in other assets (note 7) and will offset the balance of the credit facility at the balance sheet date in future periods.