MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017


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INTRODUCTION

This CannaRoyalty Corp. (the "Company" or "CannaRoyalty") Management's Discussion and Analysis ("MD&A") is dated August 23, 2017. The MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements (the "Financial Statements") for the three months ended June 30, 2017, including the accompanying notes.

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars. 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 three months ended June 30, 2017 and up to and including August 23, 2017.

By their nature, the Interim Financial Statements do not include all the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto for the period ended December 31, 2016 and the related management's discussion and analysis of financial condition and results of operations for the period ended December 31, 2016.

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" or "GAAP") and include the accounts of the Company and its wholly-owned subsidiaries or controlling equity interests including Electric Medialand Inc. ("EML") located in Canada, Cannroy Delaware Inc. ("Cannroy Delaware"), Cannroy Distribution LLC ("Cannroy Distribution"), Dreamcatcher Labs Inc. ("Dreamcatcher"), GreenRock 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.

Under GAAP, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. See the "Adjusted EBITDA" section of this MD&A for more information on the Company's non-GAAP financial measures.

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

RISKS, UNCERTAINTIES AND FORWARD-LOOKING STATEMENTS

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 Company has several investments into businesses that operate in the U.S., where cannabis is federally illegal;
- the activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- the Company and its subsidiaries and other interests have limited operating histories;
- 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's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- 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;
- the Company is largely reliant on local partners for the manufacture of its branded products;
- 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;
- 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 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;
- 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; and
- the Canadian Depository for Securities Limited ("**CDS**") may be considering a policy change with respect to issuers with U.S. cannabis assets. A policy change, if implemented, could affect the Company's current operations and/or disqualify its ability to settle its securities with CDS.

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 key 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.

DESCRIPTION OF THE BUSINESS

OVERVIEW OF CANNAROYALTY

CannaRoyalty is an active investor and operator in the legal cannabis sector with holdings in the U.S., Canada and Puerto Rico. Specifically, CannaRoyalty provides strategic capital and functional expertise to support a diversified portfolio of cannabis holdings. The Company's strategy is to build an integrated platform of assets focused on high value segments including research, intellectual property, brands, devices and industry infrastructure. CannaRoyalty invests its capital via royalties, equity, licenses and convertible debt.

CannaRoyalty has organized its interests across three business units – CR Holdings; CR Brands; and CR Advisory Services. CR Holdings includes controlled equity holdings, minority equity holdings and royalty interests. CR Brands includes a portfolio of wholly owned and licensed brands that cover high growth segments of the cannabis sector including vaping, pre-rolls, edibles, topicals, medical devices, concentrates and animal health. CR Advisory offers a suite of services including corporate finance, marketing & branding, operational support, financial management, and compliance & regulatory. These services are offered by a strong in-house team complemented by independent advisors with the objective of assisting clients and partners in accelerating the commercialization of their product(s) or services, and ultimately in leveraging their unique selling proposition to create a leadership position in their chosen niche within the global cannabis industry.

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 Canadian Stock Exchange ("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 focuses on the growth of its business units and expanding their reach to end-users and partners. Although the business units are primarily responsible for developing and operating their respective businesses, CannaRoyalty is 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 Florida as well as in Canada and Puerto Rico 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 base on finding and partnering with the best and most innovative companies, projects, assets and overall business frameworks in the legal cannabis sector in the aforementioned jurisdictions.

To achieve its objectives, 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 significant opportunities exist 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 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 had 14 full-time employees at June 30, 2017 as well as an additional 21 full and part-time contract resources located primarily in Ontario, Canada and the State of California, supplemented by a vast array of specialized consulting firms in various domains of expertise.

Reference to the annual Management Discussion and Analysis at December 31, 2016 and most recently published Annual Information Form can be made for a more comprehensive description of the Company's risk factor and business environment.

HIGHLIGHTS FOR THREE MONTHS ENDING JUNE 30, 2017

Summary

The central theme of the Company's second quarter of fiscal 2017 was the continued expansion of its balance sheet and setting the stage for future growth of its portfolio assets. An earlier equity financing led to the strengthening of the Company's cash position and allowed for strong strategic growth through the acquisition of new holdings, continued investment towards the development of its existing brand portfolio, formation of new strategic corporate divisions, and commitments to new strategic relationships. These new partnerships and other significant corporate achievements have allowed the Company to begin realizing synergies between and amongst its various assets within its portfolio. CannaRoyalty has ultimately become increasingly well positioned to allocate capital to accretive investment opportunities, and to also provide the ongoing support required to de-risk operations, realize significant upside, and in some cases, work towards obtaining liquidity for its investees.

Strategic and Operational

CannaRoyalty achieved a number of strategic milestone objectives during the quarter including:

- the formation of both CR Advisory and CR Brands Divisions
- the establishment of a strategic business partnership with River Collective ("**River**")
- The execution of a $12 million credit facility financing with Sprott Inc. ("**Sprott**")
- the grant of a processing license from the Oregon Liquor Control Commission ("OLCC"), to Rich Extracts LLC, ("Rich Extracts") one of CannaRoyalty's royalty investments. The license allows Rich Extracts to produce and wholesale cannabis products to licensed distributors and dispensaries.

These key accomplishments have positioned the Company to leverage substantial market opportunities and continued growth and have also improved CannaRoyalty's value proposition for potential new investees and other strategic partners, in both current and new legal cannabis markets. The Company has and will continue adding complementary segments to build its integrated platform of assets that focus on high-value product segments of the global cannabis market including pre-rolls, vaporizers, edibles, topicals, intimacy oils, animal health, concentrates, inhalers, transdermal patches, and other innovative products that are currently in development.

CR Advisory

The Company has since its inception, combined its industry leading expertise with its significant corporate finance, legal, and capital markets know-how, to guide investees in the nascent and complex cannabis industry. CannaRoyalty has now formalized this approach by establishing CR Advisory, a new Division which has been supporting and driving the growth of both new and existing investments through its

advisory services, making the Company a more attractive capital provider to global cannabis businesses.

CR Advisory was created to leverage the significant expertise and experience of CannaRoyalty and its management team, in order to provide consulting and advisory services to participants of the global cannabis industry. CR Advisory provides a full suite of services within the areas of corporate finance, capital markets, compliance and regulation, financial management, cultivation and extraction, operations, as well as retail and sales strategy. In addition, marketing and branding services are provided through CannaRoyalty's wholly-owned marketing and design agency, EML. CR Advisory leverages the core competencies of its management team to provide these dynamic value-add advisory services.

CR Advisory is taking a commercial approach by providing billable offerings to third party clients as well as some of its investees for discrete, value add advisory services. For example, on June 30, CR Advisory secured an engagement with one of its investee companies, Alternative Medical Enterprises, LLC ("AltMed") for an up-front fee of $150,000 USD, plus a success fee on certain AltMed corporate transactions. CR Advisory is also in the process of securing new mandates from existing holdings and from its commercial deal pipeline.

More generally, CR Advisory provides the ongoing expertise and know-how required for emerging companies to effectively grow and succeed within the nascent, complex and highly regulated cannabis industry.

CR Brands

Consistent with CannaRoyalty's strategy to build an integrated platform for the commercialization of high value segments and specifically the CR Brands pillar, the Company is pleased to report its most recent progress following the appointment of David E. Vautrin as President of CR Brands on March 1st, 2017. Since Q1, CR Brands has advanced on several fronts including the fully executed River distribution relationship through which the Company secured a $20M USD purchase commitment to support the launch of its CR Brands portfolio of premium consumer cannabis brands, which are further discussed below. In addition, the Company has established its California office in Irvine, CA and hired key personnel including a U.S. Operations Manager and Manager of Finance and Administration. Commercial manufacturing of two wholly-owned CR Brands, GreenRock Botanicals and Soul Sugar Kitchen, commenced during the quarter ended June 30, 2017.

California is the largest legal cannabis market in the world and a key jurisdiction for CannaRoyalty's business development strategy. In order to drive the growth of its CR Brands Division and effectively develop its market share in the California market, CannaRoyalty made one of its largest investments to date into River, the largest legal distributor of cannabis in California. The partnership allows CannaRoyalty to leverage River's extensive network, which includes relationships with most of California's pre-eminent cannabis industry participants and thought leaders to drive significant growth of its entire CR Brands portfolio. The strategic partnership includes both a royalty financing and a $20M USD product purchase commitment from River. CannaRoyalty and River both view the purchase commitment as a floor rather than a ceiling.

The strategic agreement with River has positioned CannaRoyalty and its investees to thrive in the California market. CannaRoyalty's CR Brands assets, as well as its investee brands and assets, have and will continue to significantly benefit from CannaRoyalty's strategic relationship with the largest legal distributor of cannabis in California. River distributes a wide range of cannabis products to over 500 retail

collectives throughout California. New and existing CannaRoyalty investees benefit significantly from this sales channel, as well as access to the experience, expertise, and business network of River, which has built a leadership position in the legal distribution of medical cannabis products in California.

Beyond California, CannaRoyalty continues to improve its global distribution platform for its CR Brands portfolio of assets. To that end, the manufacture and distribution of CR Brands in Puerto Rico has begun through its investee company Natural Ventures PR, LLC ("Natural Ventures"). The distribution of CR Brands in Puerto Rico has commenced with its wholly-owned branded products Soul Sugar Kitchen ("Soul Sugar") gourmet-edibles and GreenRock Botanicals ("GreenRock") premium vape pens. The Company has continued exploring international distribution partners to help drive the growth and sales of its CR Brands portfolio products.

The Company has also established The Terpistry™, a wholly-owned brand to complement its CR Brands portfolio. The Terpistry was formed in collaboration with a leading published expert in terpenes, Dr. Jörg Bohlmann, to develop and commercialize cannabis products with proprietary and innovative synthetic terpene formulations. The Terpistry's mission is to develop products with unique terpene profiles. The plethora of naturally occurring terpenes and their potential to complement and enhance cannabis, through the 'entourage effect', provides a revolutionary platform to develop the next generation of refined and targeted cannabis extract based products. The Company is currently in the development process to launch The Terpistry, and is developing formulations, packaging, and new product lines.

AGM Appointments

On June 16, 2017, CannaRoyalty had its first Annual Shareholders Meeting ("AGM"). At the AGM, the shareholders re-appointed Jackson & Co LLP, Chartered Professional Accountants, as the auditors of CannaRoyalty and re-elected Marc Lustig, Greg Wilson, James Young and Rob Harris as the Company's Board of Directors.

Financial Performance

The following are the major financial highlights of CannaRoyalty's operating results for Q2 of Fiscal 2017, compared to the same period in Fiscal 2016:

- revenues were $960,157 as compared to $12,418. The Company had yet to earn product, service or royalty revenue in the second quarter of Fiscal 2016;
- gross margin was $421, 681 as compared to $434;
- gross margin % was 44% as compared to 3%;
- operating expenses were $2,741,685 as compared to $927,655, an increase of 196%;
- net loss of $2,467,511 as compared to a net loss of $1,043,173, an increase of 137%;
- net loss per share of $0.06 as compared to $0.06;
- adjusted EBITDA loss of $1,456,654 as compared to a loss of $849,701, an increase of 71%; and
- adjusted EBITDA loss per share of $0.03 as compared to a loss a $0.05.

The following is a summary of key balance sheet totals as of June 30, 2017 compared to December 31,

2016.

- cash and cash equivalents were $6,441,303 as compared to $2,945,895, an increase of 119%;
- total assets of $50,018,351 as compared to $32,197,938, an increase of 55%;
- current assets of $12,105,026 as compared to $7,197,410, an increase of 68%;
- current liabilities of $5,494,372 as compared to $2,337,807, an increase of 135%;
- long-term debt of $1,464,690 as compared to $1,414,414, an increase of 4%;

RECENT DEVELOPMENTS

CannaRoyalty has continued executing on its core corporate objectives improving its strategic position in existing and new legal domestic and international cannabis markets. Additionally, CR Advisory is working to formalize various engagements with companies in its existing portfolio. CannaRoyalty continues to focus on sourcing accretive and synergistic investment opportunities, growing of its extensive brand portfolio, and ultimately, achieving significant shareholder value creation.

As was noted earlier, CannaRoyalty's newly established CR Advisory Division secured its first engagement with one of its investee companies, AltMed on June 30. The up-front $150,000 USD fee was collected in August and the engagement is progressing successfully.

CDS considerations regarding listed cannabis companies with operations in the United States

On December 8, 2016, CannaRoyalty listed on the Canadian Securities Exchange ("**CSE**") under the ticker symbol CRZ. CannaRoyalty is one of approximately 10 issuers listed on the CSE with exposure to the US cannabis sector. As discussed further under the Risks and Uncertainties section of this MD&A, cannabis is illegal under US federal law, but has been legalized by 31 US states and guidance has been provided to businesses operating in the industry by various regulatory bodies such as the United States Department of Justice, Internal Revenue Service, and The Financial Crimes Enforcement Network. Recent media reports indicate that The Canadian Depository for Securities Limited ("**CDS**") may be considering a policy change with respect to issuers with U.S. cannabis assets. Specifically, media reports have suggested that CDS may be considering a policy change which, if implemented, could disqualify CDS settlement of securities of issuers with U.S. cannabis assets. Lou Eccleston, CEO of the TMX Group Ltd., said one of the company's business units is in talks with securities regulators and other industry players to determine whether or not it will continue to handle trades in the shares of these companies. He also said that CDS is concerned about the potential legal risks of facilitating trades in marijuana companies with U.S. investments.

CDS, a wholly owned subsidiary of TMX Group Limited, is the principal clearing house in Canada responsible for the custody and movement of securities, the post-trade processing of securities transactions, and the collection and distribution of entitlements relating to securities deposited by participants. CDS has not issued any policy statement indicating that it is formally considering a policy change to disqualify the settlement of securities of issuers with U.S. cannabis assets. Likewise, none of the securities regulators in Canada have issued a formal statement indicating a change in position with respect

to issuers with U.S. cannabis assets. CannaRoyalty is not aware of any formal decision by CDS, or any of the securities regulators in Canada, to disqualify or restrict settlement of securities of issuers with U.S. cannabis assets.

In the CSE Policy Guidance, Richard Carleton, the CEO of the CSE, confirmed the CSE's position on U.S. cannabis listings. In the CSE Policy Guidance Mr. Carleton stated that:

> *"… [the CSE is] pleased to be receiving growing interest from entrepreneurs in the U.S. cannabis space, where a rapidly evolving legal framework has created significant investment opportunities. Provided that these companies offer appropriate risk disclosure and demonstrate that they are operating in accordance with applicable laws, we believe that they are valuable additions to our well-regulated exchange."*

CDS is subject to securities law and oversight by various securities regulators in Canada including the Ontario Securities Commission, the *Autorité des marchés financiers*, and the British Columbia Securities Commission. CDS is required to provide 45 written days notice to the securities regulators of any proposed material changes to its policies.

CannaRoyalty's shares are also traded and settled through The Depository Trust Company ("**DTC**"), allowing CannaRoyalty to facilitate trading and settlement for CannaRoyalty shareholders. DTC is the largest securities depository in the world and holds over US$35 trillion of securities on deposit. Many Canadian brokerages are fully equipped for and settle through both CDS and DTC, and in the event of any CDS policy changes, CannaRoyalty will, among other options, pursue clearance of trades through the DTC.

Retention of LodeRock Advisors Inc.

The Company announced that it has retained LodeRock Advisors Inc. ("**LodeRock**") to provide strategic investor relations and capital markets communications services. LodeRock is a group of senior capital markets executives with more than 100 years of collective experience in investor relations, equity research and investment management. This engagement will help significantly improve the Company's strategic investor relations and capital markets communications, as well as increasing management's available resources to focus on other business segments. LodeRock develops and executes institutional-quality investor relations programs that combine high-level advice with full-service execution, to assist its clients to achieve their capital markets objectives.

AltMed Partners with Established Cultivator and Awarded Florida Medical Marijuana License

AltMed, one of the Company's investees, combined its Florida operations with Plants of Ruskin Inc. ("**Ruskin**"), a multi-generational Florida cultivator, to form AltMed Florida. Ruskin has been granted one of only nine Medical Marijuana Treatment Center ("MMTC") licenses in Florida. The formation of AltMed Florida opens the Florida market to AltMed's award-winning line of MüV™ cannabis infused products, which are anticipated to be available to patients statewide in Q1-2018 via delivery and through MüV by AltMed Florida dispensaries. AltMed Florida expects to grow its dispensary footprint as patient demand grows, with up to 25 total dispensaries permitted under its license. Ruskin owns and has already received zoning, land use and permitting for its state-of-the-art 150,000-square-foot cultivation and manufacturing facility.

Advance to Farmacopia

In July 2017, CannaRoyalty advanced $250,000 to Farmacopia Inc., an Ontario based corporation that is currently in active review as part of its application for a Producer's License from Health Canada under the Access to Cannabis for Medical Purposes Regulations.

Close of $12 million debt financing with Sprott

CannaRoyalty has executed a revolving $12 million secured credit facility with Sprott Canna Holdco Corp. on August 23. The facility has a three-year term and is secured against the Canadian assets of CannaRoyalty. Any outstanding principal amount will bear interest at an annual rate of 10%, payable quarterly in cash or CannaRoyalty shares at a 10% discount. The proceeds from the financing are expected to be used for specific opportunities that CannaRoyalty is pursuing for production and/or processing assets, as well as general corporate purposes.

In addition, CannaRoyalty warrants were issued to Sprott on June 19, 2017 which entitle Sprott to purchase 1.8 million CannaRoyalty shares at an exercise price of $2.05 per share for a period of three years after closing. The warrants and the debt facility are non-transferable, other than to certain permitted transferees.

Joint Venture

The previously announced binding Term Sheet with Sprott also contemplated a joint venture arrangement ("JV") to focus on debt investment opportunities in the rapidly growing legal Canadian cannabis sector. The legal structure of the JV will be determined in the context of each JV investment. The types of assets that the JV may target include licensed producers, licensed producer applicants, production assets, property, and equipment. CannaRoyalty and Sprott have begun reviewing investment opportunities for the JV.

CannaRoyalty will leverage its cannabis sector experience, deep industry relationships and investment pipeline to identify and refer attractive Canadian opportunities to the JV. Additionally, CannaRoyalty will assist Sprott in completing due diligence and providing strategic support to JV investments, as well as the structuring, negotiation, and monitoring of those investments. Sprott will provide the JV with its significant expertise and experience as a provider of asset backed investment capital in specialized areas that are not fully served by traditional credit providers. Financing for each investment, expected to include both debt and equity upside, will be arranged by Sprott and include participation by CannaRoyalty, if desired by CannaRoyalty. As partner in the JV, CannaRoyalty will participate in realized returns from investments made, following a customary private equity style waterfall. CannaRoyalty will also have the opportunity to directly enter into royalty, streams, offtake agreements or other business relationships with JV borrowers.

Governance - Update to Board of Directors

On July 5, 2017, following consultation with CannaRoyalty, Sprott exercised its Board nomination right to Mr. Peter Gundy as its Board nominee. The CannaRoyalty Board of Directors ("the Board") appointed Mr. Gundy on closing of the Sprott debenture financing on August 23, as a Director and as the Chair of CannaRoyalty's Audit Committee, a position that was vacated in May of this year resulting from the resignation of Mr. Chuck Rifici.

GENERAL BUSINESS UPDATE AND REVIEW OF TOP HOLDINGS

The following updates on select key holdings should be read in conjunction with the more comprehensive descriptions found in CannaRoyalty's December 31, 2016 MD&A.

River - Royalty on net sales (December 2024), CR Brands purchase agreement

On May 15, 2017, CannaRoyalty completed a royalty and supply agreement with River, the first California based medical cannabis distributor to receive local permits for medical cannabis wholesale logistics, distribution and transportation.

River serves the medical cannabis community in California and provides safe storage and transport of medical cannabis products throughout the State in all key regions and urban centres. CannaRoyalty estimates that River's revenues will increase significantly in 2018, with the launch of full adult use cannabis sales in California.

River aspires to be a leader in market share of the California cannabis distribution. According to the Brightfield Group, California's total cannabis market measured at retail sales value is estimated to grow to over $10 billion by 2020. CannaRoyalty receives a 2.25% royalty on River's net sales (excluding River's sales of CannaRoyalty branded products) until CannaRoyalty recovers its $5M USD investment after which the royalty percentage falls to 1.75% of net sales (excluding River's sales of CannaRoyalty branded products) until December 2024.

River is a highly respected industry leader that manages its operations in a strict, compliant manner, at times exceeding current legislative requirements or regulatory standards. While being socially conscious and environmentally responsible, River is adapting early to anticipated changes in legislation. A good example of this is River's zero tolerance policy on pesticide content in the products they distribute.

River by the numbers:

- Dispensaries served: 528
- Account representatives: 20
- Suppliers and producers: 17
- Products (SKUs): 1,191 active; 3,028 total

CannaRoyalty expects to leverage its strategic relationship with River to sell its branded products through River's extensive distribution network. River has committed to purchase a minimum of $20M USD worth of CR Brands products over the term of the agreement, subject to certain conditions.

Dreamcatcher Labs - 100% wholly-owned subsidiary of CannaRoyalty

Dreamcatcher Labs Inc. ("Dreamcatcher") is a 100% wholly owned subsidiary of CannaRoyalty which designs and manufactures a proprietary vaporizer cartridge for the cannabis sector. Through both small batch benchtop filling process and its large-scale filling machines, Dreamcatcher has the ability to produce high volume safe, sealed and high-quality extract cartridges for vape pens to meet large-scale mass-market demand. The cartridge delivery system provides users with a predictable and consistent experience. Currently the hardware features stainless steel components, a quartz glass tank and ceramic wick technology. The hardware ensures that users have an ability to utilize a vast array of extracts and oil

and can enjoy diverse types of strains and experiences. Dreamcatcher also has the capability to sell unfilled cartridges on a “white label” basis on a global scale.

Dreamcatcher’s unique vape cartridge and battery unit are combined into a finished product electronic vaporizer which is commercialized under the brand name GreenRock Botanicals. This CR Brands product is easy to use and is interchangeable with most common battery systems. The GreenRock brand is sold in both a full starter kit with battery, USB charger and filled cartridge as well as in individual cartridges. Vaping is one of the fastest growing segments of the cannabis market, as it provides a smoke free experience which is highly attractive to many users of cannabis products. This product is being distributed under the GreenRock brand and/or under white label agreements in California, Washington DC, Puerto Rico and Arizona. CR Brands is currently developing new formulations and additional brands for Dreamcatcher’s cartridge technology with a view to broaden the distribution of the vaporizer to new markets.

Following the Company’s recent launch of the GreenRock brand in Puerto Rico with CannaRoyalty’s licensing partner, Natural Ventures PR, LLC (“Natural Ventures”), CannaRoyalty is pursuing additional strategic licensing partnerships to commercialize CR Brands products in additional jurisdictions as part of its CR Brands growth strategy.

CannaRoyalty’s objective is to capture and maintain a multi-brand leadership position in the “vape” category. Based on recent data from Brightfield Group, the vape category is projected to be $918M USD in 2018 and $1.75B USD by 2021 in the U.S.

More specifically in California, where CannaRoyalty has a concentration of human and capital assets, the vape market size is projected to be $450M USD in 2018 and over $1.0B USD in 2021. The vape category growth rate in California is forecasted to outpace the 82% national growth rate of the vape subcategory, according to Arcview’s recently published 5th Edition Market Research Report. According to that same report, vapes offer an easy, less noisome way to ‘smoke’ and are buoyed by a worldwide trend away from traditional smoking.

Beyond the expansion of GreenRock brand, CannaRoyalty intends to develop and market additional vape brands on the strength of Dreamcatcher’s technology platform, that will each have a unique selling proposition. The Company believes that by way of the successful execution of its pipeline of innovation, the CR Brands future vape portfolio offering will appeal to a broad range of cannabis consumers. In aggregate and in conjunction with CannaRoyalty’s strategic relationship with its River distribution partner, the Company intends on achieving a leadership position in the California “vape” market.

Anandia Laboratories - 20% equity position

CannaRoyalty has a 20% equity position in Anandia Laboratories Inc. (“Anandia"), a biotechnology company which focuses on 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 Dealer’s License. This 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).

Anandia continues to expand its market leading position as a source of scientific services and products for the cannabis industry. Quality control testing is expanding rapidly with new LP and patient-grower clients, with a focus on high-sensitivity pesticide assays designed to meet the anticipated implementation of mandatory pesticide analysis for ACMPR batch release. Anandia's testing Division has also made available specialized testing services to clients including residual solvent analysis for oil products and breeding assays such as seedling chemotyping and male/female sex determination. Anandia's genetics division continues to build its germplasm collection through international import and increased tissue culture capacity for strain archiving. By leveraging the sales and distribution activities on its Health Canada Dealers Licence, Anandia has started to supply germplasm to licensed producers, via select offerings of certified strains in Q3 2017. Anandia is also actively engaged in licensed import / export of cannabis products with global partners. Planning is underway for a second licensed laboratory facility to enable increased testing capacity and further expansion of tissue culture technology, extraction services, and white-label production for clients. To fuel this continued growth, Anandia Labs anticipates raising additional capital through a private placement.

In Q2 2017, Anandia Labs earned revenues of $1.1M and generated an operating profit.

Wagner Dimas - 20% equity position

On May 25, 2016, CannaRoyalty acquired a 20% equity interest in Wagner Dimas Inc. ("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, patent-pending manufacturing platform 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 provides contract manufacturing services and has also developed and commercialized its own line of branded pre-rolls that are sold through its California mutual benefit corporation.

Pre-rolls accounted for 6% of the legal cannabis market in CO, WA and OR (where recreational use has been legalized) in the 4th quarter of 2016 and is the fastest growing segment with a growth rate of 121% according to Arcview Market Research. The category and segment trends in these three states is an indication of how the California market could trend in the coming years with legalization of recreational use expected in January 2018.

Wagner Dimas has developed a commercially available technology to enable scalable production of pre-rolls, with current output of approximately 1,200 units per pre-roll machine per hour, compared with the current industry standard of approximately 100 units per machine per hour. Wagner Dimas is investing significantly in R&D for next generation equipment that is anticipated to significantly increase production capacity further distancing itself from current market alternatives.

By leveraging its leadership position in pre-roll manufacturing equipment and process, Wagner Dimas has seen a sharp rise in demand for co-packing services and now has separate contract manufacturing agreements with 20 cannabis brands and cultivators in the California market. The average amount that Wagner Dimas charges for co-packing services represents roughly 10% of the retail value of the pre-rolled finished products they support which is sufficient to generate healthy margins while providing co-packing clients with an unparalleled quantity of top quality finished product that would otherwise be unattainable. In addition, Wagner Dimas completed its first out-of-state licensing agreement in Nevada and anticipates more licensing deals in other

states and countries moving forward. Wagner Dimas is currently generating strong sequential revenue growth through its owned brands, co-packing agreements and technology licensing.

Resolve Digital Health - 27.2% equity position

CannRoyalty has an overall equity holding in Resolve Digital Health Inc. ("Resolve") of 27.2% at a carrying value of approximately $3.4 million. Based on Resolve's most recent financing, 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. Resolve plans to conduct business on a global scale, in countries where cannabis is legal or will become legal.

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 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.

Resolve owns intellectual property (currently 11 patents in various stages of registration and another 8 new innovations) with trademark protection in four continents. With a licensing business model, they are aggressively building new cannabis brands with a focus on best in class vaporizers and technology.

Key Resolve Activities and milestones in Q2:

- in the process of attaining Health Canada approval for two of its medical devices;
- undertaking extensive testing of their medical devices;
- signed an exclusive distribution deal in Australia with LeafCann, and are working on transactions in California, Florida, Washington State and Canada;

Resolve is still in the pre-commercialization stage and is not currently generating revenues. Resolve's loss for the second quarter was approximately $687,000.

Rich Extracts - Royalty on gross sales in perpetuity

In February 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. In exchange for the royalty stream CannaRoyalty advanced Rich Extracts with a royalty financing of $2,812,200 ($2,150,000 USD). Additional advances of $696,022 ($536,888 USD) up to June 30, 2017 and an additional $81,818 ($63,112 USD) since June 30 bringing the total amount of advances owed by Rich Extracts to CannaRoyalty beyond the royalty investment, to $77,840 ($600,000 USD).

Rich Extracts has a 30,000-square foot facility in Oregon which houses equipment including specialized extractors and distillation units capable of processing up to 80,000 grams per month of cannabis concentrates and distillates using a variety of extraction processes. Rich Extracts obtained its processing

license from the Oregon Liquor Control Commission (OLCC) in May and commenced commercial sales in July after undergoing an exhaustive regime of product quality testing in May and June.

Due to delays experienced in obtaining its license and commencing commercial sales, Rich Extracts was unable to make full payment for raw materials purchased from a supplier. The supplier subsequently filed a claim for the 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. Furthermore, Rich Extracts has recently completed processing of the raw materials purchased by such supplier, and expects to be in a position to repay the debt in full when the processed materials are sold and revenues collected. Notwithstanding, CannaRoyalty is in active and amicable discussions with the supplier to resolve the suit against all parties and potentially broker a long-term supply arrangement, and anticipates the matter to be resolved in the near term.

Cascadia Holdings - Royalty on gross rental income in perpetuity

Cascadia Holdings LLC ("Cascadia") is incorporated in the state of Washington and leases turnkey built-out solutions to companies that produce and process cannabis products pursuant to licenses issued by the Washington State Liquor and Cannabis Board.

In 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.

CannaRoyalty has also advanced a total of $349,998 ($269,977 USD) to provide Cascadia additional working capital.

In return for the investment, CannaRoyalty has the right to a 30% perpetual royalty stream on Cascadia's gross rental income. Cascadia owns the American Nutraceutical facility ("ANI"), which currently has one tenant occupying the total leasable space of 9,000 square-feet. ANI is a fully equipped facility which allows its tenant to run several cannabis production activities including analytical product testing, extraction, formulation, product development, post-processing, distillation, and packaging for a large portfolio of cannabis products. The tenant produces and sells many of its own cannabis products, and derives significant revenue from co-packing and white-labelling contracts they have with other Washington cannabis companies. Cascadia charges an above market rent per square foot since it has provided the tenant with a fully built up facility capable of producing cannabis finished products. The rent that Cascadia charges its tenant is $19.35 USD per square foot which equates to $174,150 USD per month. CannnaRoyalty's 30% royalty equates to $52,245 USD per month. In the last quarter, this revenue translated into Canadian Dollars was $210,184 to CannaRoyalty.

In addition to ANI, Cascadia has an option to lease the nearby Aroma facility at a cost of $4 per square foot, and then sub-lease to a tenant license holder that would allow it to charge a similar premium rent as with ANI, for which CannaRoyalty would also receive a 30% royalty stream in accordance with the terms of this agreement. Aroma currently consists of an existing 9,000 square foot facility, plus sufficient land to build an additional purpose-built facility of approximately 45,000 square feet. The existing 9,000

square foot facility requires approximately $750,000 USD in additional capital for fit-up costs and equipment to be ready for a tenant to occupy and commence commercial operations.

Alternative Medical Enterprises - 8.3% equity position, Royalty on net sales of MüV products (July 2026)

Alternative Medical Enterprises, LLC ("AltMed") is a Florida-based company bringing pharmaceutical industry precision to the development, production and dispensing of medical cannabis. AltMed currently has vertically integrated cannabis operations in Arizona and Florida with a pipeline of expansion opportunities to scale operations significantly in the US medical cannabis market and expand into the international market. Additionally, the company owns MüV™, a full range of premium smoke-free cannabis products designed and produced to the highest standards, including topicals, inhalers, vaping products, shatter and crumble as well as oral sprays and tinctures.

CannaRoyalty currently owns 8.3% of the common equity of AltMed. CannaRoyalty also receives a royalty of 3.5% of the net sales of MüV products until July 2026. CannaRoyalty has the licensing rights to the MüV product line in Canada, Puerto Rico and a variety of US states including California. CR Advisory is also currently engaged by AltMed for the provision of capital markets advisory services.

In August 2017, AltMed successfully raised $11M USD in convertible debentures (oversubscribed) at a $70M USD pre-money valuation. CannaRoyalty did not participate in the convertible debentures financing.

Arizona

In Arizona, AltMed owns a 30,000-sq. ft. cultivation facility (approved for a 140,000-sq. ft. greenhouse expansion), one dispensary with plans to target 5+ dispensaries across the state, and has presence in over 50% of the state's dispensaries with MüV™ products.

Florida

On August 2, 2017, AltMed completed a transaction to form AltMed Florida an entity owned 40% by AltMed and 60% by Plants of Ruskin, a licensed operator in the Florida medical cannabis market that is building a 150,000-sq. ft. facility with Phase 1 expected to complete by the end of 2017.

AltMed and Plants of Ruskin will leverage AltMed's extensive offering of smoke-free MüV™ products, beginning with 5 dispensaries and targeting a total of 25 dispensaries throughout Florida.

RESULTS OF OPERATIONS

The following table sets forth consolidated statement of financial information date for the three and six-month periods ending June 30, 2017 and June 30, 2016:

	June 30, 2017	December 31, 2016
Selected statement of financial position data		
Cash and cash equivalents	$ 6,441,303	$ 2,945,895
Working capital (deficit)	6,610,654	4,859,603
Total investments (1)	22,329,027	8,363,922
Total assets	50,018,351	32,197,938
Long term and convertible debt	1,549,249	1,515,000
Shareholder's equity	40,017,592	25,343,365
Dividends, per share	-	-

(1) This represents the sum of investments, royalty investments, and interests in equity method investees

- Increase in cash of $3.5M is driven by the $13.8M of proceeds from the bought deal financing. This has been offset by cash used in investing activities of $5.6M and cash used in operations of $4.9M.
- Total investments have increased due to investments in River, Anandia, the conversion of an advance to Rich Extracts into a royalty arrangement, and deemed disposal gains due to increases in the fair value of Resolve.
- Total assets have increased by $17.8M due to the above noted cash and investment increases.
- As of June 30, 2017, there is no additional long-term debt. However, as previously mentioned in the Recent Developments section of this MD&A, the Company closed a financing arrangement with Sprott which provides a credit facility of up to $12M.

The followings table sets forth consolidated statements of operations data for the three and six-month periods ending June 30, 2017 and June 30, 2016:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Consolidated Statements of Comprehensive Loss				
Revenue	$ 960,157	$ 12,418	$ 1,261,268	$ 12,418
Gross margin	421,681	434	666,154	434
Operating expenses	2,741,685	927,655	5,794,446	2,429,728
Loss from operations	(2,320,004)	(927,221)	(5,128,292)	(2,429,294)
Net and comprehensive loss	(2,467,511)	(1,043,173)	(4,521,296)	(2,779,338)
Net loss per common share - basic and diluted	(0.06)	(0.06)	(0.11)	(0.17)
Weighted average common shares - basic and diluted	41,829,704	18,242,358	40,356,024	15,887,594

REVENUE

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

Revenue for the three and six months ended June 30, 2017 was $960,157 and $1,261,268 as compared to $12,418 and $12,418 for the comparable periods ended June 30, 2016. The revenue earned in the period ended June 30, 2016 pertains to interest charged on loans made to various start-up entities in the cannabis space. CannaRoyalty began generating revenue during June 2016, and has shown growth in its three main revenue types – i.e. services, product sales and royalty income. The most significant source of service revenue pertains to services completed for AltMed by our CR Advisory Division as well as marketing services provided by EML. Royalty income has been driven by revenue from Cascadia and River. Product revenues have been largely driven by sales from our GreenRock, Dreamcatcher and Soul Sugar brands.

The following is a summary of the CannaRoyalty's revenue by vertical for the 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
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

Advisory service revenue is related to our CR Advisory Division and EML, and in particular fees to AltMed. Revenues from brands are mostly related to the sale of product by GreenRock and Dreamcatcher. Holdings revenues are derived from our royalty arrangements, and namely those with Cascadia and River, as well as some interest earned on our convertible loans receivable from BAS Research ("BAS") and Eureka Management Services Inc. ("Eureka").

CannaRoyalty started generating revenue from its brands in the second quarter of fiscal 2017. The Revenues for CR Brands were $nil in Q1 as the Company's focus during the first quarter and into the second quarter was on establishing infrastructure, opening its U.S. offices and engaging in soft launch commercialization activities in preparation to fulfill the demand for CR Brands products from its new California distributor, River.

CannaRoyalty expects to progressively increase its revenues over the next 12 months due to an increasing number of royalty agreements, business units coming on-line for the entire period, increased marketing initiatives, new relationships with manufacturers and CannaRoyalty's strategic relationship with River, a leading California state-wide distributor.

COST OF SALES AND GROSS MARGIN

The following is the costs of sales for each type of revenue source for the three and six months ended June 30, 2017 and June 30, 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
Cost of product sales	$ 360,931	$ -	$ 360,931	$ -
Cost of service	25,885	-	37,695	-
Cost of royalties	151,660	11,984	196,488	11,984
Total	$ 538,476	$ 11,984	$ 595,114	$ 11,984

Cost of sales were $538,476 and $595,114 for the three and six months ended June 30, 2017, as compared to $11,984 and $11,984 for the comparable periods ended June 30, 2016. The cost of sales recorded for the periods ended June 30, 2016 pertained to the amortization of equipment which had been provided to Cascadia.

The following is the gross margin % for each type of revenue source for the three and six month periods ended June 30, 2017 and June 30, 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
Cost of product sales	3%	n/a	11%	n/a
Cost of service	89%	n/a	86%	n/a
Cost of royalties	54%	n/a	64%	n/a
Total	44%	3%	53%	3%

The cost of royalties pertains to the amortization of equipment which has been provided to Cascadia as well as the amortization of the royalty financing arrangement with NuTrae and River. The margin of 54% earned from royalties is led by the performance of Cascadia. The cost of services pertains to personnel costs incurred in providing advisory services and the high margin of 89% is due to management's specialized expertise. The cost of product sales pertains to cost of materials, labour and amortization. The margin of 3% is due to the impact of overhead charges on early stage revenue levels.

OPERATING EXPENSES

	Three months ended June 30, 2017	Three months ended June 30, 2016	% Change	Six months ended June 30, 2017	Six months ended June 30, 2016	% Change
Sales and marketing	$ 409,221	$ 2,939	13824%	$ 646,081	$ 10,942	5805%
Research and development	148,852	161,272	-8%	625,093	679,655	-8%
General and administrative	1,977,734	763,444	159%	4,114,922	1,739,131	137%
Amortization of intangibles	205,878	-	n/a	408,350	-	n/a
Total	$ 2,741,685	$ 927,655	196%	$ 5,794,446	$ 2,429,728	138%

Total operating expenses have increased by 196% and 138% for the three and months ended June 30, 2017, as compared to the three and six months ended June 30, 2016. This is largely due to the increased spending in general and administrative expenses and sales and marketing expenses to support the Company's asset growth. The Company's assets have increased from $3.9M at March 31, 2016 to $50.0M at June 30, 2017, an increase of $46.1M over the past fifteen months. Due to the Company's current stage

of operations, operating expenses are not analyzed as a percentage of total revenues.

For the three months ending June 30, 2017 and June 30, 2016, sales and marketing ("S&M") expenses were $409,221 and $2,939 respectively. S&M expenses increased by 5805% to $646,081 in the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. These marketing costs consist primarily of commercializing the Company's portfolio of acquired and internally developed brands and are consistent with the Company's view that strong brand recognition is essential to growing a sustainable base of product revenues.

Research and development ("R&D") expenses were $148,852 for the three months ending June 30, 2017 as compared to $161,272 for the three months ending June 30, 2016, a decrease of 8%. R&D expenses decreased by 8% to 625,093 in the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. The Company's development team is researching a variety of intellectual property and other related opportunities with respect to the extraction of cannabis oils. These costs will be beneficial in deriving future opportunities for the CR Advisory Division. While the company expects to reap future benefits from developing expertise in extraction, a larger portion of its current resources have been devoted to other functional areas to develop its current brands and holdings and to expand its investment base.

General and administrative ("G&A") expenses increased by 159% to $1,977,734 for the three months ending June 30, 2017 as compared to $763,444 for the three months ending June 30, 2016. G&A expenses increased by 137% to $4,114,922 in the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. A significant factor in the increased G&A is share based compensation which has increased from $89,385 to $570,402 for the three-month periods ending June 30, and increased from $89,385 to $1,649,291 for the six-month periods ending June 30. Excluding share based compensation, total G&A has increased by 105% and 48% for the three and six-month periods respectively. Additional costs incurred for the three and six months ended June 30, 2017 include professional and consulting services required for increased acquisition and financing activities, costs incurred in supporting a rapidly expanding asset base, the cost of newly opened offices in Ottawa and California, and the cost of new employees hired on or after November 1, 2016 to support increased operational needs in finance, legal, marketing, investor relations and for the Company's California operations.

Expenses related to the amortization of brands and technologies were $205,878 and $408,350 for the three and six months ending June 30, 2017 as compared to $nil and $nil for the three and six months ending June 30, 2016. These expenses relate to the intangibles that were acquired from Dreamcatcher and EML in October 2016 and November 2016 respectively.

Share-based compensation, a non-cash expense, was $645,816 and $1,804,212 for the three and six months ended June 30, 2017 as compared to $89,385 for both the three and six months ended June 30, 2016. Restricted share units ("RSUs") were first issued in April 2016. The expenses relate to shares issued under a share unit plan whereby the executive team, the board of directors and new employees were granted RSUs that vest as service conditions are reached. For most RSU's one-third of the shares vest immediately or within one month upon issuance. Since these RSUs are typically issued at the start of employment, and the executive team and other management became employees in late 2016 and early 2017, the expense incurred in the three months ending December 31, 2016 and the six months ending June 30, 2017 may be higher than future periods. These costs have been fully classified in accordance with the corporate functions of the grantee, the majority of which is G&A. The shares are measured at fair value at the date of grant.

OTHER INCOME AND EXPENSES

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Gain/(loss) on reclassification to held for sale	**$ (10,000)**	$ -	**$ 88,674**	$ -
Profit/(loss) from equity accounted investees, net of tax	**(98,483)**	-	**843,914**	-
Penalties from non-completion of transactions	**(37,578)**	-	**(221,053)**	-
Listing expense	-	-	**(38,193)**	-
Foreign exchange gain (loss)	**(61,628)**	(11,431)	**(187,280)**	(76,237)
Interest expense	**(18,499)**	(104,521)	**(36,119)**	(273,807)
Total	**$ (226,188)**	$ (115,952)	**$ 449,943**	$ (350,044)

A gain of $88,674 was recorded on the reclassification of equipment to assets held for sale. This gain was recorded in relation to the equity acquisition transaction with Anandia in February 2017. The equipment that will be moved and installed at Anandia has been classified as an asset held for sale on the balance sheet and accordingly is valued at fair value less disposal costs at June 30, 2017. The gain was recorded to increase the estimated fair value of the disposal group to $333,160.

The loss from equity accounted investees was $98,483 for the three-month period ending June 30, 2017. For the six-month period ended June 30, 2017, the Company earned profit of $843,914 from its equity accounted investees. This was due to a gain of $1,132,107 recorded on the deemed disposition resulting from the dilution of CannaRoyalty's investment in Resolve from 33% to 27% in March. This gain is offset by the net proportionate loss of $288,193 incurred by the Company's associate companies over the past 6 months. While the associated companies are still in the early stage of business development, two of the companies were profitable in the most recent quarter. The associate which is incurring losses has had a significant increase in fair value and was the source of the gain on deemed disposition.

The company has recorded a penalty of $210,325 related to the non-completion of a transaction with Zenabis Limited Partnership ("Zenabis"). The terms under negotiation were no longer acceptable to CannaRoyalty. The penalty will be paid via the issuance of 89,500 shares in the third quarter, and the liability is currently valued based on the closing price of CannaRoyalty shares at June 30, 2016. The remaining penalty of $10,728 pertains to a forfeited advance to another party from not pursuing a term sheet.

The listing expense of $38,193 consist of legal and filing charges to join the OTCQB market in the US during February 2017.

Interest expense was $18,499 and $36,119 for the three and six months ended June 30, 2017 respectively, a significant decrease from the interest expense of $104,521 and $273,807 for the three and six months ended June 30, 2016. In fiscal 2016, the company obtained short term financing from various shareholders to meet ongoing operating obligations. Due to recent equity raises, such short-term financing has not been required. Interest expense in the current period and current year to date relates to accrued interest on the convertible debt from Aphria.

DEFERRED TAX RECOVERY

The Company realized deferred tax recoveries of $78,681 and $157,053 during the three and six months ended June 30, 2017 respectively, which 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 recovery is recorded based on the current tax rates.

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 three and six months ended June 30, 2017, amounted to $2,467,511 and $4,521,296 respectively, as compared to losses of $1,043,173 and $2,779,338 for comparable periods ending June 30, 2016. The increased losses are largely due to an increase in share based cased compensation and additional operating expenses as discussed above. This was partially offset by an increase in gross margin and a gain on the deemed disposal of Resolve. During the current business stage of CannaRoyalty's holdings, losses are expected due to the lack of sufficient revenues to fund operating expenses necessary for the company to achieve long term growth.

ADJUSTED EBITDA

	Three months ended		Six months ended	
	June 30 2017	June 30 2016	**June 30 2017**	June 30 2016
Net loss for the period	**$ (2,467,511)**	$ (1,043,173)	**$ (4,521,296)**	$ (2,779,338)
Add (Subtract)				
Amortization of property and equipment	**49,456**	11,984	**91,198**	11,984
Amortization of intangible assets	**205,878**	-	**408,350**	-
Amortization of royalty investments	**144,271**	-	**165,392**	-
Interest expense	**18,499**	104,521	**36,119**	273,807
Interest income	**(21,960)**	(12,418)	**(40,704)**	(12,418)
Deferred income tax recovery	**(78,681)**	-	**(157,053)**	-
EBITDA	**$ (2,150,048)**	(939,086)	**(4,017,994)**	(2,505,965)
Listing expense	-	-	**38,193**	-
Penalties from non-completion of transactions	**37,578**	-	**221,053**	-
(Gain) loss on reclassification to assets held for sale	**10,000**	-	**(88,674)**	-
Share based compensation	**645,816**	89,385	**1,804,212**	89,385
Gain on dilution of equity accounted investment	-	-	**(1,132,107)**	-
TOTAL ADJUSTED EBITDA	**$ (1,456,654)**	$ (849,701)	**$ (3,175,317)**	$ (2,416,580)
Weighted average number of common shares outstanding - basic and diluted	**41,829,704**	18,242,358	**40,356,024**	15,887,594
ADJUSTED EBITDA per share - basic and diluted	**$ (0.03)**	$ (0.05)	**$ (0.08)**	$ (0.15)

EBITDA and adjusted EBITDA are non-GAAP financial measures and accordingly they are not earnings measures recognized by IFRS and do not carry standard prescribed significance. Moreover, our method for calculating Adjusted EBITDA 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.

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:

- $38,193 of costs in the six-month period ending June 30, 2017, related to establishing CannaRoyalty on the OTCQB stock exchange.
- $88,674 gain in the six-month period ending June 30, 2017 due to the reclassification of equipment to assets held for sale. These assets are expected to be disposed of as part of the acquisition of Anandia equity.
- $221,053 of charges recorded in the six months ending June 30, 2017, related to penalties for the cancellation of two transactions, the largest being a $210,325 penalty to Zenabis.
- $1,132,107 gain on the deemed disposal of Resolve shares resulting from an additional financing which reduced CannaRoyalty's equity interest from 33% to 27%.

Share based compensation was significantly higher than normal in the past three quarters due to the hiring of new executives around the going public transaction date. These charges have been removed to make the Adjusted EBITDA measure more useful.

On a per share basis the Adjusted EBITDA loss has decreased from $0.05 to $0.03 for comparable three-month periods ending June 30, and from $0.15 to $0.08 for comparable six-month periods ending June 30.

For the three and six months ending June 30, 2017, CannaRoyalty incurred an Adjusted EBITDA loss of $1,456,654 and $3,175,317, as compared to losses of $849,701 and $2,416,5803 in the prior year. The increased Adjusted EBITDA loss of $606,953 in the three months ending June 30, 2017, was due to the increase in G&A and S&M which was partially offset by the increase in gross margin of $421,247. The increase in the Adjusted EBITDA loss of $758,737 in the six months ending June 30, 2017 as compared to the six months ending June 30, 2016, was also due to the increase in G&A and S&M which was partially offset by the gain on the deemed disposal on Resolve of $1,132,107 and the increase in gross margin of $665,720.

SELECTED CONSOLIDATED QUARTERLY RESULTS

	30-Sep 2015	31-Dec 2015	31-Mar 2016	30-Jun 2016	30-Sep 2016	31-Dec 2016	31-Mar 2017	**30-Jun 2017**
Revenue	$ -	$ -	$ -	$ 12,418	$ 127,707	$ 502,152	$ 301,111	**$ 960,157**
Gross margin	-	-	-	434	91,269	236,787	244,473	**421,681**
Operating expenses	354,850	495,995	927,655	927,655	1,924,952	4,161,119	3,052,761	**2,741,685**
Loss from operations	(354,850)	(495,995)	(927,221)	(927,221)	(1,833,683)	(3,924,332)	(2,808,288)	**(2,320,004)**
Net and comprehensive loss	(431,800)	(511,201)	(1,043,173)	(1,043,273)	(1,866,845)	(7,404,357)	(2,053,785)	**(2,467,511)**
Net loss per share - basic and diluted	$ (0.04)	$ (0.04)	$ (0.08)	$ (0.06)	$ (0.07)	$ (0.23)	$ (0.05)	**$ (0.06)**
Weighted average shares - basic and diluted	10,750,010	12,956,967	13,532,830	18,242,358	25,814,087	31,475,058	38,865,970	**41,829,704**

Quarter ending June 30, 2017 vs Quarter ending March 31, 2017

The following is a comparison of our results for the three months ending June 30, 2017 and the three months ending March 31, 2017. We believe this is relevant information to measure our business due to the rapid growth in the past 12 months and it may better reflect current trends in the business.

- Revenue has increased to $960,157 in the second quarter or by 219%. This is related to growth in product sales, royalty income from River, and a significant service completed by the CR Advisory Division.
- Gross Margin has increased to $421,681 in the second quarter or by 72%. Gross Margin has decreased from 81% in the first quarter to 44% in the second quarter. The gross margin % fell due to the increased mix of product sales which is the lowest margin revenue type.
- Operating expenses decreased by 10% or $311,076 to $2,741,685 in the second quarter. This was driven by a decrease in share based compensation of $512,580, and was partially offset by smaller increases in consulting fees, payroll and office costs.
- The 17% decrease in loss from operations in the second quarter is due to the improved margin and decreased operating expenses.
- Other income has decreased by 902,319 to a loss of $226,188 in the second quarter. This was largely due to the gain recorded on the deemed disposal of Resolve in the first quarter of $1,132,107. While this is a strong indicator for the Resolve investment, it is not an item that will re-occur each period.
- Net loss per share has increased from a loss of $0.05 to $0.06, due to the gain on Resolve in the first quarter which was only partially offset by the improvements made in gross margin and operating expenses.

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 June 30, 2017 and December 31, 2016:

		June 30, 2017		December 31, 2016
Cash and cash equivalents	$	**6,441,303**	$	2,945,895
Liquid assets (1)		**7,748,404**		3,502,065
Quick ratio (2)		**1.41**		1.50
Working capital		**6,610,654**		4,859,603
Working capital ratio (3)		**2.20**		3.08
Long term and convertible debt		**1,549,249**		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

CannaRoyalty's liquid assets as of June 30, 2017 and December 31, 2016 include cash and cash equivalents and amounts receivable. The Company's level of liquid assets is relevant to meet its current operating needs and it uses the quick ratio to measure its short-term liquidity.

As of June 30, 2017, the Company had liquid assets of $7.7M compared to $3.5M at December 31, 2016. Over the same period the quick ratio has decreased from 1.50 to 1.41, which is due to the $3.9M of payment obligations to River. With a quick ratio of 1.41, the Company should have enough liquidity to meet its short term operational needs without requiring short term financing. The Company has been able to successfully obtain short-term financing in the past to meet its obligations. The quick ratio is currently sufficient due to the recently completed bought deal financing of $15.0M on February 17, 2017. This will be further alleviated because of the $12.0M credit facility arrangement with Sprott which was closed on August 23, 2017 as previously mentioned in this MD&A. 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 to assess its 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 surplus has increased from $4.8M at December 31, 2016 to $6.6M at June 30, 2017 due mainly to the bought deal financing in February 2017 which generated net proceeds of $13.7M. Furthermore, as previously mentioned in this MD&A, the Company closed a deal with Sprott and obtained a credit facility of $12.0M on August 23. While there has been an increase in working capital as well as a new credit facility, the surplus at June 30, 2017 might not be sufficient on its own for the Company to fully undertake the level of strategic opportunities it would like to pursue over the next 12 months. The pursuit of significant additional cash based strategic opportunities may not be possible without incremental financing.

The Company has successfully pursued strategic opportunities in the 12 months ending June 30, 2017 despite its working capital position. This is largely due to proceeds of $23.0M from share and share purchase warrant issuances, $2.6M from the exercise of warrants and stock options, and $1.5M from the issuance of convertible debt during this period. The February 2017 bought deal financing helped the Company pursue two significant transactions in fiscal 2017, namely Anandia and River and allowed for additional financing of its business partners and early development stage subsidiaries. However, there can be no assurance that the Company will be able to continue to finance its strategic opportunities via the issuance of shares or debt.

While CannaRoyalty will receive certain cash flows in the upcoming fiscal year, these may not be able to fund both current operations and the desired level of strategic investments. Therefore, if the Company is unable to continue to find sources of equity financing or short or long-term debt, it might be unable to meet both its strategic initiatives and its operating requirements. Management will monitor its level of acquisition activity to meet its operating requirements over the next 12 months.

The chart below highlights the Company's cash flows during the three and six months ended June 30, 2017 and June 30, 2016.

Net cash provided (used by)	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Operating activities	$ (2,410,143)	$ (1,129,999)	$ (4,864,753)	$ (1,871,577)
Financing activities	193,635	3,269,522	13,984,824	4,258,429
Investing activities	(3,288,606)	(1,835,755)	(5,624,663)	(2,135,850)
Cash, beginning	11,946,417	6,157	2,945,895	58,923
Cash, end	$ 6,441,303	$ 309,925	$ 6,441,303	$ 309,925

CASH USED IN OPERATING ACTIVITIES

The cash used in operating activities during the three and six months ended June 30, 2017 was $2.4M and $4.9M, respectively, as compared to the cash used of $1.1M and $1.9M for the three and six months ending June 30, 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 the gross margin earned from 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, the cost of opening an office in Ottawa and California, and the cost of new employees hired on or after November 1, 2016 to enhance our legal, finance, investor relations, and operations teams.

CASH FROM FINANCING ACTIVITIES

The cash provided by financing activities during the three and six months ended June 30, 2017 was $0.2M and $14.0M, respectively. The largest source of financing was the issuance of shares and share purchase warrants in a February bought deal financing which generated cash of $13.7M. During the three months ended July 31, 2017, the company generated $0.3M from warrants.

For the three and six months ended June 30, 2016, cash provided by financing activities was $3.3M and $4.3M respectively. The largest source of financing was the issuance of shares in private placements which generated cash of $5.5M for the six-month period, which was partially offset by the net repayment of short term financing of $0.6M, and a decrease in share subscriptions payable of $0.7M.

Shares issued in financings were issued at $0.75 per share in the three and six months ending June 30, 2016 as compared to $2.52 per share in the three and months ending June 30, 2017.

CASH USED IN INVESTING ACTIVITIES

The cash used in investing activities during the three and six months ended June 30, 2017 was $3.3M and $5.6M, respectively. For the six-month period, the largest uses of cash were the advances to River of $2.7M to acquire a future stream of royalty based payments, investments of $1.6M in equity interests of less than 50% (Anandia and Resolve), and $1.1M advanced to Rich Extracts. CannaRoyalty provides working capital to assist start up interests such as Rich Extracts to become commercially operational or to expand operations. 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 three and six months ended June 30, 2016 was $1.8M and $2.1M, respectively. The primary uses of cash were $0.8M advanced to start up entities, $0.3M spent on the issuance of convertible debt to Eureka and $0.7M spent on the acquisition of equity from Resolve and Bodhi Research.

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 development via acquisition, continued operations and to meet the liabilities and commitments as they come due. Specifically, as of June 30, 2017 the Company has a history of losses with an accumulated deficit of $17,984,006, share capital of $40,017,592 and working capital of $6,610,654. This compares to an accumulated deficit of $13,490,327, share capital of $30,636,253 and working capital of $4,859,603 as at December 31, 2016.

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 investments, pipeline projects, upcoming product launches, and general working capital requirements to support growth including new 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 primarily of equity (approximately $40.0M) and convertible debt (approximately $1.5M). The Company's primary uses of capital are to invest in research and intellectual property, 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's objectives when managing capital are to ensure that the Company will continue to have enough liquidity to help build its investments into successful businesses that will ultimately generate above market returns.

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 this fiscal year.

The Company's authorized share capital is an unlimited number of common shares of which 41,948,495 were issued and outstanding as at June 30, 2017 (December 31, 2016 – 36,006,956 common shares). The Company has issued 3,053,028 RSUs that have not been exercised as at June 30, 2017 including 1,210,465 that have vested (December 31, 2016 – 2,774,800 including 1,065,637 that have vested). As of June 30, 2017, there are share purchase warrants and broker warrants outstanding that can potentially be converted to 5,550,212 shares (December 31, 2016 – 1,113,633).

ACCOUNTING MATTERS

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, in accordance with National Instrument 52-109 ("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. The Company was a venture issuer as of June 30, 2017. Investors should be aware that inherent limitations on the ability of certifying officers of a venture 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.

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, royalty investments with a perpetual royalty stream, and those classified as held for sale;
- valuation of compound financial instruments with debt and equity
- 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" in our Annual MD&A 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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

Please see Note 18 of the Financial Statements.

Adoption of New Accounting Standards

None of the new accounting standards adopted during the three and six months ended June 30, 2017 (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 three months ended June 30, 2017.