CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 and the nine-months ended December 31, 2016

(Expressed in Canadian Dollars)

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Independent Auditors' Report

To the Shareholders of CannaRoyalty Corp.:

We have audited the accompanying consolidated financial statements of CannaRoyalty Corp., which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CannaRoyalty Corp. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Other Matter
The financial statements of CannaRoyalty Corp. as at December 31, 2016, were audited by other auditors whose report dated April 12, 2017, expressed an unqualified opinion on those statements with an emphasis of matter drawing attention to Note 1 and Note 2 in the financial statements which indicated the existence of a material uncertainty that may cast significant doubt on the ability of CannaRoyalty Corp. to continue as a going concern.

As part of our audit of the December 31, 2017 financial statements, we also audited the adjustments described in Note 29 that were applied to amend the December 31, 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2016 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2016 financial statements taken as a whole.

MNP LLP

Ottawa, Ontario

Chartered Professional Accountants

April 3, 2018

Licensed Public Accountants

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CANNAROYALTY CORP.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note		December 31, 2017		December 31, 2016 (restated - note 29)
ASSETS					
Current					
Cash and equivalents		**$**	**4,522,644**	$	2,945,895
Amounts receivable	4		**1,429,123**		556,170
Inventory	5		**270,169**		641,350
Prepaid and other assets			**250,744**		110,834
Loans receivable - current	6		**1,102,168**		2,943,161
Convertible notes - current	7		**373,127**		-
			7,947,975		7,197,410
Loans receivable	6		**66,421**		-
Convertible notes receivable	7		**-**		864,806
Derivative assets	7		**-**		114,505
Interest in equity accounted investees	8		**3,596,333**		3,541,281
Investments	9		**17,243,342**		2,228,750
Royalty investments	10		**5,834,613**		2,593,891
Property and equipment	11		**1,084,098**		1,393,112
Intangible assets and goodwill	12		**10,366,975**		14,264,183
			38,191,782		25,000,528
		$	**46,139,757**	$	32,197,938
LIABILITIES					
Current					
Amounts payable and accrued liabilities	13	**$**	**1,606,689**	$	1,886,189
Loan payable	14		**425,345**		451,618
Current tax liability	22		**102,236**		-
			2,134,270		2,337,807
Convertible debt	15		**1,431,950**		1,376,583
Line of credit	16		**826,517**		-
Deferred tax liability	22		**1,278,676**		3,001,766
		$	**5,671,413**	$	6,716,156
SHAREHOLDERS' EQUITY					
Share capital	19	**$**	**50,007,891**	$	31,351,441
Share subscription and contingent shares	19		**-**		4,520,000
Warrants reserve	19		**4,149,703**		628,623
Contributed surplus	19,20		**9,902,292**		2,577,811
Accumulated other comprehensive loss			**(1,032,719)**		(102,762)
Accumulated deficit			**(22,381,817)**		(13,490,327)
Non-controlling interest			**(177,006)**		(3,004)
			40,468,344		25,481,782
		$	**46,139,757**	$	32,197,938

Subsequent events (note 30)

See accompanying notes to the audited consolidated financial statements.

On behalf of the Board

/s/"Marc Lustig" Director /s/"Peter Kampian" Director

CANNAROYALTY CORP
Consolidated Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Year ended December 31, 2017	9 months ended December 31, 2016
Revenue	24	**$ 3,077,969**	$ 642,277
Cost of sales	24	**(2,172,340)**	(313,787)
Gross margin		**905,629**	328,490
Operating expenses			
Sales and marketing		**1,456,874**	573,469
Research and development		**931,053**	744,762
General and administrative	26	**10,076,087**	5,564,274
Amortization of brands and technologies	12	**796,883**	131,221
Loss from operations		**(12,355,268)**	(6,685,236)
Other income (expenses)			
Gain on disposal of equipment	11	**91,674**	-
Changes in fair value of investments	9	**10,882,154**	-
Impairment of loans and advances	6	**(3,776,081)**	-
Impairment of convertible notes receivable	7	**(559,845)**	-
Impairment of intangible assets & goodwill	12	**(2,335,000)**	-
Impairment of royalty investments	10	**(1,014,211)**	-
Profit (loss) from equity accounted investees, net of tax	8	**(280,180)**	63,401
Gain on investment from change to/from Equity method	8	**-**	26,875
Bargain purchase		**-**	59,358
Changes in fair value of embedded derivatives	7	**(110,965)**	-
Additional expense related to letter of intent transaction	19	**(204,060)**	-
Adjustment from non-completion of share swap transaction			
Listing expense	28	**-**	(3,901,011)
Foreign exchange gain (loss)		**(436,555)**	243,868
Interest expense	27	**(467,957)**	(176,958)
Interest income		-	-
Net loss before tax		**(10,566,294)**	(10,369,703)
Current tax expense	22	**(105,021)**	-
Deferred tax recovery	22	**1,605,823**	52,224
Net loss for the period		**$ (9,065,492)**	$ (10,317,479)
Other comprehensive loss for the period			
Foreign currency translation differences		**(929,957)**	(102,762)
Total comprehensive loss for the period		**$ (9,995,449)**	$ (10,420,241)
Net loss per common share - basic and diluted	21	**$ (0.22)**	$ (0.41)
Weighted average number of common shares outstanding - basic and diluted	21	**41,439,567**	25,237,273
Total net loss for the period attributable to:			
Owners of the company		**$ (8,891,490)**	$ (10,314,475)
Attributable to non-controlling interest		**(174,002)**	(3,004)
		$ (9,065,492)	$ (10,317,479)
Total comprehensive loss for the period attributable to:			
Owners of the company		**$ (9,821,447)**	$ (10,417,237)
Attributable to non-controlling interest		**(174,002)**	(3,004)
		$ (9,995,449)	$ (10,420,241)

CANNAROYALTY CORP

Consolidated Statements of Changes in Shareholder's Equity

(Expressed in Canadian Dollars)

	Number of shares (note 19)	Share capital (note 19)	Contingent shares (note 19)	Warrants Reserve (note 19)	Contributed Surplus (note 19&20)	Accumulated Other Comprehensive Loss	Deficit	Non Controlling Interest	Total Shareholders' Equity
Balance at April 1, 2016	$ 16,353,343	$ 5,056,422	$ -	$ -	$ -	$ -	$ (3,175,852)	$ -	$ 1,880,570
Net loss for the period	-	-	-	-	-	-	(10,314,475)	(3,004)	(10,317,479)
Change in foreign currency translation	-	-	-	-	-	(102,762)	-	-	(102,762)
Shares issued for cash - private placement	250,000	500,000	-	-	-	-	-	-	500,000
Shares and warrants issued for cash - private	4,737,735	3,553,303	-	1,184,434	-	-	-	-	4,737,737
Shares and broker warrants issued in brokered	2,502,000	4,844,623	-	159,377	-	-	-	-	5,004,000
Share issuance costs - cash	-	(537,783)	-	-	-	-	-	-	(537,783)
Shares issued for services	1,300,000	975,000	-	-	-	-	-	-	975,000
Shares issued for exercise of restricted share	100,200	75,150	-	-	(75,150)	-	-	-	-
Stock based compensation	-	-	-	-	2,486,130	-	-	-	2,486,130
Shares issued in acquisitions of equity interests	7,250,000	10,125,000	-	-	-	-	-	-	10,125,000
Assigned value to share capital from	-	-	-	-	138,417	-	-	-	138,417
Shares issued for convertible debt	220,000	165,000	-	-	-	-	-	-	165,000
Shares issued for exercise of warrants	1,430,375	2,860,751	-	(715,188)	-	-	-	-	2,145,563
Shares issued on RTO transaction	1,813,303	3,627,148	-	-	-	-	-	-	3,627,148
Share options issued on completion of RTO	-	-	-	-	85,241	-	-	-	85,241
Share options exercised	50,000	106,827	-	-	(56,827)	-	-	-	50,000
Shares to be issued - subscribed	-	-	500,000	-	-	-	-	-	500,000
Shares to be issued - contingent consideration	-	-	4,020,000	-	-	-	-	-	4,020,000
Balance at December 31, 2016 (restated - note	36,006,956	$ 31,351,441	$ 4,520,000	$ 628,623	$ 2,577,811	(102,762)	(13,490,327)	(3,004)	$ 25,481,782
Balance at January 1, 2017	**36,006,956**	**$ 31,351,441**	**$ 4,520,000**	**$ 628,623**	**$ 2,577,811**	**$ (102,762)**	**$ (13,490,327)**	**$ (3,004)**	**$ 25,481,782**
Net loss for the period	-	-	-	-	-	-	**(8,891,490)**	**(174,002)**	**(9,065,492)**
Equity component of debt		**0**					**0**		-
Change in foreign currency translation	-	-	-	-	-	**(929,957)**	-	-	- **929,957.00**
Shares and warrants issued in bought deal	**5,000,000**	**12,600,000**	-	**2,400,000**	-	-	-	-	**15,000,000**
Shares to be issued	**0**	**0**	-	**0**	-		-		-
Costs associated with bought deal financing	-	**(958,046)**	-	**(284,952)**	-	-	-	-	**(1,242,998)**
Broker warrants issued with bought deal	-	**(531,000)**	-	**531,000**	-	-	-	-	-
Shares issued for exercise of restricted share	**88,333**	**169,849**	-	-	**(169,849)**	-	-	-	-
Withholding taxes on exercise of restricted	-	-	-	-	**(84,887)**	-	-	-	**(84,887)**
Stock based compensation (note 20)	-	-	-	-	**3,583,881**	-	-	-	**3,583,881**
Shares issued in acquisitions of equity interests	**689,568**	**2,021,222**	-	-	-	-	-	-	**2,021,222**
Shares issued for exercise of warrants	**749,500**	**1,487,441**	-	**(374,950)**	-	-	-	-	**1,112,491**
Shares issued for exercise of broker warrants	**93,921**	**273,310**	-	**(85,468)**	-	-	-	-	**187,842**
Share options exercised	**25,000**	**53,414**	-	-	**(28,414)**	-	-	-	**25,000**
Warrants issued with credit facility	-	-	-	**1,922,400**	-	-	-	-	**1,922,400**
Shares issued for consulting services	**11,765**	**30,000**	-	-	-	-	-	-	**30,000**
Shares issued for previously subscribed shares	**243,902**	**500,000**	**(500,000)**	-	-	-	-	-	-
Shares issued for failed letter of intent	**89,500**	**204,060**	-	-	-	-	-	-	**204,060**
Shares issued on exercise of warrants by Sprott	**900,000**	**2,806,200**	-	**(961,200)**	-	-	-	-	**1,845,000**
Warrants to be issued for prior services related	-	-	-	**378,000**	-	-	-	-	**378,000**
Contingent shares recorded on acquisition	-	-	**(4,020,000)**	-	**4,020,000**	-	-	-	-
Expired warrants	-	-	-	**(3,750)**	**3,750**	-	-	-	-
Balance at December 31, 2017	**43,898,445**	**$ 50,007,891**	**$ -**	**$ 4,149,703**	**$ 9,902,292**	**$ (1,032,719)**	**$ (22,381,817)**	**$ (177,006)**	**$ 40,468,344**

CANNAROYALTY CORP
Consolidated Statement of Cash Flow
(Expressed in Canadian Dollars)

	Year Ended December 31, 2017	9 months ended December 31, 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	$ (9,065,492)	$ (10,317,479)
Items not affecting cash:		
Bad debts expense (note 4)	989,318	132,790
Bargain purchase	-	(59,358)
(Income) loss from equity accounted investees (note 8)	280,180	(63,401)
Amortization of property and equipment (note 11)	178,821	111,331
Amortization of intangibles (note 12)	796,883	131,221
Amortization of royalties (note 10)	493,961	-
Amortization of fees related to line of credit (note 16)	294,727	-
Non-cash listing expense related to RTO (note 28)	-	3,698,618
Share based compensation (note 20)	3,583,881	2,486,130
Consulting fees paid via issuance of shares (note 19)	30,000	-
Additional expense related to letter of intent (note 19)	204,060	-
Deferred tax recovery (note 22)	(1,605,823)	(52,224)
Loss on impairment of loans receivable (note 6)	3,776,081	-
Loss on impairment of convertible notes receivable (note 7)	559,845	
Loss on impairment of royalties (note 10)	1,014,211	-
Loss on impairment of goodwill and intangible assets (note 12)	2,335,000	-
Loss related to change in fair value of embedded derivatives (note 7)	110,965	-
Accretion of derivative assets and liabilities	76,426	-
Gain on disposal of equipment (note 11)	(91,674)	-
Gain on investment due to change to equity method (note 8)	-	(26,875)
Gain on investments (note 9)	(10,882,154)	-
Write-off of inventory (note 5)	422,386	-
	(6,498,398)	(3,959,247)
Changes in non-cash items relating to operations:		
Increase in amounts receivable	(1,933,896)	(313,916)
Increase in inventory	(66,150)	(15,737)
Decrease (increase) in prepaid and other assets	(139,910)	(15,732)
Increase (decrease) in accounts payable and accruals	(83,375)	392,938
Increase in current tax liability (note 22)	102,236	-
	(8,619,492)	(3,911,694)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of property and equipment (note 11)	(170,379)	(136,734)
Investments in joint ventures (note 9)	-	(192,540)
Increase in share subscription receivable	-	-
Purchase of interests in equity accounted investments	(326,780)	(1,486,875)
Purchase of interests in investments without significant influence	(1,771,218)	(378,680)
Purchase of controlled interest note 13	(133,333)	50,061
Royalty financing arrangements (note 11)	(4,799,031)	(571,002)
Purchase of Intangible assets	-	(315,864)
Loans advanced to debtors, net of repayment	(2,216,377)	(2,929,280)
Convertible loans advanced to debtors, net of repayment	-	(806,460)
	(9,417,118)	(6,767,374)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from shares in private placements, net of issuance costs (Note 19)	-	3,994,949
Proceeds from shares in bought deal financing, net of issuance costs (Note 19)	11,555,882	4,365,194
Proceeds from issuance of warrants, net of issuance costs (Note 19)	2,201,120	1,343,811
Proceeds from exercise of warrants (Note 19)	3,145,333	2,145,563
Proceeds from line of credit (note 17)	3,000,000	-
Fees paid to obtain line of credit	(167,810)	-
Proceeds from issuance of convertible debt	-	1,500,000
Interest payments on convertible debt (note 15)	(75,000)	-
Proceeds from issuance of stock options (Note 20)	25,000	50,000
Net advances / (repayment to) lenders	-	(280,711)
Tax withholding paid on exercise of restricted share units	(84,887)	-
Cash received for subscribed shares (note 13)	-	500,000
	19,599,638	13,618,806
Effect of movement of exchange rates on cash held	13,721	-
INCREASE (DECREASE) IN CASH	1,576,749	2,939,738
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,945,895	6,157
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,522,644	$ 2,945,895

1. Nature of Operations

CannaRoyalty Corp. ("CannaRoyalty" or the "Company") is a diversified operator in the regulated cannabis industry. The Company's focus is on building and supporting a diversified portfolio of branded cannabis consumer products. Currently, CannaRoyalty is focused on Phase II of its business plan: leveraging its current asset base, expertise and portfolio of branded products to build a leading cannabis consumer products business. The Company's primary focus over the next 12 months will be to continue to build, support and grow its product and brand portfolio in California, while actively pursuing opportunities to license or commercialize its broader portfolio into other strategic jurisdictions such as Canada.

CannaRoyalty is a reporting issuer listed for trading on the Canadian Securities Exchange in the Province of Ontario under the trading symbol "CRZ". During February 2017, CannaRoyalty was listed for trading on the OTCQB markets in the U.S. under the trading symbol "CNNRF". On April 26, 2017, the Company was upgraded to the OTCQX market. CannaRoyalty was incorporated under the Ontario Business Corporations Act as "McGarry Minerals Inc." on August 19, 1985. In connection with a corporate reorganization, the Company changed its name to "Bonanza Blue Corp." ("Bonanza Blue") on August 16, 2000. The Company further changed its name to "CannaRoyalty Corp." on December 5, 2016, prior to the completion of a reverse takeover transaction ("RTO") between Bonanza Blue Corp. and Cannabis Royalties and Holdings Corp. ("CRHC"). CannaRoyalty's head office is located at 333 Preston Street, Preston Square Tower 1, Suite 610, Ottawa, Ontario K1S 5N4.

In October and November 2016, the Company purchased purchased all out of the outstanding equity interests in Electric Medialand Inc. ("EML"), Dreamcatcher Labs, Inc. ("Dreamcatcher"), Greenrock Botanicals Inc. ("Greenrock") and a 70% controlling interest in Achelois LLC ("Achelois"). In June 2017, the Company founded CR Advisory Services Inc. ("CR Advisory"). In September 2017, the Company founded Trichome Yield Corp ("Trichome").

2. Going Concern Uncertainty

During 2017, CannaRoyalty continued to implement its strategy of raising equity financing, significantly growing its portfolio of business holdings via acquisition, and providing working capital to its existing interests. CannaRoyalty's holdings are generally in the early stages of development or commercialization and some operate in the U.S. cannabis sector, a sector that has been legalized by certain U.S. states but remains federally illegal and is subject to legislative uncertainty.

CannaRoyalty incurred net losses of $9,065,492 for the year ended December 31, 2017 and $10,211,713 for the nine months ended December 31, 2016. As at December 31, 2017, the Company has cash of $4,522,644 and working capital of $5,435,705 which will be used for acquisitions, investment in current holdings and for operational needs. If sufficient revenue cannot be generated from its operations or early stage investees, the Company's ability to fully meet operational needs may be dependent on its ability to obtain financing which it has successfully accomplished in the past.

The Company has the following plans in place to maintain liquidity in the event that revenues do not increase as quickly as anticipated and to finance acquisitions:

a) A bought deal financing of $15,000,000, announced on March 16, 2018, and anticipated to close in April 2018.
b) The ability to draw on a line of credit to fund operating activities (note 16)
c) The potential divestiture of non-core non-controlled equity investments that have significantly increased in value.

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

3. Significant Accounting Policies and New Standards

(a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as

issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee applicable to the preparation of consolidated financial statements.

As a result of the reverse takeover transaction on December 5, 2016, the Company changed its fiscal year end from March 31 to December 31. This has resulted in the comparable audited period being a nine-month period rather than the current full year period. This presentation is in compliance with the requirements of the Canadian Securities Administration.

The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. The date the Board of Directors approved the consolidated financial statements was April 3, 2018.

(b) Basis of measurement

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

(c) Basis of consolidation

The consolidated financial statements of the Company include the accounts of CannaRoyalty and of its wholly-owned subsidiaries Cannroy Delaware, Cannroy Distribution, EML, Dreamcatcher, Greenrock, CR Advisory, Trichome and its 70% controlling interest in Achelois. All intercompany transactions and balances are eliminated. A subsidiary is an entity controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies.

(d) Business combinations

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

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

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

(e) Interests in equity-accounted investees and joint ventures

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

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

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

Investments in equity instruments without significant influence are recorded at cost if no reliable fair value measurements exist.

(f) Royalty Investments

The Company measures royalty investments that have a finite term at amortized cost on a straight-line basis over the life of the term. Amortization commences when the investee demonstrates commercial operations that reflect the economic benefits the Company is entitled to.

Royalty investments that have an indefinite life are measured at acquisition cost, are not amortized and are tested for impairment at each

reporting period. Any royalty investment that has yet to generate revenue is also tested for impairment.

If non-repayable advances are made to a royalty investee with the intent of additional capital investment, such costs will be added to the royalty investment balance.

(g) Revenue Recognition

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

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

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

(h) Cash and cash equivalents

Cash includes cash on hand and deposits held with banks.

(i) Inventories

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

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

(j) Income taxes

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

Current income tax

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

Deferred tax

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

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

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

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

(k) Property and equipment

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

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

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

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

- Cultivation Equipment: 20-50% declining balance
- Filling machines and labelling systems: 10-years straight line
- Furniture and fixtures: 5-years straight line
- Computers and related equipment: 3-years straight line
- Leasehold Improvements: straight line basis over the remaining lease term

(l) Intangible Assets

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

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

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

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

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

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

(m) Compound financial instruments

Compound financial instruments issued by the Company comprise of convertible notes that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at a fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component and is included within contributed surplus.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or less. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

(n) Capital stock

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

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

(o) Share based payment transactions

The grant date fair value of equity settled share-based payment awards granted to employees is recognized as an expense with a corresponding increase in equity over the vesting period of the awards. The fair value of restricted share units is recognized based on the closing market value of the Company's common shares on the date of the grant. The fair value of stock options is based on a Black Scholes model. The Company determines volatility based on a weighted average of its historical volatility and the volatilities of comparable cannabis companies. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related services performance conditions at the vesting date.

(p) Warrants

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

Warrants that are classified as equity are valued under the Black Scholes Model. If the warrant is exercised the value of the warrants is included in share capital. If a warrant expires, the value of the warrants is included in contributed surplus.

Warrants that are issued in combination with a debt agreement, such as a line of credit are valued under the Black Scholes model. The warrants are classified as a reduction of the associated debt and are amortized on a straight-line basis over the life of the debt agreement.

(q) Valuation of equity units issued in financings

Prior to the company being publicly traded, the Company adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units (in situations where warrants meet equity classification). The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

Since the Company has been traded, the value of warrants has been determined using the Black Scholes Method, with the balance being allocated to the value of the common shares issued.

(r) Net income (loss) per common share

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

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

(s) Foreign currency translation

All figures reported in these consolidated financial statements and tabular disclosures to the consolidated financial statements are in Canadian dollars, which is the functional currency of CannaRoyalty. Each of the foreign operations included in these consolidated financial statements determines its own functional currency, and items included in the financial statements of each subsidiary are measured using that functional currency. Each of Greenrock, Dreamcatcher, Cannroy Distribution and Achelois are translated with a US$ functional currency.

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

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

prevailing at the date when the fair value was determined, and non-monetary assets measured at historical cost are translated at the historical rate. Revenues and expenses are measured in the functional currency at the rates of exchange prevailing at the dates of the transactions with gains or losses included in income.

(t) Financial instruments

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

Financial assets

Fair value through profit or loss – This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash and cash equivalents and its derivative assets at fair value through profit or loss. Investments that have accurate and readily available fair value information are also classified at fair value through profit or loss. Certain investments in private entities lack reliable fair value information and are recorded at cost.

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

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

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

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

Financial liabilities

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

Fair value through profit or loss – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. As at December 31, 2017 the Company has no liabilities classified in this manner.

Other financial liabilities – This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities, loans payable, convertible debt and due line of credit.

Embedded derivatives

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

(u) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete the development to use or sell the asset. To date, no development costs have been capitalized.

(v) Impairment of assets

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

For the purpose of testing goodwill the Company has two cash generating units ("CGU") – Electric Medialand and California Brands. The Electric Medialand ("EML") CGU is derived from the acquisition of the Ottawa based company in fiscal 2016. EML provides marketing and social media services internally and externally focusing on the cannabis market. The employees of EML perform tasks that are specifically identifiable to the CGU. The California brands CGU contains certain brands and acquisitions that have been acquired to produce Greenrock, Dreamcatcher and Soul Sugar Kitchen products. These products have and are forecasted to share corporate and on -site management, administration, manufacturing, facilities, and permits.

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

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

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

(w) Impairment of property and equipment

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

(x) Critical accounting estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates have been applied in a manner consistent with that in prior periods and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the assumptions utilized in these consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

Impairment of non-financial assets (goodwill, intangible assets, property and equipment and royalty investments)

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing fixed assets for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and intangible assets are tested for impairment. For the purpose of goodwill and intangible assets impairment testing, CGUs are grouped at the lowest level at which goodwill and intangible assets are monitored for internal management purposes. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines royalty relief rates based on comparable transactions, cost savings from the use of technology, discount rates, capitalization rates and terminal capitalization rates. The Company determines value in use by using estimates including projected future revenues, earnings and capital

investment consistent with strategic plans presented to the Board of Directors. Discount rates are consistent with external industry information reflecting the risk associated with the specific cash flows.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

Share-based payments

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and warrants. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Company's future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, notably derivative financial instruments, convertible debt, investments and line of credit debt are determined using valuation techniques. Certain investments are not recorded at fair value as they are private entities for which accurate information to determine fair value at a specific date is not readily available. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Estimated useful lives and depreciation/amortization of property and equipment, intangible assets and royalty investments

Depreciation/amortization of property and equipment and intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Royalty investments are amortized from the time revenue begins to be earned until the end of the period for which the Company is entitled to royalty payments. As a delay in amortization could indicate impairment, all royalty investments which are not generating revenue or significant revenues are tested for impairment on an annual basis considering market trends and the stage of product development. Royalties that are for a term of perpetuity are not amortized but are tested for impairment annually. In certain instances, the Company may receive a base guarantee of income in a royalty arrangement and will only record additional revenue once the amount has surpassed the value of the guarantee. If it is determined that the Company will need to rely on the guarantee to get a return on its investment, the Company assesses the likelihood whether the underlying party will be able to make the payment despite a delay in revenue generation.

Recoverability of Loans and Advances

Loans receivable balances include both secured and unsecured debt owed to the Company in respect of advances made to investees by way of promissory notes, letters of intent or other financing agreements. The balances are presented net of allowances for non-recoverability. As at December 31, 2017, loans receivable balances were $1,168,589. In establishing our allowances for non-

recoverability balances, significant judgment is exercised by management in determining the amount of outstanding loans receivable that is expected to be recovered from the debtors.

Although the loans receivable balances are derived from determination of contractual provisions, the recoverability of such amounts may ultimately differ due to the potential for a debtor to become financially impaired or insolvent or for a contractual dispute over contract language or terms. Consequently, reviews of loans receivable balances are done on a regular basis to determine if there is a need to establish an allowance for non-recoverability. In performing this review, the Company uses judgment in assessing the credit worthiness of debtors and the contractual provisions of debt agreements.

These estimates are reviewed periodically during the year and in detail as at the date of the financial statements.

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

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2017 and have not been applied in preparing these consolidated financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's consolidated financial statements for the year ended December 31, 2018 or later:

Effective January 1, 2017, the Company has adopted the amended disclosure requirements for IAS 7 – Statement of Cash Flows. This results in additional disclosures for liabilities arising from financing activities. Since the amendments were issued one year before the effective date, comparative information is not necessary in the first year of application. These updated disclosures are reflected in note 14 and note 15 of these statements.

IFRS 2 – Share-based Payment, effective January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of share-based payment transactions. The Company does not anticipate any significant changes resulting from the changes to IFRS 2.

IFRS 9 "Financial Instruments" ("IFRS 9") –IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 9 is required to be applied on a retrospective basis, with certain exceptions. As permitted, we will not restate our prior period comparative consolidated financial statements when we adopt the requirements of the new standard. Any differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will be recognized in our opening January 1, 2018 retained earnings and AOCI as if we had always followed the new requirements

The Company continues to evaluate the effect of this standard on its investments at cost. Due to the volatility in the cannabis market, this standard could result in significant changes in the value of some of our assets

Investments at cost: Some of the Company's equity investments are currently recorded at cost, as these are private companies that lack reliably measurable information to accurately assess fair value. Upon implementation of IFRS 9, which will be the reporting period ending March 31, 2018, these investments must be recorded at fair value. The Company intends to use a market approach to value these transactions relying on recent transactions of identical or similar instruments in the investee. Given the recent transaction activity in our investees this approach should provide a fair value for most of our investments. However, if necessary the Company intends to consider comparable company valuation multiples.

The Company continues to evaluate the effect of this standard on its investments at cost and does not currently expect a material impact to our consolidated financial statements as a result of adopting this standard.

Impairment: IFRS 9 introduces a new single expected credit loss ("ECL") impairment model for all financial assets and certain off-balance sheet loan commitments and guarantees. The new ECL model will result in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event. This could have an impact on the Company's loans and amounts receivable. The expected credit loss model requires the recognition of credit losses based on 12 months of expected losses for performing loans and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination. As a result of the forward-looking nature of the standard, it is expected that the provision for credit losses will become more responsive to changes in the economic environment.

IFRS 9 outlines a three-stage approach to recognizing ECL which is intended to reflect the deterioration in credit quality of a financial instrument. CannaRoyalty will apply the three-stage approach on assessing the impairment on loans and advances as follows:

- Stage 1 is comprised of all financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date. CannaRoyalty will be required to recognize impairment for Stage 1 financial instruments based on the expected losses over the expected life of the instrument arising from loss events that could occur during the 12 months following the reporting date.

- Stage 2 is comprised of all financial instruments that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss event. For Stage 2 financial instruments the impairment is recognized based on the expected losses over the expected life of the instrument arising from loss events that could occur over the expected life. CannaRoyalty is required to recognize a lifetime ECL for Stage 2 financial instruments.

- Stage 3 is comprised of all financial instruments that have objective evidence of impairment at the reporting date. CannaRoyalty is required to recognize impairment based on a lifetime ECL for Stage 3 financial instruments.

The Company does not expect the ECL impairment model under IFRS 9 to have a material impact to our consolidated financial statements as a result of adopting this standard.

IFRS 15 – Revenue from Contracts with Customers: This standard establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaces existing revenue guidance including IAS 18 *Revenue*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company will adopt the standard for the annual period beginning January 1, 2018 and will apply the modified retrospective method. The Company has determined there is no impact on current contracts and on revenues recorded prior to December 31, 2017. Accordingly, no adjustments to opening retained earnings are expected to be required.

IFRS 16 – Lease: This standard specifies the recognition, measurement, presentation and disclosure of leases. This standard is effective for annual periods beginning on or after January 1, 2019. The Company currently has a long-term lease agreement for office space in Ottawa and manufacturing space in California. Under IFRS 16 these leases would result in an additional right of use asset and lease liability being recorded on the Company's balance sheet. The Company is currently evaluating the impact of adopting this standard; however, it expects the adoption of this standard to increase assets and liabilities as it will be required to record a right-of-use asset and a corresponding lease liability in its financial statements.

4. Amounts receivable

	December 31, 2017	December 31, 2016
Trade accounts receivable	**$ 785,026**	$ 163,289
Royalties receivable	**471,739**	351,113
HST and sales tax receivable	**478**	17,708
Accrued advisory fees	**132,273**	-
Other receivables	**39,607**	24,060
Total Amounts Receivable	**$ 1,429,123**	$ 556,170

The Company generally does not hold any collateral as security for trade receivables; however, it minimizes its credit risk associated with its trade receivables by requiring customer deposits or prepayments in some cases and performing credit evaluation, approval and monitoring processes.

As at December 31, 2017, the allowance for doubtful trade accounts was $947,507 (December 31, 2016 – $nil). For the year ended December 31, 2017, the Company wrote off balances totalling $41,810 (nine months ended December 31, 2016 - $nil) and incurred a bad debts expense of $989,318 (nine months ended December 31, 2016 - $132,790). The bad debts expense in the current period consists of a provision of $919,481 from the Cascadia royalty and a further bad debt of $70,837 related to trade receivables.

The aging of trade receivables at the reporting date was:

	December 31, 2017	December 31, 2016
Current	**$ 535,029**	$ 64,067
Past due: Less than 30 days	**-**	-
31 – 60	**40,196**	59,831
61 – 90	**66,065**	21,164

Greater than 90 days		**171,762**		18,227
Allowance for doubtful trade accounts		**(28,026)**		-
Total trade accounts receivable	**$**	**785,026**	$	163,289

At December 31, 2017, two customers accounted for 82% of total trade receivables (December 31, 2016 – three customers, 91%).

At December 31, 2017, royalties receivable of $471,739 were comprised primarily of receivables of $466,057 from River Distribution. This balance is due in January 2018 when a payment holiday ends and has been applied against payments required to purchase the asset.

The Company has recorded a full provision of $919,481 related to the royalty receivables due from Cascadia. While the Company believes that it may be able to commercialize the related royalty investment in the future, it does not expect to collect on any of the receivables recorded prior to December 31, 2017.

The following is a summary of the allowance for doubtful accounts for the year ended December 31, 2017 and the nine-month period ended December 31, 2016:

		December 31, 2017		December 31, 2016
Allowance for doubtful accounts at beginning of period	**$**	**-**	$	-
Bad debts expense (net of foreign exchange impact of $32,534)		989,318		132,790
Write-off of specific balances		(41,811)		(132,790)
Allowance for doubtful accounts at end of period	**$**	**947,507**	$	-

5. Inventory

		December 31, 2017		December 31, 2016
Finished goods	**$**	**248,944**	$	165,558
Raw materials		**21,225**		475,792
Total Inventory	**$**	**270,169**	$	641,350

During the year ended December 31, 2017, $38,425 inventory was consumed or written off as part of our product research, development and testing activities.

In 2017, the Company recorded an impairment charge of $422,386 related to raw materials obtained via the acquisition of Achelois in November 2016. This charge has been included in Cost of Sales. While the Company believes this inventory may still have value the ultimate recovery of its value is highly uncertain.

The amount of inventory that was included in cost of sales was $1,294,895 for the year ended December 31, 2017 (December 31, 2016 - $127,446).

6. Loans receivable

	December 31, 2016	New loans and advances	Accrued Interest	Impairments / (Recoveries)	F/X impact	**December 31, 2017**
Loans receivable - current						
Stokes Confections (1)	$ 68,255	$ -	$ -	$ -	$ (4,418)	**$ 63,837**
Rich Extracts (2)	2,428,672	1,185,555	-	(3,457,025)	(157,202)	**-**
Wagner Dimas (3)	-	439,985	6,654	-	-	**446,639**

Cascadia (4)	364,463	-	-	(339,757)	(24,706)	**-**
Promissory Note - Alta (6)	-	370,845	-	-	-	**370,845**
Promissory Note - Kaya (6)	-	214,562	-	-	-	**214,562**
Other advances (8)	10,753	6,286	-	(10,413)	(341)	**6,285**
Loans Receivable - current	$ 2,872,143	$ 2,217,232	$ 6,654	$ (3,807,195)	$(186,666)	**$ 1,102,168**
Loans receivable - long-term						
CannaCraft (5)	71,018	-	-	-	(4,597)	**66,421**
Loans Receivable - long-term	$ 71,018	$ -	$ -	$ -	$ (4,597)	**$ 66,421**
Total Loans Receivable	$ 2,943,161	$ 2,217,232	$ 6,654	$ (3,807,195)	$(191,263)	**$ 1,168,589**
Recoveries of prior write-offs						
Santa Barbara (7)	-	-	-	31,134	-	**-**
Impairments of loans and advances				$ (3,776,061)		

(1) On May 15, 2016, the Company entered into a letter of intent with Progressive Marketing Partners LLC ("Stokes Confections"), which is based in California and produces low dose, cannabis infused edibles. An advance of $62,855 (US$ 50,000) was made as an up-front fee but was to be refunded in full with annual interest of 2.5% if a definitive agreement was not finalized by December 31, 2016. At December 31, 2017, the total receivable includes $982 of accrued interest (December 31, 2016 – $1,050). The advance is unsecured and due on demand. The Company expects to complete a definitive agreement with Stokes Confections in 2018.

(2) On February 9, 2017, CannaRoyalty entered into a term sheet with Rich Extracts LLC ("Rich Extracts"). CannaRoyalty had the right to convert prior advances of $2,702,765 (US$ 2,150,000) into a 30% royalty on Rich Extracts' gross revenues in perpetuity. This included $431,295 (US$ 343,087) of new advances in fiscal 2017. Subsequent to the agreement, the Company provided additional advances of $754,260 (US$ 600,000) that will need to be repaid to CannaRoyalty. There are no set repayment terms or interest on these advances. These advances are secured by a general security agreement, whereby the Company has rights to all of Rich Extract's present and after-acquired personal property.

The Company believes that the debtor is in default and is in the process of calling this debt. The Company has determined that the collection of these advances is highly uncertain, and the costs to obtain benefits from a security agreement could be onerous. As a result, a full impairment loss of $3,457,025 has been recorded at December 31, 2017.

(3) On July 5, 2017, $188,565 (US$ 150,000) of unsecured debt was advanced to Wagner Dimas, an equity accounted investee of the Company (note 8). Subsequent to a term sheet entered on September 22, 2017, Wagner Dimas granted CannaRoyalty an option to convert the debt into (i) a Canadian License Grant for a term of 15 years from the date of conversion and (ii) three pre-roll machines. The Canadian License Grant means the grant to CannaRoyalty of an exclusive and assignable license solely for the territory of Canada, including but not limited to, the rights to license its products, processes, brands, machinery and intellectual property. The Canadian License Grant would be subject to a 5% royalty on gross revenue payable from CannaRoyalty to Wagner Dimas. The option to convert is for an indefinite period and the debt is due on demand.

The option to settle payments with the grant of a licence represents an embedded derivative in the form of an option to the Company. There is still significant uncertainty as to when or whether the products and technology that would be granted to CannaRoyalty will be permissible within Canada. Due to this uncertainty the Company has not assigned any value to this embedded derivative at inception and at December 31, 2017.

In October 2017, a promissory note of $251,420 (US$ 200,000) was advanced to Wagner Dimas. This note has interest of 12% per annum and is to be repaid within 3 months of the advance date. As at December 31, 2017, accrued interest of $6,654 (US$

5,293), has been recorded on the note. All notes owed by Wagner Dimas have yet to be repaid but are expected to be paid in 2018.

(4) CannaRoyalty has advanced funds to provide Cascadia Holdings LLC ("Cascadia") additional working capital. Cascadia is one of the Company's royalty investments. These advances are non-interest bearing, unsecured and have no set terms for repayment.

At December 31, 2017, the Company has determined that the collectability of these loans is highly uncertain and has recorded and a full impairment loss of $339,757.

(5) The Company advanced funds of $314,275 (US$ 250,000) to CannaCraft, Inc. ("CannaCraft") on May 16, 2016. This advance has been partially offset by the purchase of equipment and product from CannaCraft valued at $247,854 (US$ 197,163). The balance of the advance at December 31, 2017, is $66,421 (US$ 52,837). This advance is not part of the joint venture agreement between the two companies. This advance is non-interest bearing, unsecured and has no set terms for repayment. Accordingly, the advance has been recorded as a non-current asset.

(6) In accordance with a binding term sheet signed on November 28, 2017 with Kaya Management Inc. ("Kaya") and Alta Supply Inc. ("Alta") (note 29), the Company has forwarded promissory notes of $214,562 (US$ 170,680) and $370,845 (US$ 295,000) respectively. These notes accrue interest at 12%, are unsecured, and are due on May 1, 2018.

(7) During fiscal 2017 the Company received a payment proposal from Santa Barbara Patients Collective and Healing Center ("SBPHC") in which the debtor would repay the principal portion of a loan of $125,710 (US$ 100,000). A full allowance had been provided against this loan at December 31, 2016. Payments of $31,134 (US$ 25,000) have been received in 2017.

(8) An advance of $10,413 (US$ 8,000) was made in fiscal 2016 which was not repaid as a letter of intent transaction was not completed.

7. Convertible notes receivable

	Notes Receivable		**Derivative Assets**	
	December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016
Eureka (1)	**$ -**	$ 461,691	**$ -**	$ 102,092
BAS (2)	**373,127**	403,115	**-**	12,413
Total	**$ 373,127**	$ 864,806	**$ -**	$ 114,505

At December 31, 2017 the total notes receivable balance was current. At December 31, 2016, both balances matured in greater than 12 months and were classified as non-current.

The convertible notes have impairment charges of $559,845 for the year ending December 31, 2017. Of this amount $515,837 relates to Eureka and $44,008 relates to BAS. Furthermore, the derivative assets associated with the convertible notes no longer hold a value and a loss of $110,965 has been recorded for the year ended December 31, 2017.

(1) During February 2016, the Company entered into a loan agreement with Eureka Management Services Inc. ("Eureka"), a California corporation that managed Magnolia Wellness ("Magnolia"), a medical cannabis dispensary in Oakland, California. The loan was provided to assist Eureka in expanding Magnolia's operations. The loan was made in exchange for a convertible promissory note receivable with a face value of $251,420 (US$ 200,000) maturing in February 2019. During August 2016, the Company advanced a further $251,420 (US$ 200,000) to Eureka as part of a second convertible promissory note maturing in August 2021. Eureka has a registered security interest in the assets of Magnolia.
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Commencing on the third anniversary of the loans (February 2019 and August 2019 respectively), the Company has the option to convert all or part of the principal and accrued interest into a 5% equity interest for each loan for an aggregate stake of up to 10% in Eureka. Subsequent to the third anniversary date, monthly payments of US$ 4,167 for each loan will be required until maturity on the fifth anniversary

The option to settle payments in common shares represents an embedded derivative in the form of a call option to the Company. This derivative asset is initially recognized by comparing a similar instrument without the conversion option and discounting the fair value of the host contract with the non-convertible instrument interest rate. The fair value of the derivative assets related to

both convertible loans total is $nil at December 31, 2017 as there is no underlying value in the company's equity (December 31, 2016 - $102,092).

As at December 31, 2017 due to the significant uncertainty regarding the collection of this loan, an impairment loss of $515,837 has been recorded.

(2) During July 2016, CannaRoyalty advanced $377,230 (US$ 300,000) to BAS Research ("BAS") in two separate tranches of $188,565 (US$ 150,000). BAS is a fully licensed and compliant lab and manufacturing and processing facility located in Berkeley, California. Two senior convertible promissory notes were received in exchange.

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

The option to settle payments in common shares represents an embedded derivative in the form of a call option to the Company. This derivative asset is initially recognized by comparing a similar instrument without the conversion option and discounting the fair value of the host contract with the non-convertible instrument interest rate. As the Company has elected not to convert the debt into equity, the fair value of the derivative assets is nil as at December 31, 2017. (December 31, 2016 - $12,413).

The Company is currently negotiating extended terms of repayment for the principal balance of $377,230 (US$ 300,000) and accrued interest of $31,882 (US$ 25,362) which became due in January 2018. The expected term for repayment will be over 24 months and the Company has recorded an impairment charge based on these expected terms of $44,008.

8. Interest in equity accounted investees

		December 31, 2017		December 31, 2016
Associated Companies				
Resolve (1)	**$**	**2,538,014**	$	2,589,202
Wagner Dimas (2)		**865,779**		759,539
		3,403,793		3,348,741
Joint Ventures				
Mobile Medicine (3)		**192,540**		192,540
Total Equity accounted investments	**$**	**3,596,333**	$	3,541,281

Associated Companies

(1) On November 16, 2015, a letter of intent was signed between CannaRoyalty, Vida Cannabis Corp. ("Vida"), and Resolve Digital Health Inc. ("Resolve"), whereby CannaRoyalty invested $750,000 in Resolve, an Ontario corporation based in Toronto, in return for an 11% equity interest. On April 1, 2016, the Company purchased Vida's rights and obligations to acquire an additional 24% of the common shares of Resolve for consideration of $1,695,000 in CannaRoyalty common shares and cash (note 10(2)). Since CannaRoyalty is deemed to have significant influence over Resolve due to its equity interest and its right to appoint a director to Resolve's board, this investment became valued under the equity method. As a result, a gain of $26,875 was recorded when this investment needed to be revalued at the time of the change. In December 2016, Resolve entered into a subscription agreement with an independent investor which reduced CannaRoyalty's equity interest to 33.3%. In accordance with the equity accounting method this represented a dilution gain of $238,050.

On March 28, 2017, CannaRoyalty made an additional equity investment of $80,000 in Resolve. This investment was part of a $4,550,000 financing round at $0.50 per unit. As a result of this financing round, CannaRoyalty's total equity interest was reduced to 27.7% of the non-diluted shares of Resolve. In accordance with the equity accounting method this represented a deemed disposal, and the Company recorded a gain of $1,017,831 which has been included in the profit from equity accounted interests for the year ended December 31, 2017.

As at December 31, 2017, CannaRoyalty held 14,160,738 shares and a 27.7% of all issued and outstanding shares of Resolve.

On March 2, 2018, Resolve completed a private placement financing whereby 1,290.500 shares were issued for gross proceeds of $1,935,750 or $1.50 per share. This financing was publicly disclosed and based on this financing, the implied value of shares in Resolve is approximately $21.2 million. This assessment is based on Level 2 inputs under the IFRS 13 fair value hierarchy and consists of observable transaction prices for identical assets in a non-active market. This market-based method for which this fair value has been determined is consistent with how other investments have been measured in this reporting period.

(2) On May 25, 2016, CannaRoyalty acquired a 20% equity interest in Wagner Dimas, Inc. ("Wagner Dimas"), a Nevada corporation with head office based in California, which has an innovative process for creating highly-scalable machine rolled cannabis cigarettes. The Company purchased 2,000,000 shares of Wagner Dimas for $818,125 (US$ 625,000). On September 22, 2017, a term sheet was concluded committing CannaRoyalty to purchase an additional 2% equity interest in Wagner Dimas from an existing shareholder for $246,780 (US$ 200,000) which was paid on October 6, 2017.

As at December 31, 2017, CannaRoyalty held a 22% equity interest in Wagner Dimas.

The following tables summarize, in aggregate, the financial information of CannaRoyalty's associates as included in their own financial statements, adjusted for fair value at acquisition. The table also reconciles the summarized financial information to the carrying amount of CannaRoyalty's interest at December 31, 2017 and December 31, 2016.

	December 31, 2017	December 31, 2016
Current assets	**$ 2,921,366**	$ 1,158,000
Non-current assets	**11,064,644**	10,466,345
Current liabilities	**(891,454)**	(56,097)
Net assets	**13,094,556**	11,568,248
Carrying amount of interest in associates	**$ 3,403,793**	$ 3,348,741

	Year Ended December 31, 2017	Nine Months Ended December 31, 2016
Selected financial results of equity accounted investees		
Revenue	**$ 559,385**	$ 65,000
Loss from operations and total comprehensive loss	**(4,864,772)**	(619,581)
Share of profit (loss) from equity accounted investees		
CannaRoyalty's share of loss and total comprehensive loss	**(1,298,011)**	(174,649)
Add - gain on deemed disposal after dilution	**1,017,831**	238,050
CannaRoyalty's profit (loss) from equity accounted investees	**$ (280,180)**	$ 63,401

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

Joint Venture

(3) On July 22, 2016, the Company entered into a joint venture with CannaCraft, a California corporation based in California that supplies equipment and cannabis-based medicines. The joint venture is conducted under the name Mobile Medicine, whose purpose is to manufacture and lease mobile gelatin encapsulation machines.

CannaRoyalty has joint decision-making control with CannaCraft, 50% ownership interest, and a residual interest in the net assets of Mobile Medicine. Accordingly, this interest has been classified as a joint venture.

CannaCraft will contribute one third of the funds required and will be responsible for the design and manufacturing of the machines. CannaCraft will also manage and operate the machines. CannaRoyalty will contribute two thirds of the funding required for a 50% equity interest, of which $192,540 (US$ 150,000) has been advanced at December 31, 2017 (December 31, 2016 - $192,540).

As at December 31, 2017, the joint venture has incurred capital spending of $215,949 (US$ 166,576) and has yet to begin commercial activity and has not incurred any operating income.

9. Investments

The following table summarizes the Company's investments at the end of each respective period:

	December 31, 2016	Additions	Gains/(Losses)	**December 31, 2017**
AltMed (1)	$ 1,850,070	$ -	$ 4,427,386	**$ 6,277,456**
Bodhi (2)	250,000	-	-	**250,000**
Eureka (3)	128,680	-	(128,680)	-
Farmacopeia (4)	-	250,000	-	**250,000**
Anandia (5)	-	3,882,438	6,583,448	**10,465,886**
Total Investments	$ 2,228,750	$ 4,132,438	$ 10,882,154	**$ 17,243,342**

(1) The Company purchased 1,500 Class A units in Alternative Medical Enterprises, LLC ("AltMed"), a Florida limited liability company focused on medical cannabis. AltMed owns 100% of NuTrae LLC ("NuTrae"), a company developing drug delivery systems and products. The units were purchased for $1,850,070 (US$ 1,500,000) and represented an 8.3% equity interest at that time.

As of December 31, 2017, the Company has assessed the fair value of Altmed at $6,277,456 and recognized a fair value gain on investment of $4,427,386 on the consolidated statement of loss and comprehensive loss. This assessment is based on Level 2 inputs under the IFRS 13 fair value hierarchy and consists of observable transaction prices for identical assets in a non-active market. The fair value is based on the closing of several financing transactions within a designated series completed prior to the end of December 31, 2017. This is a non-recurring fair value measurement that has not been made in prior periods due to a lack of comparable transactions.

Subsequent to the above financing, and as at December 31, 2017, CannaRoyalty's ownership percentage in AltMed has deceased to 7.0%.

(2) On April 7, 2016, the Company entered into an agreement to purchase a 10% equity interest in Bodhi Research Inc. ("Bodhi") for $250,000. The investee is an Ontario corporation that is conducting research trials for exploring the use of cannabis in the treatment of concussions and post–concussive syndrome. As of December 31, 2017, the Company has no reliable information to fair value this private entity.

On January 11, 2018, the Company entered into a collaboration with Aequus Pharmaceuticals Inc., a company on the TSX Ventures Exchange, to advance a suite of cannabis-based therapies targeting neurological disorders. CannaRoyalty intends to contribute its 10% equity stake in Bodhi as its initial equity contribution in the arrangement.

(3) On May 5, 2016, the Company acquired a 6% equity interest in Eureka. The consideration given was $128,680 (US$ 100,000) for 350,000 common shares in Eureka. Management has determined that this investment is fully impaired as at December 31, 2017 and has recorded an impairment loss of $128,680.

(4) During July 2017, the Company advanced a bridge note of $250,000 to Farmacopeia Inc. ("Farmacopeia"), a corporation based in the province of Ontario that is under review for a Producer's License from Health Canada under the Access to Cannabis for Medical Purposes Regulations. As per the conditions of a term sheet, this bridge note would be converted to shares if the contemplated transaction was not completed. When the transaction was not completed, Farmacopeia delivered 250,000 shares with a value of $250,000 in exchange for the cash advanced. These shares represent a 2.1% equity interest in Farmacopeia at the time of the transaction and as at December 31, 2017. The Company has no reliable information to fair value this private entity at time of conversion or at December 31, 2017.

(5) On February 17, 2017, CannaRoyalty agreed to acquire a 20% fully diluted equity stake in Anandia, a biotechnology company

with a focus on providing leading analytical testing services and developing cannabis strains for safe and effective medical applications. CannaRoyalty agreed to provide aggregate consideration of $4,042,439 in exchange for the equity interest which was satisfied through a combination of $500,000 in equipment and services to be provided by CannaRoyalty later in fiscal 2017, $1,521,218 in cash, and 689,568 CannaRoyalty shares.

On July 25, 2017, the Company received 487,520 shares of Anandia subsequent to the delivery of equipment. This distribution was based on an agreed value of $340,000 for the equipment delivered to Anandia and a share price consistent with the initial agreement. A further 229,421 shares, representing a value of $160,000, was delivered in January 2018 for the provision of services to Anandia. As at December 31, 2017, CannaRoyalty held 19.4% of the outstanding shares of Anandia, and does not hold or have the option to hold a seat on their Board of Directors.

At December 31, 2017, the Company determined the fair value of Anandia was $10,465,886. As a result, a fair value gain of $6,583,448 was recorded on the statement of loss and comprehensive loss for the year ending December 31, 2017. This assessment is based on Level 2 inputs under the IFRS 13 fair value hierarchy and consists of observable transaction prices for identical assets in a non-active market. The fair value is based on the closing of a significant tranche of financing which was completed on December 22, 2017 and a further tranche which closed on January 13, 2018, each with a price of $1.88 per share. This is a non-recurring fair value measurement that has not been made in prior periods due to a lack of comparable transactions.

10. Royalty investments

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

	Term	**Accounting Basis**	**December 31, 2017**	December 31, 2016
Cascadia (1)	Perpetuity	Cost	**$ -**	$ 1,027,866
NuTrae (2)	10 years	Amortized Cost	**1,013,428**	1,130,000
Three Leaf (3)	2 years	Amortized Cost	**100,000**	100,000
Natural Ventures (4)	10 years	Amortized Cost	**336,025**	336,025
River (5)	7 Years	Amortized Cost	**4,385,160**	-
Total			**$ 5,834,613**	$ 2,593,891

Cost	December 31, 2016	Additions	Disposals	**December 31, 2017**
Cascadia (1)	$ 1,027,866	$ -	$ -	**$ 1,027,866**
NuTrae (2)	1,130,000	-	-	**1,130,000**
Three Leaf (3)	100,000	-	-	**100,000**
Natural Ventures (4)	336,025	-	-	**336,025**
River (5)	-	4,779,600	-	**4,779,600**
Total	$ 2,593,891	$ 4,779,600	$ -	**$ 7,373,491**

Accumulated Amortization	December 31, 2016	Amortization	Impairments	FX impact	**December 31, 2017**
Cascadia (1)	$ -	$ -	$ (1,014,211)	$ (13,655)	**$ (1,027,866)**
NuTrae (2)	-	(118,013)	-	1,440	**(116,572)**
Three Leaf (3)	-	-	-	-	**-**
Natural Ventures (4)	-	-	-	-	**-**
River (5)	-	(375,948)	-	(18,492)	**(394,440)**
Total	$ -	$ (493,961)	$ (1,014,211)	$ (30,707)	**$ (1,538,878)**

Net Book Value	$ 2,593,891	**$ 5,834,613**

The following is a summary of the change in cost and accumulated amortization for the year ended December 31, 2017. Amortization had not commenced on any royalties as at December 31, 2016.

(1) During July 2016, CannaRoyalty finalized a royalty agreement with Cascadia. As part of this agreement the Company has provided cash advances totaling $1,047,297 (US$ 806,786) and provided the use of its equipment in consideration for a thirty percent royalty stream on Cascadia's gross revenues in perpetuity. During the first quarter of fiscal 2017 the Company provided advances of $19,431. The net book value of the equipment provided is $220,848 as at December 31, 2017.

Cascadia is incorporated in the state of Washington and is in the business of leasing turnkey built-out solutions to licensed companies that produce and process cannabis products.

This royalty investment has an indefinite life, and in accordance with the Company's accounting policy, is measured at acquisition cost and is reviewed for impairment at each reporting period.

Due to a lack of payment of prior earned royalties and uncertainty over future payments, the company has recorded a full impairment of this asset and recorded a loss of $1,014,211. However, the royalty investment is both secured and guaranteed by a third party, and accordingly, management believes it can recover a significant portion of its investment in Cascadia. CannaRoyalty is proactively seeking and attempting to secure commercially reasonable offers, and has received offers, for its position in Cascadia in order to maximize recovery of its investment and return to its shareholders.

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

- 3.5% royalty on the net revenue of NuTrae for a period of 10 years, commencing January 1, 2016; and
- Vida's rights and obligations to acquire 50,531 common shares of Resolve (note 9)

The total consideration for this purchase was $2,825,000, of which $1,130,000 (US$ 878,889) was allocated to the NuTrae royalty stream and $1,695,000 for the rights and obligations to acquire 50,531 shares of Resolve. Resolve . NuTrae, a wholly owned subsidiary of AltMed (note 9) develops drug delivery systems and products including MüV branded products.

This royalty investment stream is for a definite period and it is recorded at amortized cost. NuTrae has commenced commercial operations that earned revenue in February 2017, and accordingly amortization commenced during the year ended December 31, 2017 and is included within cost of sales on the Consolidated Statement of Loss and Comprehensive Loss.

(3) On March 17, 2016, the Company made an investment in Three Leaf Holdings Corporation ("Three Leaf") of $100,000. This investment provides the Company a 1.5% royalty on total Three Leaf revenue for a period of two years after March 12, 2016, plus a 2% fee on the gross value of all Three Leaf's referrals for one-year after March 12, 2016.

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

On April 10, 2017, CannaRoyalty amended its royalty financing arrangement with Three Leaf such that the end of the 2% referral fee period was extended from May 12, 2017 until March 12, 2018. Furthermore, this amendment contained a guarantee whereby if the total royalties earned from the arrangement were less than $100,000 total, Three Leaf would pay the difference to CannaRoyalty. Due to this guarantee and uncertainty whether future royalty revenues will exceed $100,000, the Company will apply future royalty payments against the royalty investment. If royalty payments exceed $100,000 they will then be recorded as royalty revenue. To date there have not been any royalty payments.

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

The 10-year period to earn revenue and to record amortization, will begin in the first quarter after Natural Ventures has generated net income, which has yet to occur as at December 31, 2017.

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

The agreement included the following components:

- Promissory note financing of $6,828,000 (US$ 5,000,000) to River over fiscal 2017. CannaRoyalty advanced $2,731,200 (US$ 2,000,000) on the execution date to River pursuant to a secured promissory note, which provides first place security, and would advance a further $4,096,800 (US$ 3,000,000). Subsequent to the execution date, payments of $2,048,400 (US$ 1,500,000) were made prior to December 31, 2017 and payments of $2,048,400 (US$ 1,500,000) were made between January 1, 2018 and the date of these financial statements. The terms of the investment contemplate repayment of principal and 15% annual interest commences in January 2018.

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

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

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

River's payments obligations to CannaRoyalty are not due until January 2018 in accordance with the terms of the agreement.

The current cost of the royalty investment is $4,779,700 (US$ 3,500,000). This represents the total financing of $6,828,000 (US$ 5,000,000) net of $2,049,300 (US$ 1,500,000) payments outstanding. Subsequent to December 31, 2017 further payment of US$ 1,000,000 has been made. Amortization runs over the term of the revenue stream, from May 2017 to December 2024, on a straight-line basis. The amortization commenced immediately upon purchase of the asset as River was already generating revenues.

11. Property and equipment

The following is a summary of the activity for the year ended December 31, 2017.

	Cultivation Equipment	Filling Machines & Labeling Systems	Furniture and Fixtures	Computers & Related Equipment	Leasehold Improvements	Total
Cost						
December 31, 2016	$ 663,702	$ 766,306	$ 56,004	$ 18,431	$ -	**$ 1,504,443**
Additions	-	6,872	86,639	24,837	52,031	**170,379**
Disposals	(293,056)	-	-	-	-	**(293,056)**
Effects of changes in foreign currency rates	(2,248)	(47,417)	(3,677)	(59)	(707)	**(54,108)**
December 31, 2017	$ 368,398	$ 725,761	$ 138,966	$ 43,209	$ 51,324	**$ 1,327,658**
Accumulated Amortization						
December 31, 2016	$ (96,321)	$ (11,684)	$ (3,191)	$ (135)	$ -	**$ (111,331)**
Amortization	(66,137)	(74,202)	(21,082)	(12,571)	(4,829)	**(178,821)**
Disposals	48,571	-	-	-	-	**48,571**
Effects of changes in foreign currency rates	(5,036)	2,373	684	-	-	**(1,979)**

December 31, 2017	$ (118,923)	$ (83,513)	$ (23,589)	$ (12,706)	$ (4,829)	**$ (243,560)**
Net Book Value	**$ 249,475**	**$ 642,248**	**$ 115,377**	**$ 30,503**	**$ 46,495**	**$ 1,084,098**

The following is a summary of the activity for the nine months ended December 31, 2016:

	Cultivation Equipment	Filling Machines & Labeling Systems	Furniture and Fixtures	Computers & Related Equipment	Leasehold Improvements	Total
Cost						
March 31, 2016	$ 532,736	$ -	$ -	$ -	$ -	$ 532,736
Additions	96,243	-	22,060	18,431	-	136,734
Acquisitions	34,723	766,306	33,944	-	-	834,973
December 31, 2016	$ 663,702	$ 766,306	$ 56,004	$ 18,431	$ -	$ 1,504,443
Accumulated Amortization						
March 31, 2016	$ -	$ -	$ -	$ -	$ -	$ -
Amortization	(96,321)	(11,684)	(3,191)	(135)	-	(111,331)
Disposals	-	-	-	-	-	-
December 31, 2016	$ (96,321)	$ (11,684)	$ (3,191)	$ (135)	$ -	$ (111,331)
Net Book Value	**$ 567,381**	**$ 754,622**	**$ 52,813**	**$ 18,296**	**$ -**	**$ 1,393,112**

The amortization for tangible property and equipment has been recorded within the statement of loss and comprehensive loss as follows:

	Year ended Dec 31, 2017	Nine months ended Dec 31 2016
Cost of sales	**$ 62,778**	$ 108,676
General and administration	**116,043**	2,655
Total Amortization	**$ 178,821**	$ 111,331

The Company started to amortize equipment in June 2016 when the equipment became operational. As certain equipment is being used by a royalty investee to generate additional revenues $62,778 of amortization has been included in cost of sales (nine months ended December 31, 2016- $108,676).

All of the Company's fixed assets are pledged to Sprott as part of a line of credit facility (note 16).

As a result of an equity transaction with Anandia Laboratories Inc. ("Anandia") (note 8), equipment with a value of $340,000 was delivered to Anandia in the third quarter of fiscal 2017. This was settled via the issuance of 487,520 Anandia shares to CannaRoyalty on July 25, 2017. These shares were valued at the same cost as the shares acquired on February 25, 2017, as the Company believes that this is the best estimate of their value at July 25, 2017. A net gain of $91,674 was recorded on the disposal of this equipment, which represents the proceeds of $340,000, net of the carrying value of the equipment of $244,486 as well as disposal costs of $3,840.

12. Intangible assets and goodwill

The following is a summary of the intangible assets at December 31, 2017:

	Acquired brands	Acquired technology	Employment agreement	Product formulations	Goodwill	Total
Cost						

December 31, 2016	$ 2,369,944	$ 4,990,066	$ 280,645	$ 315,864	$ 6,438,885	**$ 14,395,404**
Additions	-	-	-	-	-	**-**
FX impact	(153,400)	(322,994)	-	-	(319,508)	**(795,902)**
December 31, 2017	$ 2,216,544	$ 4,667,072	$ 280,645	$ 315,864	$ 6,119,377	**$ 13,599,502**
Accumulated Amortization						
Amortization Period	10 years	10 years	5 years	10 years	n/a	
December 31, 2016	(39,241)	(82,625)	(9,355)	-	-	**(131,221)**
Impairments	-	(975,000)	-	-	(1,360,000)	**(2,335,000)**
Amortization	(229,497)	(483,221)	(56,127)	(28,038)	-	**(796,883)**
FX impact	10,141	21,354	(2)	(916)	-	**30,577**
December 31, 2017	$ (258,597)	$ (1,519,492)	$ (65,484)	$ (28,954)	$ (1,360,000)	**$ (3,232,527)**
Net Book Value	**$ 1,957,947**	**$ 3,147,580**	**$ 215,161**	**$ 286,910**	**$ 4,759,377**	**$ 10,366,975**

The following is a summary of the intangible assets at December 31, 2016:

	Acquired brands	Acquired technology	Employment agreement	Product formulations	Goodwill	Total
Cost						
March 31, 2016	$ -	$ -	$ -	$ -	$ -	**$ -**
Additions	2,342,614	4,932,521	280,645	315,864	6,381,961	**14,253,605**
FX impact	27,330	57,545	-	-	56,924	**141,799**
December 31, 2016	$ 2,369,944	$ 4,990,066	$ 280,645	$ 315,864	$ 6,438,885	**$ 14,395,404**
Accumulated Amortization						
Amortization Period	10 years	10 years	5 years	10 years	n/a	
March 31, 2016	-	-	-	-	-	**-**
Amortization	(39,241)	(82,625)	(9,355)	-	-	**(131,221)**
FX impact	-	-	-	-	-	**-**
December 31, 2016	$ (39,241)	$ (82,625)	$ (9,355)	$ -	$ -	**$ (131,221)**
Net Book Value	**$ 2,330,703**	**$ 4,907,441**	**$ 271,290**	**$ 315,864**	**$ 6,438,885**	**$ 14,264,183**

The additions of $6,381,961 to goodwill for the year ending December 31, 2016 pertain to the two following acquisitions:

a) $1,502,663 related to the acquisition of Electric Medialand, which has become the Electric Medialand CGU.
b) $4,978,298 related to the acquisitions of interests in Dreamcatcher and Greenrock, which has become part of the California Brands CGU.

There have been no additions to intangible assets and goodwill for the year ended December 31, 2017. No intangible assets have been internally generated.

During the year ended December 31, 2017 amortization expense has been charged as follows:

	Year ended December 31 ,2017	Nine months ended December 31, 2016
Acquired brands	**$ 229,497**	$ 39,241
Acquired technology	**483,221**	82,625
Employment agreement	**56,127**	9,355

Product formulations		**28,038**		-
Total amortization expense	**$**	**796,883**	$	131,221

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

Intangible assets and goodwill have been tested for impairment during the fourth quarter of fiscal 2017. The employment agreement, which has a net book value of $280,645, is included within the Electric Medialand CGU which has an overall carrying value of $604,728. The acquired brands, acquired technology and the product formulations, which have a net book value of $5,392,437, are part of California Brands which has an overall carrying value of $6,109,001. The Company recorded an impairment charge of $975,000 to acquired technology.

The recoverable amount of the Electric Medialand CGU is based on a value in use calculation that is estimated using a five-year cash flow projection, with a terminal growth rate of 2.0% beyond the five-year period, and a 14% discount rate. The recoverable amount is estimated using an earnings-based approach whereby the forecasted earnings are based on an internal plan to extend marketing services required to penetrate the rapidly growing California cannabis market as projected by reputable forecasters. The Company has determined that the estimated recoverable amount of the Electric Medialand CGU was well in excess of its carrying amount as at December 31, 2017. As a result, no impairment charge was recognized during this fiscal period. If alternative reasonably possible changes in key assumptions were applied, the result of the impairment test would not differ.

The recoverable amount of the California Brands CGU is based on a value in use calculation that is estimated using a five-year cash flow projection, with a terminal growth rate of 2.0% beyond the five-year period, and a 20% discount rate. The recoverable amount is estimated using an earnings-based approach whereby the forecasted revenues are based on external forecasts detailing growth in the California vapes and edible markets throughout the five year period as well as benefits obtained from an aggressive marketing plan. The Company has determined that the estimated recoverable amount of the CGU was $1,360,000 less than its carrying amount as at December 31, 2017. As a result, an impairment charge of $1,360,000 was recognized against goodwill during this fiscal period.

13. Amounts payable and accrued liabilities

Amounts payable and accrued liabilities consist of the following:

		December 31, 2017		December 31, 2016
Trade accounts payable	**$**	**290,260**	$	1,148,036
Purchase consideration payable (1)		**-**		133,333
Management bonus payable (2)		**-**		165,427
Other accrued liabilities (3)		**1,196,725**		437,008
Other payables (4)		**119,704**		2,385
Total amounts payable	**$**	**1,606,689**	$	1,886,189

(1) The purchase consideration payable pertains to cash owing to the former shareholders of EML. This was fully repaid in 2017.

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

(3) Included in other accrued liabilities is $36,111 of accrued interest payable on the Company's line of credit facility (note 16). The interest has elected to repay this interest in shares, thus an additional value of 10% must be repaid in accordance with the agreement.

(4) Included in other payables is a receipt of $95,990 for which the Company had yet to receive the warrant exercise documentation at December 31, 2017.

14. Loan payable

On November 30, 2016, in connection with CannaRoyalty's acquisition of a 70% membership interest in Achelois LLC ("Achelois"), a promissory note for $422,386 (US$ 336,000) was issued by Achelois to its founding shareholder. The note bears interest at 0.66% per

annum and was fully repayable by November 30, 2017. Both CannaRoyalty and the minority shareholder to whom this note is payable, have agreed to defer the payment. The loan payable balance is $425,345 at December 31, 2017 which includes accrued interest of $2,959 (December 31, 2016 - $nil).

The following is a reconciliation of the loan payable activity for the year ended December 31, 2017:

	December 31, 2017	December 31, 2016
Opening balance	**$ 451,618**	**$ -**
Promissory notes - Achelois	-	447,518
Accrued interest	**2,959**	-
Impact of foreign exchange	**(29,232)**	4,100
Closing balance at December 31	**$ 425,345**	$ 451,618

15. Convertible debt

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

The option to settle payments in common shares represents an embedded derivative to the Company and was valued at $138,417 at inception based on valuing the loan and assigning the residual to equity. This was included in contributed surplus.

The following is a summary of the convertible debt balance activity for the year ended December 31, 2017 and the nine months ended December 31, 2016:

	December 31, 2017	December 31, 2016
Opening balance	**$ 1,376,583**	$ -
Convertible debt principal	**-**	1,500,000
Assignment of equity component to contributed surplus	**-**	(138,417)
Accrued interest	**75,000**	15,000
Interest paid	**(75,000)**	-
Accretion of discount	**55,367**	-
Closing balance at December 31	**$ 1,431,950**	$ 1,376,583

16. Line of Credit

Line of Credit drawn at December 31, 2017		$ 3,000,000
Less: Warrants issued to Sprott		
Cost	$ (1,922,400)	
Amortization	229,986	(1,692,414)

Less: Agent commissions			
Cost	$	(428,000)	
Amortization		50,767	(377,233)
Less: Sprott legal costs paid by Cannaroyalty			
Cost	$	(117,810)	
Amortization		13,974	(103,836)
Line of Credit at December 31, 2017			**$ 826,517**

Total amortization of transaction costs for the year ending December 31, 2017 is $294,727.

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

The Facility has general security agreement executed by the Company in favour of the Lender, pursuant to which the Company grants to and in favour of the Lender a first priority security interest over all of its present and after-acquired personal property, subject only to permitted encumbrances.

The agreement contains general business maintenance and procedural covenants, including the following significant items:

- On a consolidated basis, the Company must maintain Working Capital more than $2,000,000 at all times
- No proceeds from the Facility shall be transferred to the United States or a US person, commingled with funds relating primarily to transactions in the United States or with a US person, or otherwise used for business or any other purpose in the United States or with a US person

On November 23, 2017, the Company received its first draw of $3,000,000 from the Facility and intends to use the funds for general corporate purposes. As disclosed in note 13(3), there is an interest accrual of $36,111 at December 31, 2017.

Warrants Issued

In connection with the Facility, CannaRoyalty issued Sprott 1,800,000 non-transferable common share purchase warrants which were valued at $1,922,400. These have been recorded as transaction costs which offset the line of credit balance. The warrants are exercisable for $2.05 per warrant, in whole or in part for a 36-month period following the date of issuance. These warrants were valued using the Black Scholes model with the following key assumptions; a grant price of $2.05, exercise price of $2.05, volatility of 80% based on comparable industry benchmarks, life of 3 years, and a risk-free interest rate of 1.27%.

The current value of the transaction costs are $1,692,414, which represents the original value of $1,922,400 net of amortization of $229,986 which is included within interest expense. These transaction costs are amortized on a straight-line basis over the three-year term of the line of credit.

Other Financing Fees

In connection with the financing, CannaRoyalty was required to pay legal fees of Sprott Inc. in the amount of $117,810 as well as agent commission costs of $428,000. The agent commissions costs included warrants which were issued in 2018 (note 19) and have been included in warranty reserve. These costs of $545,810 are amortized on a straight-line basis over the three-year period of the line of credit and is included as interest expense. The total amortization of these costs at December 31, 2017 was $64,740.

If the Company successfully closes a bought deal financing (note 30), it has agreed with Sprott that it will use $1,000,000 of the proceeds to reduce the line of credit.

17. Commitments and Contingencies

The Company leases space for its head office in Ottawa, Ontario as well as manufacturing space for one of it's subsidiaries.

At December 31, 2017, the Company has the following future aggregate minimum lease payments:

2018	$	359,944
2019		361,969
2020		292,170
2021		107,429
2022		2,599
Total	**$**	**1,124,111**

Total rent expense for the year ended December 31, 2017 was $369,632 (2016 - $20,304).

The Company has a commitment of $1,805,650 (US$1,500,000) as part of its royalty financing arrangement with River (note 10(5)). This commitment has been completely settled in the first quarter via a combination of payments of US$1,000,000 and the offsetting of royalty payments owed by River to CannaRoyalty.

During August 2017, a claim of $276,562 (US$ 220,000) was filed against Rich Extracts by CURA, a raw materials supplier for payment of debts owing by Rich Extracts. The claim also included CannaRoyalty and a subsidiary with respect to any royalty payments made by Rich Extracts to CannaRoyalty. CannaRoyalty does not have any exposure under this claim as it had not received any royalty payments. CannaRoyalty successfully negotiated a settlement agreement between the two parties, but Rich Extracts was subsequently unable to successfully deliver on the terms of the settlement. Due to the significant risks and uncertainty concerning Rich Extracts, advances to Rich Extracts have been fully impaired at December 31, 2017 (note 6).

18. Related party transactions

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

		December 31, 2017		December 31, 2016
Purchase consideration owing to key management	**$**	**-**	$	133,333
Management bonus and vacation payable		**565,638**		247,467
Travel reimbursements		**15,473**		21,105
Management bonus assumed on EML acquisition		**-**		165,427
Total	**$**	**581,111**	$	567,332

The management bonus and vacation payable is included in accounts payable and accrued liabilities balance and included within other accrued liabilities (note 13).

The following is a summary of the related party transactions, including key management compensation for the year ended December 31, 2017 and the nine months ended December 31, 2016.

		Year ended December 31, 2017		Nine months ended December 31, 2016
Consulting fees (i)	**$**	**-**	$	376,068
Professional fees (ii)		**-**		131,871
Salaries and short-term benefits (iii)		**1,875,321**		352,050
Share-based compensation - key management and board (iv)		**3,138,116**		2,377,133
Share-based compensation - board (iv)				
Rent and occupancy costs (v)		**26,007**		-
Total	**$**	**5,039,444**	$	3,237,122

(i) During the nine months ended December 31, 2016, a Company owned by the Chief Executive Officer provided services to the Company for which compensation was settled through the issuance of 500,000 common shares at a value of $0.75 per common share. This was settled during 2017. As at December 31, 2017, an obligation of $nil (2016 - $375,000) was included in accrued liabilities.

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

During the nine months ended December 31, 2016, a company owned by the former Chief Financial Officer provided services to the Company for which compensation was settled through the issuance of 50,000 common shares at a value of $0.75 per common share. This was settled during 2017. As at December 31, 2017, an obligation of $nil (2016 - $37,500) was included in accrued liabilities.

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

(iv) Includes share-based compensation of $2,469.786 issued to key management and $668,330 issued to the Board of Directors.

(v) A subsidiary uses a building unit which is owned by the Company's Chief Marketing Officer. For use of the unit the subsidiary pays the mortgage and occupancy costs related to the unit.

19. Share capital

Authorized:

Unlimited number of common shares

Issued and outstanding:

43,898,445 common shares.

The following table lists all share issuances for the nine months ended December 31, 2016 and the year ended December 31, 2017:

	Number	Amount
Balance as at March 31, 2016	**16,353,343**	**$ 5,056,422**
Shares issued in connection with services rendered (1) – April 12, 2016	1,300,000	975,000
Shares issued in connection with private placement for $0.75 per share (2) – June 7, 2016 (net of share issuance costs of $21,879)	3,000,000	2,228,122
Shares issued in connection with the exercise of vested share units (3) – June 28, 2016	100,200	75,150
Shares issued in connection with the purchase of interests from Vida (4) – July 4, 2016 for $0.75/share	3,500,000	2,625,000
Shares issued in connection with private placement for $0.75 per share (2) – July 15, 2016 (net of share issuance costs of $11,996)	665,000	486,754
Shares issued in connection with private placement for $0.75 per share (2) – July 28, 2016 (net of share issuance costs of $24,479)	1,072,735	780,073
Shares issued in connection with a convertible loan from shareholder on August 18, 2016	220,000	165,000
Shares issued in connection with the exercise of warrants at $1.50 (5)– August 24, 2016	750,000	1,500,000
Shares issued to Aphria at $2.00 per share – September 28, 2016	250,000	500,000
Shares issued on acquisition of Dreamcatcher at $2.00 per share - acquired on October 24, 2016 (6)	3,000,000	6,000,000
Shares issued on acquisition of Electric Medialand at $2.00 per share - acquired on November 1, 2016 (7)	750,000	1,500,000
Shares issued on exercise of warrants during November 2016 at $1.50 per share (8)	680,375	1,360,750

Shares issued on completion of reverse takeover transaction with Bonanza Blue - December 5, 2016 (9)	1,813,303	3,627,148
Shares issued on completion of brokered offering at $2.00 per share - December 5, 2016 (net of issuance costs of $479,428 and broker warrants valued at $159,377) (10)	2,502,000	4,365,195
Shares issued on exercise of 50,000 share options with an exercise price of $1.00.	50,000	106,827
Balance as at December 31, 2016	36,006,956	$ 31,351,441

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

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

Each unit above was comprised of one common share of the Company and one half of one share purchase warrant, for which the value of one common share is $0.75 and the one-half purchase share is $0.25. Each whole share purchase warrant is exercisable for one common share of the Company at a price of $1.50 and will expire 18 months subsequent to the issuance of the $1.00 unit.

(3) On June 28, 2016, the Company issued 83,500 common shares in the Company to the CEO and 16,700 common shares in the Company to a former CFO under the Company's share unit plan (note 19).

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

(5) On August 24, 2016, Aphria exercised 750,000 common share purchase warrants for $1.50 per warrant for gross proceeds of $1,125,000. The amount charged to share capital of $1,500,000 includes the initial fair value charged to these warrants of $375,000.

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

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

(8) The initial fair value of the warrants exercised was $340,188. This amount, and the proceeds from the exercises were included in share capital

(9) A total of 1,813,303 shares were issued in relation to the RTO with Bonanza Blue.

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

	Number	Amount
Balance as at January 1, 2017	**36,006,956**	**$ 31,351,441**
Shares issued in connection with the exercise of share options at $1.00 per share - January 17, 2017	25,000	53,414
Shares issued in connection with a bought deal financing at $2.52 per share - February 15, 2017 (11) (net of share issuance costs of $958,046 and value of broker warrants of $531,000)	5,000,000	11,110,954
Shares issued in connection with Anandia purchase at $2.93 per share (12) - February 17, 2017	689,568	2,021,222
Shares issued due to exercise of warrants at $1.50 during fiscal 2017 (13)	762,202	1,524,404
Shares issued due to exercise of broker warrants at $2.00 during fiscal 2017 (14)	81,219	236,347

Shares issued in connection with convesion of RSUs - during fiscal 2017	88,333	169,849
Shares issued for consulting services - July 10, 2017 at $2.55 per share	11,765	30,000
Shares issued in connection with prior share subscription (15) - August 24, 2017 - subscribed at $2.05 per share	243,902	500,000
Shares issued in connection with termination penalty (16) - August 24, 2017	89,500	204,060
Shares issued due to exercise of warrants issued to Sprott at $2.05 (17)	900,000	2,806,200
Balance as at December 31, 2017	**43,898,445**	**50,007,891**

(11) On February 15, 2017, CannaRoyalty closed an equity financing offering of an aggregate of 5,000,000 units at a price of $3.00 per Unit, for aggregate gross proceeds to CannaRoyalty of $15,000,000. Each unit was comprised of one CannaRoyalty share and half of one CannaRoyalty share purchase warrant. Each half share purchase warrant was valued at $0.48, leaving a value of $2.52 for each common share. Furthermore, as part of this financing 300,000 broker warrants were issued with a value of $1.77 per warrant or $531,000. When the broker warrants are exercised at $3.00 per share an additional one-half share purchase warrant would be issued at $4.50 per share.

The total issuance costs related to the offering were $1,773,998 including broker warrant costs. Of this amount, $1,489,046 was allocated to share capital and $284,952 was allocated to warranty reserve, based on the relative fair values of each component.

(12) On February 17, 2017, CannaRoyalty closed a 20% equity interest purchase agreement with Anandia (see note 9) which included share consideration of $2,021,222. As per the agreement, 682,097 common shares were issued to Anandia at a price of $2.93.

The share price was based on the volume weighted average price of the shares in the ten days prior to closing. A further 7,471 common shares were issued at closing to maintain the Company's 20% equity interest. These shares were valued at $2.84 based on the prior day closing price.

(13) The total charges to share capital for the 762,202 warrants exercised at $1.50, include proceeds of $1,143,303 and the initial fair value of these warrants of $381,101.

(14) The total charges to share capital for the 81,219 broker warrants exercised at $2.00, include proceeds of $162,438 and the initial fair value of these warrants of $73,909.

(15) In connection with a letter of intent with Zenabis Limited Partnership ("Zenabis"), Zenabis paid $500,000 to CannaRoyalty during November 2016. This payment was made to subscribe to 243,902 shares. These shares were issued on August 24, 2017.

(16) On August 24, 2017 CannaRoyalty issued 89,500 shares as consideration for not completing a letter of intent transaction. These shares were valued based on the prior day closing share price and $204,060 has been recorded in the consolidated statement of loss and comprehensive loss as penalties from non-completion of transactions.

(17) During December 2017, Sprott exercised 900,000 warrants at an exercise price of $2.05 (note 16), for total proceeds of $1,845,000. The increase to share capital of $2,806,200 includes the initial fair value of these warrants of $961,200.

Issued and Outstanding Share Purchase Warrants

As at December 31, 2017, the outstanding share purchase and broker warrants could potentially be exercised for a total of 4,112,712 common shares (December 31, 2016 – 1,113,633). A further 200,000 warrants with a value of $378,000 were issued in February 2018 to settle agent commission services provided in fiscal 2017.

The following tables summarize the movement of warrants for the nine-month period ended December 31, 2016 and the year ended December 31, 2017:

	Number of warrants	Grant date value	Weighted average exercise price
Outstanding and exercisable at April 1, 2016	**-**	**$ -**	**$ -**

Grants	2,544,008		0.53		1.53
Exercises	(1,430,375)		0.50		1.50
Outstanding and exercisable at December 31, 2016	**1,113,633**	**$**	**0.56**	**$**	**1.58**

	Number of warrants		Grant date value		Weighted average exercise price
Outstanding and exercisable at January 1, 2017	**1,113,633**	**$**	**0.56**	**$**	**1.58**
Grants	4,750,000		0.96		3.48
Exercises	(1,743,421)		0.82		1.81
Expirations	(7,500)		0.50		1.50
Outstanding and exercisable at December 31, 2017	**4,112,712**	**$**	**0.99**	**$**	**3.67**

The warrants reserve of $4,149,703 at December 31, 2017 (December 31, 2016 - $628,623), is based on the number of outstanding warrants and their weighted average grant date value, the value of the above 200,000 warrants issued in February 2018, less financing costs associated with the issuance of these warrants of $284,952.

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

An additional 300,000 broker warrants were issued as part of the equity financing completed on February 15, 2017. These broker warrants can be exercised for $3.00 per share, and once exercised will provide the shareholder with an additional one-half share purchase warrant at an exercise price of $4.50. These warrants will expire within 2 years, or February 15, 2019. The value of the 300,000 broker warrants was $1.29 per share, or $387,000 total, which was valued using the Black Scholes model with the following key assumptions; a grant price of $2.95 based on the average closing price the five days before the offering was completed, volatility of 82% based on comparable industry benchmarks, and a risk-free interest rate of 0.73%. The additional one-half share purchase warrants exercisable at $4.50 were valued at $0.48 each, and accordingly the 150,000 full share purchase warrants were valued at $0.96 each. These warrants were valued using the Black Scholes model with the following key assumptions; a grant price of $2.95 based on the average closing price the five days before the offering was completed, volatility of 82% based on comparable industry benchmarks, and a risk-free interest rate of 0.73%.

As disclosed in note 16 to these consolidated financial statements, 1,800,000 share purchase warrants were issued to Sprott as part of a secured credit facility arrangement. These warrants were valued at $1,922,400 in aggregate, or at $1.07 per warrant using the Black Scholes model. These shares expire on June 19, 2019 and are not exercisable until August 23, 2017 which is the date the Facility became available to CannaRoyalty.

On February 22, 2018, the Company issued 200,000 warrants to settle agent commission services provided in 2017. These options will expire in 3 years and have a value of $1.94 per warrant. These warrants were valued using the Black Scholes model with the following key assumptions: a grant price of $2.86 based on the closing price, volatility of 75% based on a weighted average of the Company's historical and industry benchmarks, and a risk-free interest rate of 1.75%.

The following is a summary of the expiry dates of outstanding warrants as at December 31, 2017. On average, the warrants will expire in 1.37 years.

Expiry date	Warrants outstanding and exercisable	Exercise price
January 15, 2018	87,500	1.50
January 28, 2018	93,993	1.50
October 4, 2018	81,219	2.00
February 15, 2019	300,000	3.00
February 15, 2019	2,650,000	4.50
June 19, 2020	900,000	2.05

Total	4,112,712	$	3.67

After December 31, 2017 and until the date of these statements, proceeds of $4,738,146 have been received from the exercise of 1,689,221 warrants.

Share subscription payable and contingent shares

In connection with a letter of intent with Zenabis, Zenabis paid $500,000 to CannaRoyalty during November 2016. This payment was made to subscribe to 243,902 shares. These shares were issued on August 24, 2017 (see note 19(15)).

In connection with the acquisition of Dreamcatcher on October 24, 2016, CannaRoyalty potentially needed to issue an additional 2,000,000 common shares to the former shareholders of Dreamcatcher. These issuances were contingent on Dreamcatcher meeting specific targets six months after the acquisition date and twelve months after the acquisition date. At the acquisition date, the contingent consideration was deemed to be an equity instrument and was valued at $4,020,000. The specific targets were not met and accordingly, $4,020,000 was transferred to contributed surplus during fiscal 2017.

Shares issued in escrow

In accordance with a term sheet signed with Kaya and Alta on November 28, 2017 (note 30), 579,691 and 675,125 shares were issued to each respective party at a share price of $3.02. These shares have been issued but are held in escrow as they will be refunded if a deal is not closed. For the purposes of these financial statements, these shares are not included in the Company's outstanding shares.

20. Share unit plan and share option plan

The following is a summary of the share-based compensation for each accounting period:

	Year Ended December 31, 2017	Nine Months ended December 31, 2016
Share-based compensation:		
Restricted Share Units	**$ 3,035,010**	$ 2,486,130
Stock Options	**548,871**	-
Total	**$ 3,583,881**	$ 2,486,130

Share unit plan

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

The share unit plan provides for a maximum number of common shares issuable. The ceiling is set at a rolling maximum of 10% of the Company's issued and outstanding shares. At December 31, 2017, a total of 125,737 Restricted Stock Units ("RSUs") were available for grant.

The number of share units granted, and any applicable vesting conditions are determined at the discretion of the CannaRoyalty Board or a compensation committee of the Board. The termination provisions under the share unit plan provide for automatic vesting of any unvested RSUs in the event of retirement, death, disability, and change in control.

Summary of Activity

The following table provides a summary of the movement in RSUs during the year ended December 31, 2017 and the nine-months ended December 31, 2016:

	Year Ended December 31, 2017		Nine Months Ended December 31, 2016	
	Amount	**Value**	Amount	Value
Outstanding, Beginning of Period	**2,774,800**	**$ 1.73**	-	$ -
Granted	**1,601,183**	**3.18**	2,875,000	1.70

Settled in common shares	**(88,333)**	**1.92**	(100,200)	0.75
RSU's withheld as tax on exercise	**(34,501)**	**2.06**	-	-
Forfeitures	**(99,999)**	**2.09**	-	-
Outstanding, End of Period	**4,153,150**	**$ 2.28**	2,774,800	$1.73

Of the outstanding RSUs at December 31, 2017, 1,933,587 have vested and have not been converted, as employees may elect to defer the conversion of RSU's into common shares. The 2,219,563 unvested RSUs will vest in an average of 1.14 years. The average stock price of the shares when the RSUs were converted was $2.49.

As at December 31, 2017, the Company has committed to issue RSUs with a total value of $50,000 to consultants. The RSUs will only be issued if the consultants continue to provide services between the agreement start date until April 30, 2018. The number of RSUs issued will be determined by the volume weighted average trading price of CannaRoyalty shares for the five preceding days. Since the value of the RSUs is fixed and will be equity settled, this is considered an equity instrument under IFRS 2, and the value of these shares has been amortized from the service start date to the specified receiving date. As at December 31, 2017, the Company has recorded an RSU expense of $30,600 related to these RSUs. The following is a summary of the RSU expense by function for each accounting period:

	Year Ended December 31, 2017	Nine Months ended December 31, 2016
General and administrative	**$ 2,690,148**	$ 2,298,527
Sales and marketing	**265,943**	187,603
Research and Development	**78,919**	-
Total	**$ 3,035,010**	$ 2,486,130

Stock Options

This plan provides for a maximum number of common shares issuable with the ceiling set at a rolling maximum of 10% of the Company's issued and outstanding shares. At December 31, 2017, a total of 3,665,326, stock options were available for grant.

As at December 31, 2017, there are 850,000 stock options outstanding, including 800,000 options which were issued to the board of directors on December 29, 2017. One-quarter of the options issued to the board of directors vest immediately upon issuance, and a further one-quarter will vest at each of the following three anniversary dates.

The following is a summary of stock options for the respective periods ending December 31, 2017 and December 31, 2016:

	Year ended Dec. 31, 2017			Nine Months ended Dec 31, 2016		
	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Fair Value**	Number of Options	Weighted Average Exercise Price	Weighted Average Fair Value
Outstanding, beginning of year	**25,000**	**$ 1.00**	**$ 1.14**	-	$ -	$ 1.14
Granted	**850,000**	**3.68**	**2.33**	75,000	1.00	1.14
Exercised	**(25,000)**	**1.00**	**1.14**	50,000)	1.00	1.14
Outstanding, end of year	**850,000**	**$ 3.68**	**$ 2.33**	25,000	$ 1.00	$ 1.14

Of the outstanding stock options at December 31, 2017, 212,500 have vested and have not been exercised. The 637,500 unvested options will vest in an average of 1.89 years. The fair value of the shares at the date of exercise was 3.06.

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

The following table shows details of the Company's share options by exercise price:

Range of Exercise Prices	Number of Options Granted	Number of Options Vested	Weighted Average Remaining Life (Years)
$ 2.80	**50,000**	12,500	**4.58**
3.73	**800,000**	200,000	**9.99**
	850,000	212,500	**9.67**

The fair value of stock options is determined by the Black-Scholes method. The following is a summary of the key variables in determining the value of options for the respective periods ending December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Expected life, in years	2.5 – 5.75	1
Volatility	69.2% - 73.8%	85%
Risk free interest rate	1.54% - 1.86%	0.50%
Anticipated forfeiture	0% - 8.8%	0%
Dividend yield	0%	0%
Closing stock price at grant date	$2.86 - $3.73	$2.00

The volatility is based on a weighted average of the Company's historical stock volatility and comparable industry benchmarks.

The total expense related to stock options for the year ending December 31, 2017 is $548,871 and it is fully included in general and administrative expenses.

21. Net loss per share

		Year ended Dec. 31, 2017		Nine months ended Dec. 31, 2016
Numerator for basic and diluted loss per share:				
Net loss for the period	**$**	**(9,065,492)**	$	(10,317,479)
Denominator for basic loss per share:				
Weighted average number of common shares outstanding		**41,439,567**		25,237,273
Effect of potential dilutive securities (1)		**-**		-
Adjusted denominator for diluted loss per share		**41,439,567**		25,237,273
Basic and diluted net loss per share	**$**	**(0.22)**	$	(0.41)

(1) Excluded from the calculation of diluted net loss per share for the year ended December 31, 2017 and the nine months ended December 31, 2016 were the securities from convertible debt (note 15), exercisable warrants (note 19), vested RSU's (note 20) and subscribed shares (note 13).

22. Income taxes

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

		Year Ending December 31, 2017		Nine-months ending December 31, 2016
Current tax for the year	$	102,236	$	-

Adjustments of previous years		2,785		-
Total	$	105,021	$	-

Components of deferred income tax expense (recovery) for each of the respective periods are as follows:

		Year Ending December 31, 2017		Nine-months ending December 31, 2016
Origination and reversal of temporary differences	$	(1,028,430)	$	(1,191,036)
Difference between statutory tax rate and deferred tax rate		(577,313)		(15,642)
Change in temporary difference for which no deferred tax assets are recorded		(79)		1,154,455
Deferred Income Tax (recovery)	$	(1,605,823)	$	(52,223)

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

		Year Ending December 31, 2017		Nine-months ending December 31, 2016
Earnings before income taxes	$	(10,566,294)	$	(10,263,937)
Expected tax recovery calculated using the combined federal and provincial tax rate in Canada(26.5% at December 31, 2016)		(2,800,068)		(2,719,943)
Adjustments for the following items:				
Tax rate differences		(759,004)		(17,272)
Changes in foreign tax rates		(1,155,699)		-
Foreign exchange		(393,120)		(34,354)
Permanent differences		1,709,643		1,563,735
Disallowed items under IRC 280E		456,955		-
Change in temporary differences for which no tax assets are recorded		1,868,270		1,155,611
True-up and other		(427,778)		-
	$	(1,500,802)	$	(52,223)

The following is a reconciliation of the deferred tax assets and liabilities recognized by the Company for the year ending December 31, 2017 and the nine-months ending December 31, 2016:

		Opening December 31, 2016		**Recognized in Income**		**Recognized in Equity/OCI**		**Ending December 31, 2017**
Investments	$	36,570	-$	466,544	$	-	-$	429,974
Intangible Assets		(3,001,766)		1,411,751		124,513		(1,465,502)
Property and Equipment		25,511		(65,240)		1,481		(38,248)
Share Issue Costs		132,681		(108,143)		378,702		403,241
Loss carryforward		1,897,687		2,023,929		(8,755)		3,912,862
Foreign denominated loan		(91,218)		35,199		-		(56,019)
Other		(1,558)		563,226		(46)		561,647
Tax benefits not recognized		(1,999,673)		(1,788,357)		(378,702)		(4,166,732)

	$ (3,001,766)	$ 1,605,823	$ 117,193	$ (1,278,726)

	Opening March 31, 2016	Recognized in Income	Recognized in Equity/OCI	Ending December 31, 2016
Investments	$ -	$ 36,570	$ -	$ 36,570
Intangible Assets	-	52,224	(3,053,990)	(3,001,766)
Property and Equipment	-	25,511	-	25,511
Share Issue Costs	16,797	115,884	-	132,681
Loss carryforward	827,265	1,070,422	-	1,897,687
Foreign denominated loan	-	(91,218)	-	(91,218)
Other	-	(1,558)	-	(1,558)
Tax benefits not recognized	(844,062)	(1,155,611)	-	(1,999,673)
	$ -	$ 52,224	$ (3,053,990)	$ (3,001,766)

As at December 31, 2017, the Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position, that can be carried to the following years:

December 31, 2037	$ 6,479,311
December 31, 2036	4,768,882
December 31, 2035	3,049,654
December 31, 2033	145,173
	$ 14,443,020

As at December 31, 2016, the Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position, that can be carried to the following years:

December 31, 2036	3,781,749
December 31, 2035	3,049,654
December 31, 2033	145,173
	$ 6,976,576

The Company's subsidiaries which operate in California have a combined federal and state tax rate of 27.98%. The federal tax rate is 21.00%.

23. Fair value of financial instruments

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

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

	December 31, 2017	December 31, 2016
Fair value through profit or loss assets (liabilities):		
Cash	**$ 4,522,644**	$ 2,945,895
Derivative assets	**-**	114,505
Investments (1)	**17,243,342**	2,228,750
Loans and receivables:		
Loans receivable	**1,102,168**	2,943,161

Amounts receivable	**1,429,123**	556,170
Convertible notes receivable	**373,127**	864,806
Financial liabilities at amortized cost:		
Amounts payable	**409,964**	1,449,181
Line of credit	**826,517**	-
Convertible debt	**1,431,950**	1,376,583
Loans payable	**425,345**	451,618

Determination of fair value

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

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

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

The Company's financial instruments carried at fair value consist of cash (Level 1), derivative assets (Level 2), and certain investments (Level 2). The embedded derivatives are valued using observable market inputs such as prime rate of borrowing and the Company's stock price. Level 2 valuations have been completed for investments using observable share price data from completed and in status private placement transactions. The Company has not transferred any financial instruments between Level 1, 2 or 3 of the fair value hierarchy during the three months ended December 31, 2017.

Liquidity

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

The Company has sustained losses since incorporation and has financed these losses mainly through a combination of equity and debt offerings. As at December 31, 2017, the Company has contractual obligations relating to trade and other payables, loans, convertible debt and a line of credit.

The following table sets forth details of the remaining contractual maturities of the Company's contractual obligations as at December 31, 2017:

	2018	2019	2020	2021	2022	Total
Amounts payable and accrued liabilities	$ 1,606,689	$ -	$ -	$ -	$ -	$ 1,606,689
Loan payable	425,345	-	-	-	-	425,345
Current tax liability	102,236	-	-	-	-	102,236
Convertible debt (1)	1,500,000	-	-	-	-	1,500,000
Line of credit (2)	1,000,000	-	2,000,000	-	-	3,000,000
Lease commitments	359,944	361,969	292,170	107,429	2,599	1,124,111
Total	$ 4,994,214	$ 361,969	$ 2,292,170	$ 107,429	$ 2,599	$ 7,758,381

(1) Aphria has executed its option to convert the debt into 750,000 shares effective April 1, 2018 (note 30). As a result this commitment will be settled before its maturity date of October 2019.

(2) As part of the bought deal financing (note 30), the Company has agreed to re-pay $1,000,000 of the line of credit outstanding to

Sprott.

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

Credit Risk

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

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

For additional information regarding the Company's management of and exposure to amounts receivable refer to note 6 of these financial statements.

Foreign Currency Risk

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

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

The Company does not have any foreign exchange contracts to hedge its exposure of its foreign currency at December 31, 2017 but is in the process of developing a hedging policy to manage cash-based instalment payments on acquisitions. The Company recognized a foreign exchange loss from continuing operations of $436,555 for the year ended December 31, 2017 (gain of $349,634 for the nine months ended December 31, 2016).

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

	December 31, 2017	December 31, 2016
Cash	$ 1,023,542	$ 126,078
Prepaid	79,135	24,119
Loans Receivable	929,591	2,421,502
Amounts Receivable	819,160	361,446
Convertible Loan Receivable	296,816	643,409
Derivative Assets	-	85,191
Royalty Investment	4,837,370	-
Accounts Payable	(106,000)	(179,718)
Loans Payable	(338,354)	(336,000)
Total	$ 7,541,260	$ 3,146,027

As at December 31, 2017, with other variables unchanged, a +/- 5% change in the U.S. dollar to Canadian Dollar exchange rate would impact the Company's net income by approximately $377,063 (December 31, 2016 - $157,301).

Interest Rate Risk

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

Capital Management

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

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

24. Segmented information

CannaRoyalty operates under one reporting segment.

During the periods ended December 31, 2017 and 2016 the Company has generated the following types of revenues:

		Year ended December 31, 2017		Nine months ended December 31, 2016
Product sales	**$**	**977,028**	$	228,081
Services		**859,605**		38,898
Royalties		**1,103,645**		348,820
Interest income		**137,691**		26,478
Total	**$**	**3,077,969**	$	642,277

Three parties generated 65% of the total revenue for the year ended December 31, 2017, the largest accounting for 23% (nine months ended December 31, 2016 – two parties, 58%, largest 36%).

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

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

		Year ended December 31, 2017		Nine months ended December 31, 2016
Cost of product sales	**$**	**1,391,896**	$	190,505
Cost of services		**218,479**		27,506
Cost of royalties		**561,965**		95,776
Total	**$**	**2,172,340**	$	313,787

Revenues by Operating Division

The Company has three main operating Divisions consisting of CR Brands, CR Advisory Services and CR Holdings.

The following table is a summary of revenues by operating verticals for the periods ended December 31, 2017 and 2016:

		Year ended December 31, 2017		Nine months ended December 31, 2016
Holdings	**$**	**1,241,336**	$	375,298
Brands		**977,028**		228,081

Advisory services		**859,605**		38,898
Total	**$**	**3,077,969**	$	642,277

Geographic segments

The following table is a summary of revenues by geographic segments for the periods ended December 31, 2017 and 2016:

		Year ended December 31, 2017		Nine months ended December 31, 2016
Canada	**$**	**147,530**	$	27,607
United States of America		**2,930,439**		614,670
Total	**$**	**3,077,969**	$	642,277

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

The Company's corporate and administrative offices are in Canada. The following summarizes the location of the Company's non-current assets as at December 31, 2017 and December 31, 2016.

-		**December 31, 2017**			December 31, 2016	
-		**Canada**		**USA**	Canada	USA
Loans receivable	**$**	**-**	**$**	**66,421**	$ -	$ -
Convertible notes receivable		**-**		**-**	-	864,806
Derivative assets		**-**		**-**	-	114,505
Interest in equity accounted investees		**2,538,014**		**1,058,319**	2,589,202	952,079
Investments		**10,965,886**		**6,277,456**	250,000	1,978,750
Royalty investments		**436,025**		**5,398,588**	436,025	2,157,866
Property and equipment		**120,683**		**963,415**	27,607	1,365,505
Intangible assets and goodwill		**1,717,824**		**8,649,151**	1,773,953	12,490,230

25. Salary and Compensation

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

		Year ended December 31, 2017		Nine months ended December 31, 2016
Salaries and short-term benefits	$	3,118,862	$	440,290
Share-based compensation		2,769,132		1,563,248
Total	$	5,887,994	$	2,003,538

The above table does not include any compensation for the board of directors. CannaRoyalty commenced hiring employees in November 2016.

26. General and administrative Expense

		Year ended December 31, 2017		Nine months ending December 31, 2016
Accounting & audit fees	**$**	**445,820**	$	457,269

Bad debt		**989,318**		132,790
Advisory & consulting fees		**646,539**		746,082
Legal fees		**484,046**		1,133,568
Rent		**369,631**		20,304
Office & administration costs		**823,719**		173,786
Salary-based compensation		**2,502,144**		388,123
Stock-based compensation		**3,238,925**		2,298,527
Depreciation		**35,690**		213,825
Travel		**540,255**		-
Total	**$**	**10,076,087**	$	5,564,274

27. Interest Expense

The following is a summary of interest expense for the periods ending December 31, 2017 and 2016:

		Year ended December 31, 2017		Nine months ended December 31, 2016
Loan payable (note 14)	**$**	**3,064**	$	-
Convertible debt to Aphria (note 15)				
Interest paid or accrued at 5%		**75,000**		15,000
Accretion of discount		**55,367**		-
Line of credit with Sprott (note 16)				
Interest accrued at 10%		**36,111**		-
Amortization of warrants issued to Sprott		**229,986**		-
Amortization of other financing fees		**64,740**		-
Short-term financing and other		**3,689**		161,958
Total	**$**	**467,957**	$	176,958

28. Reverse Takeover Transaction

On December 5, 2016, the Company completed a reverse takeover transaction of Bonanza Blue. As part of this transaction, Bonanza Blue shareholders received shares on a 5 to 1 basis. Furthermore, directors were issued shares and share options in order to discharge all liabilities prior to the completion of the merger. The value of this consideration was $3,712,389, and when offset by tangible assets received of $13,771, resulted in a non-cash listing expense of $3,698,618.

The Company also incurred $202,393 of cash paid expenses for getting listed, which results in a total listing expense of $3,901,011.

29. Prior Period Corrections

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

The fair value of warrants is included in share capital once a warrant has been exercised in accordance with IFRS 2. For the nine months ended December 31, 2016, the fair value of warrants exercises of $715,188 had been included in contributed surplus and has been reclassified to share capital to comply with the current year presentation. The reclassification has no impact on the consolidated statements of loss and comprehensive loss or cash flows.

Foreign currency translation adjustments are recorded as other comprehensive loss for the year ending December 31, 2017. For the period ending December 31, 2016, foreign currency translation adjustment losses of $102,762 were included within accumulated other comprehensive loss on the statement of financial position, but were not recorded on the statements of loss and comprehensive loss. The re-classification had no impact on the consolidated balance sheet, and total comprehensive loss was understated by $102,762.

30. Subsequent Events

a) **Term Sheet with Aequus:** On January 11, 2018, the Company entered into a term sheet for a collaboration with Aequus, a Canadian company on the TSX Ventures exchange, whereby CannaRoyalty will contribute its 10% equity interest in Bodhi. The parties will diligence, fund, develop, test the clinical performance and delivery, and potentially commercialize products in accordance with a clinical development plan and thereafter retains financial interests in the Product and its development and commercialization.

b) **Bought Deal Financing:** On March 15, 2018, the Company entered into an agreement with a syndicate of underwriters, led by Canaccord Genuity Corp., pursuant to which the underwriters will purchase, on a bought deal basis, an aggregate of 3,750,000 units of the Company at a price of $4.00 per unitfor aggregate gross proceeds of $15.0 million (the "2018 Offering").

   Each unit will consist of one CannaRoyalty Share and one-half of one common share purchase warrant of the Company. Each warrant will be exercisable to acquire one common share of the Company for a period of three years following the closing date of the 2018 Offering at an exercise price of $5.50 per common share, subject to adjustment in certain events. In the event that the volume-weighted average trading price of the Common Shares exceeds $8.00 for 15 trading days following the closing date of the Offering, the Company shall be entitled to accelerate the exercise period of the warrants to a period ending not less than 21 days from the date written notice of such acceleration trigger is provided to warrant holders.

   The Company has agreed to grant the underwriters an over-allotment option to purchase up to an additional 562,500 Units at the Offering Price, exercisable in whole or in part, at any time and from time to time on or prior to the date that is 30 days following the closing of the 2018 Offering. The Underwriters may elect to exercise the over-allotment option to acquire additional units, common shares and/or warrants. If this option is exercised in full, an additional $2.25 million in gross proceeds will be raised pursuant to the 2018 Offering and the aggregate gross proceeds of the 2018 Offering will be $17.25 million**.**

   Upon the successful completion of the bought deal financing, the Company will be required to pay down $1,000,000 of its line of credit balance due to Sprott (note 16)

c) **Acquisition of Kaya and Alta:** On March 27, 2018, the Company closed its acquisition of both Kaya, the exclusive manufacturer and license holder of rights for Bhang® brand vaporizer products in California, and Alta, a distributor of Bhang® vaporizer and Bhang® chocolate products, as well as products for over a dozen other well-known third-party cannabis companies throughout California. As consideration for the Kaya/Alta Acquisitions, the Company issued an aggregate of 1,254,816 common shares and US$2.165 million in cash, such amounts being subject to post-closing working capital adjustments. Additional consideration of 1,605,992 common shares will be paid over the 18 months following the closing date of the Kaya/Alta Acquisitions, subject to the achievement of operational milestones.

d) **Term Sheet for River Acquisition:** On March 27, 2018, the Company announced that it entered into a binding term sheet for the acquisition of 100% of River Distribution and its affiliates ("RVR"). This acquisition is conditional on certain obligations and requirements being met before an expected close date later in fiscal 2018. RVR represents a number of California brands sourced from across the state. The consideration for the RVR Acquisition will consist of 5,000,000 Common Shares, with 1,650,000 of such Common Shares subject to operational milestones. Additional consideration of 2,000,000 Common Shares will be issued, subject to the successful completion by RVR of financial milestones to be agreed on by the parties.

e) **Exercise of Convertible Debt Option:** On April 2, 2018, Aphria elected to exercise the conversion right contained in a convertible debenture (note 15) and to receive 750,000 common shares of CannaRoyalty for the principal amount of $1,500,000.

f) **Exercise of Warrants**: Subsequent to year end and until the date of these statements, proceeds of $4,738,146 have been received from the exercise of 1,689,221 warrants.