CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2018 and March 31, 2017

(Expressed in Canadian Dollars)

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CANNAROYALTY CORPORATION

Condensed Interim Consolidated Statements of Financial Position

(UNAUDITED)

(Expressed in Canadian Dollars)

	Note		**March 31, 2018**		December 31, 2017
ASSETS					
Current					
Cash		**$**	**6,056,470**	$	4,522,644
Amounts receivable	6		**1,099,646**		1,429,123
Inventory	7		**3,015,273**		270,169
Prepaid and other assets			**727,472**		250,744
Loans receivable - current	8		**631,469**		1,102,168
Convertible notes - current	9		**-**		373,127
			11,530,330		7,947,975
Non-Current					
Loans receivable	8		**-**		66,421
Interest in equity accounted investees	10		**4,087,128**		3,596,333
Investments	11		**17,665,449**		17,243,342
Royalty investments	12		**7,311,573**		5,834,613
Property and equipment	13		**1,329,338**		1,084,098
Intangible assets	14		**12,528,608**		5,607,598
Goodwill	14		**13,218,265**		4,759,377
			56,140,361		38,191,782
Total Assets		**$**	**67,670,691**	$	46,139,757
LIABILITIES					
Current					
Amounts payable and accrued liabilities	15	**$**	**6,898,672**	$	1,606,689
Loan payable	16		**533,274**		425,345
Current tax liability			**496,325**		102,236
			7,928,271		2,134,270
Non-Current					
Convertible debt	17		**1,461,614**		1,431,950
Line of credit	18		**1,107,480**		826,517
Deferred tax liability	24		**3,433,205**		1,278,676
			6,002,299		3,537,143
Total Liabilities		**$**	**13,930,570**	$	5,671,413
SHAREHOLDERS' EQUITY					
Share capital	21	**$**	**61,233,717**	$	50,007,891
Share subscription and contingent shares	21		**5,839,730**		-
Warrants reserve	21		**2,575,947**		4,149,703
Contributed surplus	21,22		**11,720,275**		9,902,292
Accumulated other comprehensive loss			**(487,114)**		(1,032,719)
Accumulated deficit			**(27,119,958)**		(22,381,817)
Non-controlling interest			**(22,476)**		(177,006)
Shareholders' Equity			**53,740,121**		40,468,344
Total Liabilities & Shareholders' Equity		**$**	**67,670,691**	$	46,139,757

Subsequent events (note 30)

See accompanying notes to the condensed interim consolidated financial statements.

On behalf of the Board

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

CANNAROYALTY CORPORATION

(UNAUDITED)

Condensed Interim Consolidated
Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Three months ended March 31	Note		2018		2017
Revenue	26	**$**	**643,437**	$	301,111
Cost of sales	26		**(673,067)**		(56,638)
Gross margin			**(29,630)**		244,473
Operating expenses					
Sales and marketing			**478,516**		236,860
Research and development			**75,965**		476,241
General and administrative	27		**3,750,426**		2,137,188
Amortization of brands and technologies	14		**175,107**		202,472
Loss from operations			**(4,509,644)**		(2,808,288)
Other income (expenses)					
Changes in fair value of investments	11		**342,106**		-
Impairment of convertible notes receivable	9		**(375,472)**		-
Gain from equity accounted investees, net of tax	10		**453,804**		942,397
Foreign exchange loss			**(76,030)**		(125,652)
Interest expense			**(319,990)**		(17,620)
Adjustment from non-completion of share swap			**-**		(183,475)
Listing expense			**-**		(38,193)
Gain on reclassification to assets held for sale			**-**		98,674
Net loss before tax			**(4,485,226)**		(2,132,157)
Current tax expense			**(434)**		-
Deferred tax expense recovery			**(168,813)**		78,372
Net loss for the period		**$**	**(4,654,473)**	$	(2,053,785)
Other comprehensive loss for the period					
Foreign currency translation differences			**545,605**		(87,180)
Total comprehensive loss for the period		**$**	**(4,108,868)**	$	(2,140,965)
Net loss per common share - basic and diluted	23	**$**	**(0.10)**	$	(0.05)
Weighted average number of common shares outstanding - basic and diluted	23		**45,075,695**		38,865,970
Total net loss for the period attributable to:					
Owners of the company		**$**	**(4,629,003)**	$	(2,037,970)
Attributable to non-controlling interest			**(25,470)**		(15,815)
		$	**(4,654,473)**	$	(2,053,785)
Total comprehensive loss for the period attributable to:					
Owners of the company		**$**	**(4,083,398)**	$	(2,125,150)
Attributable to non-controlling interest			**(25,470)**		(15,815)
		$	**(4,108,868)**	$	(2,140,965)

See accompanying notes to the condensed interim consolidated financial statements.

CannaRoyalty

(UNAUDITED)

CANNAROYALTY CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholder's Equity

(Expressed in Canadian Dollars)

	Number of shares (note 21)	Share capital (note 21)	Contingent shares (note 21)	Warrants Reserve (note 21)	Contributed Surplus (notes 21 & 22)	Accumulated Other Comprehensive Loss	Deficit	Non Controlling Interest	Total Shareholders' Equity
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	-	-	-	-	-	-	(2,037,970)	(15,815)	(2,053,785)
Change in foreign currency translation adjustment	-	-	-	-	-	(87,180)	-	-	(87,180)
Shares and warrants issued in bought deal financing	5,000,000	12,600,000	-	2,400,000	-	-	-	-	15,000,000
Costs associated with bought deal financing	-	(964,999)	-	(284,952)	-	-	-	-	(1,249,951)
Broker warrants issued with bought deal financing	-	(531,000)	-	531,000	-	-	-	-	-
Shares issued for exercise of restricted share units	15,400	30,800	-	-	(30,800)	-	-	-	-
Withholding taxes on exercise of restricted share units	-	-	-	-	(13,110)	-	-	-	(13,110)
Stock based compensation (note 22)	-	-	-	-	1,158,396	-	-	-	1,158,396
Shares issued in acquisitions of equity interests	689,568	2,021,222	-	-	-	-	-	-	2,021,222
Shares issued for exercise of warrants	19,500	39,000	-	(9,750)	-	-	-	-	29,250
Share options exercised	25,000	53,414	-	-	(28,414)	-	-	-	25,000
Balance at March 31, 2017	41,756,424	$ 44,599,878	$ 4,520,000	$ 3,264,921	$ 3,663,883	$ (189,942)	$ (15,528,297)	$ (18,819)	$ 40,311,624
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**
IFRS 9 Adoption	**-**	**-**	**-**	**-**	**-**	**-**	**(109,138)**	**-**	**(109,038)**
Balance at January 1, 2018	**43,898,445**	**$ 50,007,891**	**$ -**	**$ 4,149,703**	**$ 9,902,292**	**$ (1,032,719)**	**$ (22,490,855)**	**$ (177,006)**	**$ 40,359,306**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(4,629,103)**	**(25,470)**	**(4,654,573)**
Change in foreign currency translation adjustment	**-**	**-**	**-**	**-**	**-**	**545,605**	**-**	**-**	**545,605**
Shares issued for exercise of restricted share units	**53,500**	**122,060**	**-**	**-**	**(122,060)**	**-**	**-**	**-**	**-**
Stock based compensation (note 20)	**-**	**-**	**-**	**-**	**1,940,043**	**-**	**-**	**-**	**1,940,043**
Shares issued in acquisitions of equity interests	**1,254,816**	**4,755,753**	**-**	**-**	**-**	**-**	**-**	**-**	**4,755,753**
Shares issued for exercise of warrants	**738,993**	**3,343,393**	**-**	**(562,403)**	**-**	**-**	**-**	**-**	**2,780,990**
Shares issued for exercise of broker warrants	**50,228**	**162,309**	**-**	**(50,153)**	**-**	**-**	**-**	**-**	**112,156**
Shares issued on exercise of warrants by Sprott Inc.	**900,000**	**2,806,200**	**-**	**(961,200)**	**-**	**-**	**-**	**-**	**1,845,000**
Shares issued for interest on Sprott line of credit	**11,646**	**36,111**	**-**	**-**	**-**	**-**	**-**	**-**	**36,111**
Contingent shares recorded on acquisition	**-**	**-**	**5,839,730**	**-**	**-**	**-**	**-**	**-**	**5,839,730**
Capital contribution of Trichome minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**180,000**	**180,000**
Balance at March 31, 2018	**46,907,628**	**$ 61,233,717**	**$ 5,839,730**	**$ 2,575,947**	**$ 11,720,275**	**$ (487,114)**	**$ (27,119,958)**	**$ (22,476)**	**$ 53,740,121**

See accompanying notes to the condensed interim consolidated financial statements.

CANNAROYALTY CORPORATION

Condensed Interim Consolidated
Statement of Cash Flows
(Expressed in Canadian Dollars)

(UNAUDITED)

	Three months ended March 31	
	2018	2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	**$ (4,654,473)**	$ (2,053,785)
Items not affecting cash:		
Bad debts expense (note 6)	**(20,903)**	(13,318)
Non controlling interest	**-**	(15,815)
Gain from equity accounted investees (note 10)	**(453,804)**	(942,397)
Amortization of property and equipment (note 13)	**45,268**	41,742
Amortization of intangibles (note 12)	**166,868**	202,472
Amortization of royalties (note 10)	**388,370**	21,121
Amortization of fees related to line of credit (note 16)	**197,630**	-
Share based compensation (note 20)	**1,940,043**	1,158,396
Deferred tax expense (recovery) (note 24)	**168,813**	(78,372)
Loss on impairment of convertible notes receivable (note 7)	**375,472**	-
Accretion of derivative assets and liabilities	**14,664**	-
Gain on reclassification of assets held for sale	**-**	(98,674)
Gain on investments (note 9)	**(342,106)**	-
	(2,174,158)	(1,778,630)
Changes in non-cash items relating to operations:		
Decrease (increase) in amounts receivable	**75,133**	(249,641)
Decrease in inventory	**13,401**	41,085
Increase in prepaid and other assets	**(288,276)**	(58,918)
(Increase) Decrease in accounts payable and accruals	**440,819**	(408,506)
Increase in current tax liability	**434**	-
	(1,932,647)	(2,454,610)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of property and equipment (note 11)	**(20,530)**	(70,304)
Purchase of Kaya and Alta, net of cash received (note 5)	**733,321**	-
Purchase of interests in equity accounted investments	**-**	(1,601,218)
Royalty financing arrangements (note 11)	**(1,290,000)**	-
Loans advanced to debtors, net of repayment	**(916,360)**	(664,535)
	(1,493,569)	(2,336,057)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from shares in bought deal financing, net of issuance costs (Note 19)	**-**	10,963,049
Proceeds from issuance of warrants, net of issuance costs (Note 19)	**-**	2,787,000
Proceeds from exercise of warrants (Note 19)	**4,738,146**	29,250
Proceeds from shares issued to minority holders of Trichome	**180,000**	
Proceeds from issuance of stock options (Note 21)	**-**	25,000
Tax withholding paid on exercise of restricted share units	**-**	(13,110)
	4,918,146	13,791,189
Effect of movement of exchange rates on cash held	**41,896**	-
INCREASE (DECREASE) IN CASH	**1,533,826**	9,000,522
CASH, BEGINNING OF PERIOD	**4,522,644**	2,945,895
CASH, END OF PERIOD	**$ 6,056,470**	$ 11,946,417

See accompanying notes to the condensed interim consolidated financial statements.

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 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 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"), for which it currently has a 69% interest. On March 27, 2018 the Company completed the acquisitions of Kaya Management, Inc. ("Kaya") and Alta Supply, Inc. ("Alta") by acquiring 100% of the outstanding shares of each company.

2. Going Concern Uncertainty

CannaRoyalty has 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 and require additional financing to expand on there current level of market penetration. The acquisition targets generally operate in the United States ("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 $4.7 million for the three months ended March 31, 2018 and $9.1 million for the twelve months ended December 31, 2017. As at March 31, 2018, the Company has cash of $6.1 million and working capital of $3.6 million which could be used for acquisitions, investment in current holdings, and for operational needs. If sufficient cash flows 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.

The Company has the following plans in place to maintain liquidity:

a) The completion of a bought deal financing that generated gross proceeds of $17.3 million in April 2018 (note 30)
b) The ability to draw on a line of credit to fund operating activities (note 18)
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 condensed interim financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis which may differ materially from the going concern basis.

3. Basis of Preparation

These interim condensed consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017, which have been prepared in accordance with IFRS. Accordingly, they do not include all of the information and footnotes required under IFRS for complete financial statements. In the opinion of management, these condensed interim consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the Company’s financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year. All intercompany accounts and transactions have been eliminated.

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors (the “Board”) on May 28, 2018.

4. Significant Accounting Policies and New Standards

Application of new and revised International Financial Reporting Standards

IFRS 15 Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”) is required to for reporting periods beginning on or after January 1, 2018. This new standard supersedes existing standards and interpretations, including IAS 18, *Revenue.* The Company has applied the standard retrospectively to prior periods, subject to permitted and elected practical expedients.

IFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. The application of IFRS 15 has not had a significant impact on the financial position and financial performance of the Company.

The Company recognises revenue from services, royalties, and the distribution of cannabis products. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

IFRS 9 Financial Instruments

IFRS 9, *Financial Instruments* is required for reporting periods beginning on or after January 1, 2018, with retrospective application. The Company has applied IFRS 9 in the current period, and in accordance with the transition requirements, comparative periods have not been restated. The adoption of IFRS 9 did not have a significant impact on the carrying amounts of financial instruments as at January 1, 2018.

(Unaudited - Expressed in Canadian Dollars)

Classification and measurement

IFRS 9 replaces the classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). This classification is based on the business model in which a financial asset is managed, as well as its contractual cash flow characteristics, and eliminates the IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale.

Loans receivable (note 8) and the convertible note receivable (note 9) are comprised of debt investments that are recorded at fair value through profit or loss. Interests in equity accounted investees (note 10) and equity investments (note 11) are recorded at fair value through profit or loss. The Company has not made an election to present subsequent changes in the fair value of an equity investment in other comprehensive income.

All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables and has adjusted for credit losses under IFRS 9.

In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 results in earlier recognition of credit losses for the respective items. The Company has determined the retrospective impact of expected credit losses below and the impact of expected credit losses as at March 31, 2018 in note 6.

	As reported at December 31, 2017	Estimated adjustment due to adoption of IFRS 9	Estimated adjusted opening balance at January 1, 2018
Allowance for doubtful trade receivables	$ (28,026)	$ (109,138)	$ (137,164)
Accumulated deficit	(22,381,817)	(109,138)	(22,490,955)

Accounting standards and amendments issued but not yet applied

Certain new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the three months ended March 31, 2018. The Company is currently considering the effects of the new and revised standard, which will be effective to the Company's consolidated financial statements for the year ending December 31, 2019 or later.

IFRS 16 Leases

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 various spaces 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 will increase assets and liabilities as a right-of-use asset and a corresponding lease liability will be recorded in the financial statements.

5. Acquisitions of Kaya and Alta

On March 27, 2018, the Company acquired all the outstanding shares of Kaya Management, Inc. and Alta Supply, Inc. The identifiable assets acquired, and liabilities assumed of these entities were recorded at their fair value on the date of the acquisition and their results were included in the condensed interim consolidated financial statements beginning on the that same date. The primary purpose of these acquisitions was to continue to build and support a diversified portfolio of growth-ready assets in high-value segments of the California cannabis sector by adding a licensed manufacturer and a licensed distributor to its portfolio of investments.

(Unaudited - Expressed in Canadian Dollars)

The following table summarizes the preliminary allocation of the fair value of consideration transferred as of the acquisition date. These fair values were subject to Management's best estimates and assumptions after taking into consideration all relevant information available.

		Kaya		Alta		TOTAL
Purchase consideration						
Cash	$	1,251,768	$	724,266	$	1,976,034
Settlement of pre-existing loans		1,104,113		412,416		1,516,529
Issued shares		2,197,029		2,558,724		4,755,753
Contingent shares		2,793,654		3,046,076		5,839,730
Total Purchase Price	$	7,346,564	$	6,741,482	$	14,088,046
Identified tangible net assets						
Cash	$	135,921	$	597,399	$	733,320
Amounts Receivable		124,472		469,050		593,522
Prepaid expenses		177,267		11,185		188,452
Inventory		1,752,768		1,006,000		2,758,768
Property and Equipment		118,919		126,987		245,906
Amounts Payable		(1,324,939)		(2,387,684)		(3,712,623)
Loans Payable		(26,420)		(69,600)		(96,020)
Identified Intangible Items						
Acquired licenses		-		3,866,400		3,866,400
Customer & Retail relationships		1,417,680		1,675,440		3,093,120
Deferred tax liability		(396,950)		(1,551,715)		(1,948,666)
Goodwill		5,367,846		2,998,020		8,365,867
Total Allocated	$	7,346,564	$	6,741,482	$	14,088,046

a) Acquisition of Kaya Management, Inc.

On March 27, 2018, the Company entered into a share purchase agreement with Kaya, a corporation incorporated under the laws of the state of California, to purchase all of the issued and outstanding shares. Kaya manufactures marijuana vaporizer pens, edibles, and other products to a large network of dispensaries in California. As a result of this transaction, a prior director and officer of Kaya was retained by the Company to act as Vice-President of Operations of the acquired entities.

Consideration Transferred

The purchase price consideration of $7,346,564 was based on the following:

	Shares		Value
Cash (i)		$	1,251,768
Settlement of pre-existing working capital advances (ii)			1,104,113
Issued shares (iii)	579,691		2,197,029
Contingent shares (iv)	737,112		2,793,654
Total consideration issued	1,316,803	$	7,346,564

(i) Cash consideration of $1,251,768 was contemplated to be settled in three parts: 1) $1,192,592 was paid in cash in April 2018 (note 14); 2) direct settlement of Kaya liabilities by CannaRoyalty in the amount of $59,176; and 3) settlement within five days following the finalization of the final working capital adjustment expected to be no later than on June 25, 2018.

(Unaudited - Expressed in Canadian Dollars)

(ii) Prior to the acquisition, the Company advanced working capital funds to Kaya. These working capital advances were effectively settled through this acquisition.

(iii) CannaRoyalty issued 579,691 shares at the acquisition date. Public market data was used to determine the fair value of the shares of $3.79 on that same date.

(iv) In addition to the shares issued on the acquisition date, up to 737,112 CannaRoyalty stock warrants ("stock warrants") may be issued to the Kaya shareholder based on the achievement of four revenue target benchmarks established for certain distinct periods through to June 2019.

The number of stock warrants that could be earned from meeting, or failing to meet, each of the distinct periods referred to above is not variable. If the revenue target of a distinct period is achieved, 184,278 stock warrants will be issued in each period. If the conditions are not met, no stock warrants will be issued to the shareholder. Accordingly, the contingent consideration is valued as an equity instrument and will not be revalued in future reporting periods.

Intangible Assets and Goodwill

The Company recognized one identifiable intangible asset in the Kaya acquisition.

Customer relationship valued at $1,417,680: CannaRoyalty acquired the relationship with a large distributor within the state of California. The agreement with this distributor is for a six-month period and may be extended based on mutual agreement thereafter.

The Company has recorded a deferred tax liability of $396,950 related to these intangibles. This liability was based on the corporate tax rates in the Kaya's tax jurisdiction.

The goodwill balance of $5,367,846 reflects the benefits of assembled workforce, expected revenue growth, and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis. The goodwill is not tax deductible.

b) Acquisition of Alta Supply, Inc.

On March 27, 2018, the Company entered into a share purchase agreement with Alta, a corporation incorporated under the laws of the state of California, to purchase all the issued and outstanding shares. Alta is a distributor of Bhang vaporizer and Bhang chocolate products, as well as products for several third-party cannabis companies throughout California.

Consideration Transferred

The purchase price consideration of $6,741,482 was based on the following:

	Shares		Value
Cash (i)		$	724,266
Settlement of pre-existing working capital advances (ii)			412,416
Issued shares (iii)	675,125		2,558,724
Contingent shares (iv)	868,880		3,046,076
Total consideration issued	1,544,005	$	6,741,482

(i) Cash consideration of $724,266 was contemplated to be settled in three parts: 1) $652,681 was paid in cash in April (note 14); 2) direct settlement of Kaya liabilities by CannaRoyalty in the amount of $71,585; and 3) settlement within five days following the finalization of the final working capital adjustment expected to be no later than on June 25, 2018.

(ii) Prior to the acquisition, the Company advanced working capital funds to Alta. These advances were effectively settled through this acquisition.

(iii) CannaRoyalty issued 675,125 shares at the acquisition date. Public market data was used to determine the fair value of the shares of $3.79 on that same date.

(iv) In addition to the shares issued on the acquisition date, up to 868,880 stock warrants may be issued to Alta shareholders based on the achievement of four distinct targets. The first two earn-outs are based on the achievement of a certain number of contracts with licensed manufacturers, at established markup and revenue targets. These two earn-outs are in distinct and independent time periods ending in April 2019. The second two earn-outs are based on the achievement of a certain number agreements with dispensaries and also at an established revenue target. These two earn-outs are also in distinct and independent time periods ending in December 2018.

The number of stock warrants that could be earned from meeting, or failing to meet, each of the earn-outs referred to above is not variable. If the various targets discussed above within each distinct time period is achieved, 217,220 stock warrants will be issued in each period. If these same targets are not met within each distinct time period, no stock warrants will be issued to the shareholders. Accordingly, the contingent consideration is valued as an equity instrument and will not be revalued in future reporting periods.

Intangible Assets and Goodwill

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

Acquired state license valued at $3,866,400: CannaRoyalty acquired a temporary type 11 medical distribution license. The license allows for the purchase of cannabis and cannabis products from licensed cultivators and manufacturers, and the sale of purchased products to licensed dispensaries. The current license is temporary and was issued in conjunction with the regulatory requirements that came into effect on January 1, 2018 in California. The license lasts for a period of six-months, at which time it may be renewed as a permanent license. At the time of this valuation, the state of California had yet to issue licenses longer than six months in duration.

Customer relationship valued at $1,675,440: CannaRoyalty acquired the relationship with certain licensed cannabis cultivators and manufacturers within the state of California. Effective January 1, 2018 all sales to dispensaries from growers and manufactures must pass through licensed distributors. The Company has recorded a deferred tax liability of $1,551,715 related to this intangible asset. This liability was based on the corporate tax rates in the Alta jurisdiction.

The goodwill balance of $2,998,020 reflects the benefits of assembled workforce, expected revenue growth, and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis. The goodwill is not tax deductible.

c) Acquisition Related Costs

CannaRoyalty has incurred expenses of $282,126 related to the above acquisitions. These costs were recorded in general and administrative expenses during the three-month period ended March 31, 2018.

d) Pro Forma Disclosures

The above acquisitions contributed revenues of $84,773 and a net loss of $86,984 as part of CannaRoyalty's consolidated results from their dates of acquisition, excluding the impact of fair value adjustments. If each acquisition had occurred on January 1, 2018, management estimates that CannaRoyalty's consolidated revenue would have increased by $2,185,073 and the net loss would have increased by $303,550 for the three months ended March 31, 2018. In determining these amounts, Management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisitions had occurred on January 1, 2018.

(Unaudited - Expressed in Canadian Dollars)

6. Amounts Receivable

		March 31, 2018		December 31, 2017
Trade accounts receivable	$	**1,094,742**	$	813,052
Allowance for doubtful trade receivables		**(98,957)**		(28,026)
Royalties receivable		**951,472**		1,391,220
Allowance for doubtful royalty receivable		**(943,545)**		(919,481)
HST and sales tax receivable		**41,247**		478
Accrued advisory fees		**19,350**		132,273
Other receivables		**35,337**		39,607
Total Amounts Receivable	$	**1,099,646**	$	1,429,123

Allowance for credit losses

Allowance for potential credit losses on outstanding trade and royalty receivable have been made as shown in the tables below:

Allowance for doubtful trade receivables		March 31, 2018		December 31, 2017
Allowance for doubtful accounts at beginning of peiod	$	**28,026**		-
IFRS 9 expected credit loss prior year adjustment		**109,138**		
Expected credit loss - current period (net of foreign exchange impact)		**(35,509)**		69,837
Bad debt recovered		**(2,698)**		-
Write-off of specific balances		-		(41,811)
Allowance for doubtful accounts at end of period	$	**98,957**	$	28,026

Allowance for doubtful royalty receivables		March 31, 2018		December 31, 2017
Allowance for doubtful royalty receivables at beginning of period	$	**919,481**		-
Expected credit loss - current period (net of foreign exchange impact)		24,064		919,481
Allowance for doubtful royalty accounts at end of period	$	**943,545**	$	919,481

Doubtful royalty receivables have been fully provided for in the 2017 accounts. The adoption of IFRS 9 did not change the measurement basis of financial assets.

Trade accounts receivable

The aging of trade receivables at the reporting date was:

Aging		March 31 2018		December 31, 2017
Current	$	**545,488**	$	535,029
Past due: Less than 30 days		**261,925**		-
31 - 60		**84,967**		40,196
61 - 90		**56,530**		66,065
Greater tha 90 days		**145,832**		171,762
Total	$	**1,094,742**	$	813,052
Allowance for credit loss		**(98,957)**		(28,026)
Net trade accounts receivable	$	**995,785**	$	785,026

At March 31, 2018, one customer accounted for 39% of total trade receivables (December 31, 2017 – two customers, 82%).

For the three months ended March 31, 2018, there were no balances written off (three months ended March 31, 2017 - $nil), and the Company incurred bad debts recoveries of $38,207 (three months ended March 31, 2017 - $nil).

(Unaudited - Expressed in Canadian Dollars)

The bad debts expense in the current period relates to credit loss assessment provisions under IFRS 9 on trade receivables (note 4).

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.

Royalties receivable

At March 31, 2018, royalty receivables, net of allowances, were $7,927 (December 31, 2017 - $471,739). The balance at December 31, 2017 were comprised primarily of receivables due from River Distribution. This balance has been applied against the financing advances due to River (note 11)

The Company has recorded a full provision of $943,545 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 March 31, 2018.

7. Inventory

		March 31, 2018		December 31, 2017
Finished goods	**$**	**1,824,998**	$	248,944
Work in process		**-**		-
Raw materials		**1,190,275**		21,225
Total Inventory	**$**	**3,015,273**	$	270,169

The amount of inventory that was included in cost of sales was $61,988 for the three months ended March 31, 2018 (March 31, 2017 - $nil). During the three months ended March 31, 2018 $nil (March 31, 2017 - $38,425) inventory was consumed or written-off as part of product research, development, and testing activities.

8. Loans Receivable

		March 31, 2018		December 31, 2017
Stokes Confections (1)	**$**	**65,507**	$	63,837
Wagner Dimas (2)		**465,962**		446,639
Promissory Note - Alta (3)		**-**		370,845
Promissory Note - Kaya (3)		**-**		214,562
Three Leaf (4)		**100,000**		-
Other Advances (5)		**-**		6,285
Total loans receivable: short term	**$**	**631,469**	$	1,102,168
CannaCraft (6)	**$**	**-**	$	66,421
Total loans receivable: long-term	$	-	$	66,421

(1) On May 15, 2016, the Company entered into a letter of intent with Progressive Marketing Partners LLC ("Stokes Confections"), which is based in California and produces low dose, cannabis infused edibles. An advance of $64,500 (US$ 50,000) was made as an up-front fee but was to be refunded in full, with annual interest of 2.5%. As of March 31, 2018, the total receivable includes $1,007 of accrued interest (December 31, 2017 – $1,050). The advance is unsecured and due on demand.

(2) On July 5, 2017, $193,500 (US$ 150,000) of unsecured debt was advanced to Wagner Dimas, Inc. ("Wagner Dimas"), an equity accounted investee of the Company (note 10). 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 March 31, 2018.

In October 2017, a promissory note of $258,000 (US$ 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 March 31, 2018, accrued interest of $14,462 (US$ 11,211), has been recorded (December 31, 2017 - $6,654). All notes owed by Wagner Dimas have yet to be repaid but are expected to be paid in 2018.

(3) In accordance with a binding term sheet signed on November 28, 2017 with Kaya and Alta (note 5), the Company extended various promissory notes to increase their working capital. These promissory notes were settled as part of the acquisition and have been included in the related purchase price.

(4) 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, an equalizing cash payment would be made by Three Leaf. The payment of $100,000 is now due and has been reclassified to a loan receivable in the current fiscal quarter.

(5) Loans in the amount of $6,450 (US$ 5,000) have been repaid via the provision of legal services.

(6) The Company advanced funds of $322,500 (US$ 250,000) to CannaCraft, Inc. ("CannaCraft") on May 16, 2016. As of March 31 2018, this advance has been fully offset by the purchase of equipment and product from CannaCraft. The balance of the advance at March 31, 2018, is $nil (December 31 2017 - $66,421). 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.

9. Convertible Notes Receivable

During July 2016, CannaRoyalty advanced $387,000 (US$ 300,000) to BAS Research ("BAS") in two separate tranches of $193,500 (US$ 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 matured in January 2018 after an eighteen-month term and the Company did not exercise its option to convert the debt into shares. As the Company has elected not to convert the debt into equity, the fair value of the derivative asset is $nil as at March 31, 2018. (December 31, 2017 - $nil).

The Company is currently negotiating extended terms of repayment for the principal balance of $387,000 (US$ 300,000) and accrued interest of $32,717 (US$ 25,362) which became due in January 2018. Due to a potential settlement which extended over 12 months, the receivable including interest was re-valued at US$ 296,815 at December 31, 2017. At March 31, 2018 due to the significant uncertainty regarding the collection of this loan, an impairment loss of $375,472 (US$296,815) was recorded.

(Unaudited - Expressed in Canadian Dollars)

10. Interest in Equity Accounted Investees

		March 31, 2018		December 31, 2017
Associated Companies				
Resolve (1)	$	**3,056,294**	$	2,538,014
Wagner Dimas (2)		**838,294**		865,779
		3,894,588		3,403,793
Joint Ventures				
Mobile Medicine (3)		**192,540**		192,540
Total Equity accounted investments	$	**4,087,128**	$	3,596,333

Associated Companies

(1) On November 16, 2015, CannaRoyalty invested $750,000 in Resolve Digital Health Inc. ("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.. CannaRoyalty has significant influence over Resolve due to its equity interest being in excess of 20% and its ability to sit on, or appoint a director to, Resolve's board.

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 $1,132,107 which was included in the profit from equity accounted interests for the three months ended March 31, 2017.

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. Earlier in the quarter Resolve issued penalty shares which also diluted the Company's equity interest. These transactions resulted in a dilution gain of $846,925. This financing of $1.50 per share was publicly disclosed and based on this financing, the implied value of shares in Resolve is approximately $21,300,000. 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.

As at March 31, 2018, CannaRoyalty held 14,160,738 shares and 26.5% of all issued and outstanding shares of Resolve (December 31, 2017 – 27.7%).

(2) On May 25, 2016, CannaRoyalty acquired a 20% equity interest in Wagner Dimas, a Nevada corporation 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, CannaRoyalty purchased 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 March 31, 2018, CannaRoyalty held a 22% equity interest in Wagner Dimas.

The following tables summarize the financial information of CannaRoyalty's associates, adjusted for fair value at acquisition. The table also reconciles the summarized financial information to the carrying amount of CannaRoyalty's interest at March 31, 2018 and 2017.

		March 31, 2018		December 31, 2017
Current assets	$	**3,321,918**	$	2,921,366
Non-current assets		**12,757,914**		11,064,644
Current liabilities		**(724,177)**		(891,454)
Net assets		**15,355,655**		13,094,557
Carrying amount of interest in associates	$	**3,894,588**	$	3,403,793

(Unaudited - Expressed in Canadian Dollars)

Three months ended March 31		**2018**		2017
Selected financial results of equity acconted investees				
Revenue	**$**	**177,562**	$	793,477
Loss from operations and total comprehensive loss		**(1,483,984)**		(559,538)
Share of profit (loss) from equity accounted investees				
CannaRoyalty's share of loss and total comprehensive loss		**(393,121)**		(189,710)
Add - gain on deemed disposal after dilution		**846,925**		1,132,107
CannaRoyalty's profit from equity acounted investees	**$**	**453,804**	$	942,397

(i) CannaRoyalty’s share of 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 (December 31, 2017 - $192,540).

As at March 31, 2018, 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.

11. Investments

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

		March 31, 2018		December 31, 2017
AltMed (1)	**$**	**6,146,066**	$	6,277,456
Bodhi (2)		**250,000**		250,000
Farmacopeia (3)		**452,184**		250,000
Anandia (4)		**10,817,199**		10,465,886
Total Investments	**$**	**17,665,449**	$	17,243,342

The following table summarizes the fair value gains/(losses) on investments for the three-month periods ended March 31, 2018 and March 31, 2017:

		March 31, 2018		March 31, 2017
AltMed	**$**	**(131,390)**	$	-
Farmacopeia		**202,184**		-
Anandia		**271,312**		-
Total Gain/(Loss)	**$**	**342,106**	$	-

(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 March 31, 2018, the Company has assessed the fair value of Altmed at $6,146,066. This assessment is based on Level 2 inputs under the IFRS 13 fair value hierarchy and consists of observable transaction prices for identical

(Unaudited - Expressed in Canadian Dollars)

assets in a private market. The fair value is based on the closing of several financing transactions within a designated series completed during the quarter ended March 31, 2018. As at March 31, 2018, CannaRoyalty's ownership percentage in AltMed has deceased to 6.1%.

(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.

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.

(3) During July 2017, the Company advanced $250,000 to Farmacopeia Inc ("Farmacopeia"). in exchange for a 2.1% equity interest. Farmacopeia is 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 of March 31, 2018, the Company has assessed the fair value of Farmacopeia at $452,184. This assessment is based on Level 2 inputs under the IFRS 13 fair value hierarchy and consists of observable transaction prices from a private placement completed in January 2018 which was disclosed on SEDAR. As at March 31, 2018, CannaRoyalty's ownership percentage in Farmacopeia has deceased to 1.7%.

(4) On February 17, 2017, CannaRoyalty agreed to acquire a 20%, fully diluted equity stake in Anandia Laboratories Inc. ("Anandia"), a biotechnology company with a focus on providing leading analytical testing services and developing cannabis strains for safe and effective medical applications. CannaRoyalty agreed to provide aggregate consideration of $4,042,439 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. A further 229,421 shares, representing a value of $160,000, was delivered in January 2018 for the provision of advisory services to Anandia.

At March 31, 2018, the Company determined the fair value of Anandia was $10,817,199. 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 two tranches of financing which were closed on December 22, 2017 and on January 13, 2018, both at a price of $1.88 per share.

As at March 31, 2018, CannaRoyalty held 17.2% of the outstanding shares of Anandia, and does not hold or have the option to hold a seat on their Board of Directors.

12. Royalty Investments

The following is a summary of our royalty investments with related terms and accounting basis:

	Term	**Accounting Basis**		**March 31, 2018**		December 31, 2017
NuTrae (1)	10 years	Amortized Cost	**$**	**981,836**	$	1,013,428
Three Leaf (2)	2 years	Amortized Cost		**-**		100,000
Natural Ventures (3)	10 years	Amortized Cost		**336,025**		336,025
River (4)	7 Years	Amortized Cost		**5,993,712**		4,385,160
Total			**$**	**7,311,573**	$	5,834,613

The following table is a summary of the amortization expense on royalty investments for the three-month periods ended March 31, 2018 and March 31, 2017:

(Unaudited - Expressed in Canadian Dollars)

		March 31, 2018		March 31, 2017
NuTrae	$	**31,082**	$	21,121
River		**357,288**		-
Total Amortization	**$**	**388,370**	$	21,121

(1) Pursuant to an agreement dated April 1, 2016 between CannaRoyalty and Vida, the Company purchased 3.5% royalty on the net revenue of NuTrae for a period of 10 years, commencing January 1, 2016. The total consideration for this purchase was $1,130,000 (US$ 878,889). NuTrae, a wholly owned subsidiary of AltMed (note 11) 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 three months ended March 31, 2017 and is included within cost of sales on the Consolidated Statement of Loss and Comprehensive Loss.

(2) 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 in totality, an equalizing cash payment would be made by Three Leaf at the end of the referral fee period. Given no royalties were earned, and the payment is due, it has been reclassified to a loan receivable in the current fiscal quarter.

(3) 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 March 31, 2018.

(4) 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. The terms of the investment contemplate repayment of principal and 15% annual interest commences in January 2018.

  As of December 31, 2017, the Company had made financing advances of $4,779,600 (US$ 3,500,000) and a further $1,935,000 (US$ 1,500,000) of advances were outstanding. During the first quarter of fiscal 2018, the Company made further advances of $1,365,600 (US$ 1,000,000) and applied payments owed by River of $628,653 (US$ 460,349) against the advances due. As of March 31, 2018, the advance due to River is $51,150 (US$ 39,651).

- 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.

(Unaudited - Expressed in Canadian Dollars)

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 financing arrangement.

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.

13. Property and Equipment

The following is a summary of the activity for the three months ended March 31, 2018:

Cost	January 1, 2017	Additions	Disposals	Impact of f/x	**March 31, 2018**
Processing equipment	$ 368,398	$ 124,455	$ -	$ 3,309	**$ 496,162**
Filling machines and labeling system	725,761	-	-	18,432	**744,193**
Furniture and fixtures	138,966	965	-	2,634	**142,565**
Computers and related equipment	43,209	12,405	-	44	**55,658**
Motor vehicles	-	84,462	-	1,670	**86,132**
Leasehold Improvements	51,324	44,149	-	1,396	**96,869**
Total cost	$ 1,327,658	$ 266,436	$ -	$ 27,485	**$ 1,621,579**

Accumulated Amortization	January 1, 2017	Amortization	Disposals	Impact of f/x	**March 31, 2018**
Processing e]quipment	$ (118,923)	$ (12,692)	$ -	$ (117)	**$ (131,732)**
Filling machines and labeling system	(83,513)	(18,029)	-	(2,866)	**(104,408)**
Furniture and fixtures	(23,589)	(6,421)	-	(375)	**(30,385)**
Computers and related equipment	(12,706)	(3,669)	-	-	**(16,375)**
Motor vehicles	-	(1,718)		(34)	**(1,752)**
Leasehold Improvements	(4,829)	(2,739)	-	(21)	**(7,589)**
Total accumulated amortization	$ (243,560)	$ (45,268)	$ -	$ (3,413)	**$ (292,241)**
Net Book Value	$ 1,084,098				**$ 1,329,338**

The following is a summary of the activity for the three months ended March 31, 2017:

Cost	January 1, 2017	Additions	Disposals	Impact of f/x	**March 31, 2017**
Processing equipment	$ 663,702	$ 2,997	$ (293,057)	$ (288)	**$ 373,354**
Filling machines and labeling system	766,306	-	-	(7,013)	**759,293**
Furniture and fixtures	56,004	47,699	-	(426)	**103,277**
Computers and related equipment	18,431	19,608	-	-	**38,039**
Total cost	$ 1,504,443	$ 70,304	$ (293,057)	$ (7,727)	**$ 1,273,963**

Accumulated Amortization	January 1, 2017	Amortization	Disposals	Impact of f/x	**March 31, 2017**
Processing equipment	$ (96,321)	(17,429)	$ 48,571	$ 3	**$ (65,176)**
Filling machines and labeling system	(11,684)	(19,108)	-	51	**(30,741)**
Furniture and fixtures	(3,191)	(2,846)	-	13	**(6,024)**
Computers and related equipment	(135)	(2,359)	-	-	**(2,494)**
Total accumulated amortization	$ (111,331)	$ (41,742)	$ 48,571	$ 67	**$ (104,435)**
Net Book Value	$ 1,393,112				**$ 1,169,528**

(Unaudited - Expressed in Canadian Dollars)

The amortization for tangible property and equipment has been recorded within the following expense functions during the three months end March 31, 2018 and March 31, 2017:

Three months ended March 31		**2018**		2017
Cost of sales	**$**	**-**	$	62,778
General and administration		**45,268**		116,043
Total Amortization	**$**	**45,268**	$	178,821

All of the Company's fixed assets are pledged to Sprott as part of a line of credit facility (note 18).

14. Intangible Assets and Goodwill

The following is a summary of activity in intangible assets during the first quarter of 2018:

		January 1, 2018		Additions		Amortization		FX impact		**March 31, 2018**
Acquired brands	$	1,957,947	$	-	$	(55,761)	$	49,977	**$**	**1,952,163**
Acquired technology		3,147,580		-		(89,643)		80,605		**3,138,542**
Employment agreement		215,161		-		(14,032)		-		**201,129**
Product formulations		286,910		-		(7,432)		(465)		**279,013**
Licenses		-		3,866,400		(3,881)		3,600		**3,866,119**
Customer & Retail relationships		-		3,093,120		(4,358)		2,880		**3,091,642**
Goodwill		4,759,377		8,082,331		-		376,557		**13,218,265**
Net Book Value	$	10,366,975	$	15,041,851	$	(175,107)	$	513,154	**$**	**25,746,873**

The following is a summary of activity in intangible assets during the first quarter of 2017:

		January 1, 2017		Additions		Amortization		FX impact		**March 31, 2017**
Acquired brands	$	2,330,703	$	-	$	(58,990)	$	(517)	**$**	**2,271,196**
Acquired technology		4,907,441		-		(124,209)		(1,085)		**4,782,147**
Employment agreement		271,290		-		(14,032)		-		**257,258**
Product formulations		315,864		-		(5,241)		(24)		**310,599**
Goodwill		6,438,885		-		-		-		**6,438,885**
Net Book Value	$	14,264,183	$	-	$	(202,472)	$	(1,626)	**$**	**14,060,085**

The additions of $15,041,851 to goodwill and intangibles during the three months ended March 31, 2018 pertain to the acquisitions of Kaya and Alta (note 5). The acquired intangibles pertaining to licenses are amortized over 4 years, and customer and retail relationships are amortized over 7 years.

The amortization of the intangible assets is classified as a separate line within operating expense. No intangible assets have been internally generated. Intangible assets with indefinite lives and goodwill are tested for annual impairment during the fourth quarter of the fiscal period.

15. Amounts Payable and Accrued Liabilities

Amounts payable and accrued liabilities consist of the following at the end of the following periods:

		March 31, 2018		December 31, 2017
Trade accounts payable	**$**	**2,966,310**	$	290,260
Purchase consideration payable		**1,976,033**		-
Other accrued liabilities		**1,290,306**		1,196,725
Sales tax payable		**63,220**		-
Other payables		**602,803**		119,704
Total amounts payable	**$**	**6,898,672**	$	1,606,689

As part of the acquisition of Kaya and Alta (note 5), total purchase consideration of $1,976,033 is payable at March 31, 2018. $1,251,768 of this relates to Kaya and $724,266 relates to Alta. Any unpaid debt is not revalued at the end of reporting periods and all contingent consideration related to these acquisitions has been included within equity at inception.

(Unaudited - Expressed in Canadian Dollars)

16. Loan Payable

		March 31, 2018		December 31, 2017
Promissory notes (1)	$	**508,760**	$	425,345
Vehicle loans (2)		**24,514**		-
Total loans payable	**$**	**533,274**	$	425,345

(1) On November 30, 2016, in connection with CannaRoyalty's acquisition of a 70% membership interest in Achelois LLC ("Achelois"), a promissory note for $433,440 (US$ 336,000) was issued by Achelois to its founding shareholder. The note bears interest at 0.66% per annum and was fully repayable. Both CannaRoyalty and the minority shareholder to whom this note is payable, have agreed to defer the payment. The loan payable balance is $437,164 at March 31, 2018 which includes accrued interest of $3,724 (December 31, 2017 - $2,959).

As part of the acquisition of Kaya and Alta, the Company inherited two loans worth a total of $71,595 (US$ 55,500) to the former majority shareholder of the company. These loans are due on December 31, 2018 and bear no interest.

(2) As part of the acquisition of Alta, the Company inherited two loans related to the purchase of vehicles.

The following is a reconciliation of the promissory note activity for the three months ended March 31, 2018 and March 31, 2017:

		2018		2017
Opening balance, January 1	**$**	**425,345**	$	451,618
Promissory notes issued		**71,595**		-
Accrued interest		**765**		979
Impact of foreign exchange		**11,055**		(4,133)
Closing balance at March 31,	**$**	**508,760**	$	448,464

17. Convertible Debt

On October 19, 2016, the Company issued and sold a secured convertible debenture to Aphria Inc. ("Aphria"), a publicly traded company, and licensed medical marijuana producer in Ontario, Canada, 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. Subsequent to this quarter end, during April 2018, Aphria elected to convert the debt into 750,000 shares of CannaRoyalty.

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 three months ended March 31, 2018 and March 31, 2017:

		2018		2017
Opening balance, January 1	**$**	**1,431,950**	$	1,376,583
Accrued interest		**18,288**		18,750
Accretion of discount		**11,376**		11,376
Closing balance, March 31	**$**	**1,461,614**	$	1,406,709

(Unaudited - Expressed in Canadian Dollars)

18. Line of Credit

Line of Credit, January 1, 2018			**$**	**826,517**
Add:				
Interest accrual	$	83,333		
Amortization of warrants		158,005		
Amortization of deferred financing fees		39,625		280,963
Line of Credit, March 31, 2018			**$**	**1,107,480**

As at March 31, 2018, $3,000,000 of funds have been drawn from the Facility. (December 31, 2017 - $3,000,000). Interest expense in the first quarter of fiscal 2018 was $83,333 and was repaid via shares in April 2018. Interest expense of $36,111 for the fourth quarter of fiscal 2017 was repaid via share issuance in February 2018.

In connection with closing the bought deal financing (note 30), the Company used $1,000,000 of the proceeds to reduce the line of credit. This payment was made in April 2018.

19. Commitments and Contingencies

The Company leases space for its head office in Ottawa, Ontario as well as manufacturing and distribution facilities in California.

During August 2017, a claim of $283,800 (US$ 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, an impairment against all advances to Rich Extracts was recorded during the final quarter of fiscal 2017.

The Company has an agreement with an exclusive distributor, whereby the Company guarantees royalty payments of US$3.6 million based on separate quarterly guarantee over a 5-year period ending December 31, 2022.

20. Related Party Transactions

For the three months ended March 31, 2018 and March 31, 2017, CannaRoyalty did not engage in any non-salary based or compensation related party transactions. As of March 31, 2018, $14,559 of travel reimbursements were due to key management of the Company (March 31, 2017 - $14,640).

21. Share Capital

Authorized:

Unlimited number of common shares

Issued and outstanding:

46,907,628 common shares.

(Unaudited - Expressed in Canadian Dollars)

The following table summarized share issuances for the three months ended March 31, 2018:

	Number		Amount
Balance as at January 1, 2018	**43,898,445**	**$**	**50,007,891**
Shares issued due to exercise of warrants issued to Sprott at $2.05 (1)	900,000		2,806,200
Shares issued due to exercise of warrants at $4.50 during Q1 2018 (2)	557,500		2,980,406
Shares issued due to exercise of warrants at $1.50	181,493		362,986
Shares issued due to exercise of broker warrants at $2.00 and $3.00 during fiscal 2017	50,228		162,309
Shares issued on release of RSUs	53,500		122,060
Shares issued for interest on Sprott line of credit (3)	11,646		36,111
Shares issued for purchase of Kaya and Alta (4)	1,254,816		4,755,753
Balance as at March 31, 2018	**46,907,628**	**$**	**61,233,716**

(1) These warrants were issued in combination with securing a line of credit from Sprott (note 18). The total charge to share capital of $2,806,200 includes cash proceeds from these exercises of $1,845,000 and their initial fair value of $961,200.

(2) These warrants were issued as part of the February 2017 bought deal financing. The total charge to share capital of $2,980,406 includes cash proceeds from these exercises of $2,508,750 and the initial fair value of these warrants of $471,656.

(3) In accordance with the line of credit with Sprott, quarterly interest of 10% can be paid via the issuance of shares (note 18). These shares were for the interest in the fourth quarter of fiscal 2017.

(4) In accordance with a term sheet signed with Kaya and Alta on November 28, 2017 579,691 and 675,125 shares were issued to each respective party. These shares have been issued but were held in escrow and excluded from the Company's outstanding share count until a deal was closed on March 27, 2018 (note 5). The value of these shares is based on the closing share price on the date of acquisition of $3.79.

Issued and Outstanding Share Purchase Warrants

As at March 31, 2018, the outstanding share purchase and broker warrants could potentially be exercised for a total of 2,623,491 common shares (December 31, 2017 – 4,112,712).

The following tables summarize the movement of warrants for the three-month periods ended March 31, 2018 and March 31, 2017:

	Number of warrants		Grant date value		Weighted average exercise price
Outstanding and exercisable at January 1, 2018	**4,112,712**	**$**	**0.99**	**$**	**3.67**
Grants	200,000		1.89		4.00
Exercises	(1,689,221)		0.97		2.76
Outstanding and exercisable at March 31, 2018	**2,623,491**	**$**	**0.98**	**$**	**4.26**

	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	2,800,000		1.00		4.50
Full share purchase warrants exercised	(19,500)		0.50		1.50
Outstanding and exercisable at March 31, 2017	3,894,133	$	0.87	$	3.56

(Unaudited - Expressed in Canadian Dollars)

The warrants reserve of $2,575,947 at March 31, 2018 (December 31, 2017 - $4,149,703), is based on the number of outstanding warrants and their weighted average grant date value.

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 $1.89 per warrant. These warrants were valued using the Black-Scholes model with the following key assumptions: a grant price of $4.00 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 March 31, 2018. On average, the warrants will expire in 1.05 years.

Expiry date	**Warrants outstanding and exercisable**		**Exercise price**
October 4, 2018	42,691	$	2.00
February 15, 2019	288,300		3.00
February 15, 2019	150,000		4.50
February 15, 2019	1,942,500		4.50
June 19, 2021	200,000		2.05
Total	2,623,491	$	4.26

After March 31, 2018 and until the date of these statements, proceeds of $1,022,500433, have been received from the exercise of 232,250 101,warrants.

22. Share Unit Plan and Share Option Plan

The following is a summary of the share-based compensation by type for the three-month periods ended March 31, 2018 and March 31, 2017:

Three months ended March 31		**2018**		2017
Share-based compensation:				
Restricted Stock Units	**$**	**1,733,899**	$	1,158,396
Stock Options		**206,144**		-
Total	**$**	**1,940,043**	$	1,158,396

The following is a summary of share-based compensation by expense groups for the three-month periods ended March 31, 2018 and March 31, 2017:

Three months ended March 31		**2018**		2017
General and administrative	**$**	**1,886,003**	$	1,078,889
Sales and marketing		**51,773**		79,507
Research and Development		**2,267**		-
Outstanding, End of Period	**$**	**1,940,043**	$	1,158,396

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 March 31, 2018, a total of 304,569 Restricted Stock Units ("RSUs") were available for grant.

(Unaudited - Expressed in Canadian Dollars)

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 three months ended March 31, 2018 and the three-months ended March 31, 2017:

Three months ended March 31	**2018**			2017		
	Amount		**Value**	Amount		Value
Outstanding, Beginning of Period	**4,153,150**	**$**	**2.28**	2,774,800	$	1.73
Granted	**10,000**		**3.58**	500,000		3.07
Settled in common shares	**(53,500)**		**2.22**	(20,000)		2.00
Forfeitures	**-**		**-**	(20,000)		2.00
Outstanding, End of Period	**4,109,650**	**$**	**2.35**	3,234,800	$	1.93

Of the outstanding RSUs at March 31, 2018, 2,375,922 have vested and have not been converted (December 31, 2017 – 1,933,587), as employees may elect to defer the conversion of RSUs into common shares. The 1,733,728 unvested RSUs will vest in an average of 1.10 years.

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 March 31, 2018, a total of 3,840,762, stock options were available for grant.

As at March 31, 2018, 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 vested 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 ended March 31, 2018 and March 31, 2017:

Three months ended March 31	**2018**					2017				
	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	**850,000**	**$**	**3.68**	**$**	**2.33**	25,000	$	1.00	$	1.14
Granted	-		-		-	-		-		-
Exercised	-		-		-	(25,000)		1.00		1.14
Outstanding, end of year	**850,000**	**$**	**3.68**	**$**	**2.33**	-	$	-	$	-

Of the outstanding stock options at March 31, 2018, 225,000 have vested and have not been exercised. The 625,500 unvested options will vest in an average of 1.68 years.

During the first quarter of fiscal 2017, 25,000 stock options were exercised by a director of Bonanza Blue. These options were issued as part of the RTO transaction completed in December 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	25,000	4.53
$	3.73	800,000	200,000	9.75
		850,000	225,000	9.44

(Unaudited - Expressed in Canadian Dollars)

The fair value of stock options is determined by the Black-Scholes method. No options were granted for the periods ended March 31, 2018 and March 31, 2017.

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

23. Net Loss per Share

Three months ended March 31		**2018**		2017
Numerator for basic and diluted loss per share:				
Net loss for the period	**$**	**(4,654,473)**	$	(2,053,785)
Denominator for basic loss per share:				
Weighted average number of common shares outstanding		**45,075,695**		38,865,970
Effect of potential dilutive securities (1)		**-**		-
Adjusted denominator for diluted loss per share		**45,075,695**		38,865,970
Basic and diluted net loss per share	**$**	**(0.10)**	$	(0.05)

(1) Excluded from the calculation of diluted net loss per share for the three months ended March 31, 2018 and the three months ended March 31, 2017 were the securities from convertible debt (note 17), exercisable warrants (note 21), and vested RSU's and share options (note 22) and subscribed shares (note 15).

24. Deferred Tax

In relation to the acquisition of Kaya and Alta and the recognition of intangible assets related to licenses and relationships, the Company has recorded deferred tax liabilities of $1,948,666 (note 5). This is in addition to deferred tax liabilities which arose on the DCL and EML acquisitions in fiscal 2016.

The deferred tax expense of $168,813 for the three months ending March 31, 2018 (March 31, 2017 – recovery of $78,372) pertains to a rate adjustment to the tax liability for the intangible assets held prior to December 31, 2017.

25. 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:

		March 31, 2018		December 31, 2017
Fair value through profit or loss assets (liabilities):				
Cash	**$**	**6,056,468**	$	4,522,644
Investments		**17,665,449**		17,243,342
Loans and receivables:				
Loans receivable		**631,469**		1,102,168
Amounts receivable		**1,066,560**		1,429,123
Convertible notes receivable		**-**		373,127
Financial liabilities at amortized cost:				
Amounts payable		**5,774,496**		409,964
Line of credit		**1,107,480**		826,517
Convertible debt		**1,461,614**		1,431,950
Loans payable		**533,274**		425,345

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), and 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 financing transactions. The Company has not transferred any financial instruments between Level 1, 2 or 3 of the fair value hierarchy

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 March 31, 2018, the Company has contractual obligations relating to trade and other payables, loans, convertible debt a line of credit, and the acquisition of Kaya and Alta.

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 March 31, 2018 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 $76,030 for the three months ended March 31, 2018 (gain of $349,634 for the three months ended March 31, 2017).

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 of 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.

26. Segmented Information

CannaRoyalty operates under one reporting segment.

During the three-month periods ended March 31, 2018 and 2017, the Company generated the following types of revenues:

Three months ended March 31		**2018**		2017
Product sales	**$**	**84,773**	$	-
Services		**429,817**		71,045
Royalties		**119,058**		211,322
Interest income		**9,789**		18,744
Total	**$**	**643,437**	$	301,111

Three parties generated 72% of the total revenue for the three months ended March 31, 2018, the largest accounting for 42% (three months ended March 31, 2017 – 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:

(Unaudited - Expressed in Canadian Dollars)

Three months ended March 31		2018		2017
Cost of product sales	$	**75,673**	$	-
Cost of services		**209,023**		11,810
Cost of royalties		**388,371**		44,828
Total	$	**673,067**	$	56,638

Geographic segments

The following table is a summary of revenues by geographic segments for the three-month periods ended March 31, 2018 and 2017:

Three months ended March 31		2018		2017
Canada	$	**300,876**	$	13,860
United States of America		**342,561**		287,251
Total	$	**643,437**	$	301,111

The geographic segment is based on the location of the purchaser 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 March 31, 2018 and December 31, 2017.

	March 31, 2018		December 31, 2017	
	Canada	**USA**	Canada	USA
Loans receivable	$ -	$ -	$ -	$ 66,421
Interest in equity accounted investees	**838,294**	**3,248,834**	2,538,014	1,058,319
Investments	**11,519,383**	**6,146,066**	10,965,886	6,277,456
Royalty investments	**336,025**	**6,975,548**	436,025	5,398,588
Property and equipment	**124,010**	**1,205,328**	120,683	963,415
Intangible assets and goodwill	**1,703,792**	**24,043,081**	1,717,824	8,649,151

27. General and Administrative Expense

Three months ended March 31	2018	2017
Accounting & audit fees	**205,563**	66,633
Bad debt	**(20,903)**	(13,318)
Advisory & consulting fees	**206,941**	72,626
Legal fees	**234,027**	144,558
Rent	**75,928**	41,586
Office & administration costs	**318,813**	81,000
Salary-based compensation	**717,622**	563,925
Stock-based compensation	**1,886,003**	1,078,889
Depreciation	**45,268**	3,799
Travel	**81,164**	97,490
Total	**3,750,426**	2,137,188

28. Comparative amounts

Certain comparative amounts have been reclassified to conform to the current presentation.

29. Term Sheet for the Acquisition of River Distribution

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.

30. Subsequent Events

a) Bought Deal Financing: On April 13, 2018, the Company announced that it has closed a previously announced offering (the "Offering") on a bought deal basis, pursuant to a short form prospectus, of an aggregate of 3,750,000 units of the Company at a price of $4.00 per unit for aggregate gross proceeds to the Company of $15.0 million.

The Company further granted 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 Offering. On April 17, 2018, the underwriters elected to exercise the over-allotment option to acquire additional units, common shares and warrants. An additional $2.3 million in gross proceeds were raised and the aggregate gross proceeds of the Offering were $17.3 million.

Each unit consisted of one CannaRoyalty share and one-half of one common share purchase warrant of the Company. Each warrant is exercisable to acquire one common share of the Company until April 13, 2021 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 Offering was led by Canaccord Genuity Corp. and included Beacon Securities Limited, Sprott Private Wealth LP, Mackie Research Capital, INFOR Financial Inc. and AltaCorp Capital Inc.

b) Exercise of Convertible Debt Option: On April 2, 2018, Aphria elected to exercise the conversion right contained in a convertible debenture (note 17) and to receive 750,000 common shares of CannaRoyalty for the principal amount of $1,500,000.

c) Term Sheet for the Acquisition of FloraCal Farms: On April 18, 2018, the Company announced that it entered into a binding term sheet for the acquisition of 100% of FloraCal Farms ("FloraCal"). This acquisition is expected to close later in 2018 and is subject to conditions including due diligence and regulatory approval. FloraCal is a licensed ultra-premium craft cannabis producer located in Sonoma Country, California.

The total transaction is for up to 7,017,544 CannaRoyalty shares and up to US$4 million. On Closing, FloraCal will receive $1,255,900 (US $1,000,000) in cash and 3,508,772 in CannaRoyalty shares. The reminder of the Transaction consideration is to be paid over three years, on completion of certain milestones, as follows: (i) 584,795 CannaRoyalty shares to be issued on completion of phase II expansion to the entire 42,200 sq. ft. of the facility; (ii) up to 2,923,977 CannaRoyalty shares to be issued 175 days after completion of the phase II expansion, with the total amount of shares issued to be adjusted based on FloraCal's ability to achieve set production thresholds; and (iii) $3,767,700 (US$3 million) in cash to be issued in equal parts in Q1/Q2 2019, Q1/Q2 2020, and Q1/Q2 2021, all subject to adjustments, based on FloraCal's ability to maintain its controllable costs under set thresholds.

d) Joint Closing of Investment in 180 Smokes: The Company and its subsidiary Trichome have closed the initial $500,000 investment under a previously announced credit agreement to provide up to $2.5 million to 180 Smoke. The investee is a leading Canadian vape product retailer. Proceeds from the initial tranche will be used to support the expansion of 180 Smoke's vape retail footprint, as well as working with CannaRoyalty to establish a cannabis retail business in Saskatchewan and Alberta, subject to approval and permits.

CannaRoyalty and Trichome each invested $250,000 under the initial tranche of the Credit Agreement; the second tranche of the investment (up to $2 million) is drawable at the election of 180 Smoke for a period of 90 days post the closing of the initial tranche. Further, 180 Smoke issued warrants to acquire shares of 180 Smoke at a pre-determined exercise price for a three-year term. Shareholders of 180 Smoke have been granted the right to exchange up to an aggregate of 1.0% of their 180 Smoke shares in exchange for CannaRoyalty shares in certain circumstances based on the closing price on the date prior to the initial announcement of the transaction.