MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2018

Contents

MESSAGE FROM THE CEO

Fellow Shareholders,

Over the past six months, we have announced the acquisition of substantial revenue generating cannabis operators, transforming CannaRoyalty into a major cannabis product distributor and manufacturer in California. We encourage shareholders to look to Q2 as the beginning of significant sequential revenue growth and to Q3 as the first period where the financial power of our growing platform will be apparent as we close the significant transactions we have announced over the past few months.

Since my Q4 letter was published just over one month ago, I will spend most of this letter reiterating some very familiar but important themes for our loyal shareholders.

As I outlined in April, halfway into 2018, CannaRoyalty has already had a watershed year. Our team has made substantial progress executing our strategy to build a leading North American, and one day global, cannabis consumer products company. We have already made meaningful advancements toward achieving the three primary opportunities that I outlined in my November letter:

1) Continue to drive growth of the CR Brands product portfolio and expand points of distribution;
2) Make judicious acquisitions of promising products or leading brands; and
3) Increase commercial production and gradually drive efficiencies.

In 2017, we made a calculated decision to focus on distribution in California as a means to achieve our long-term objective of being a global cannabis consumer products company. As a major distributor of third party cannabis products in California, we are in a very unique position at the nexus of the value chain in this open and vibrant market. We collect taxes for the state of California, ensure product quality for consumers through robust lab testing, facilitate the growth of exciting consumer brands and ensure that dispensary operators have access to a robust product shelf. The brand exposure, product experience and data we gather as a distributor will ensure we are in a poll position to acquire or partner with brand winners and rapidly establish a foothold in other target markets such as Canada. And this is not just idle talk - we have already leveraged our platform to execute on opportunities like this, with leading brands such as Bhang Corporation and FloraCal Farms.

Continue to drive growth of the CR Brands product portfolio and expand points of distribution

At this relatively early stage in the growth of our in-house brand portfolio, we are focused primarily on driving distribution reach, brand awareness, and customer loyalty. Our efforts on the brand-building side are beginning to bear fruit and in February 2018 we won six industry awards for our work on Soul Sugar Kitchen. We are also dramatically scaling our distribution and logistics network across California, through our recent acquisition of Alta Supply and agreement to merge with River Distribution (“RVR”).

Make judicious acquisitions of promising products or leading brands

In March 2018 we consolidated the California manufacturing and distribution rights to global award-winning Bhang® brand vaporizer and Bhang® edibles products under Kaya Management Inc. ("Kaya"), which is now a wholly-owned subsidiary of CannaRoyalty. Bhang® products are some of the most awarded cannabis products, globally. Combined, Kaya and the former manufacturer of Bhang® edibles produced approximately US$8.0 million in wholesale revenue in 2017.

We have also agreed to acquire FloraCal® Farms, a leading premium craft cannabis cultivator in Sonoma County. While we had initially proposed a multi-faceted partnership with FloraCal, both teams quickly realized the substantial benefits that could be derived from working together as one entity to develop and sell branded cannabis flower products as well as to jointly execute an expansion of FloraCal's cultivation footprint in Sonoma County.

Increase commercial production and gradually drive efficiencies

In Q1 2018, we moved all CR Brands manufacturing and product development functions to Kaya's Oakland facility, which currently produces Bhang® products for the California market. This consolidation has already allowed us to drive efficiencies through shared labor, space and business administration. Because closing of the Company's acquisitions of Kaya and Alta took place in the final days of Q1 2018, the Company did not generate material direct revenues from the sale of CR Brands products. We expect the combined manufacturing revenue from Kaya will drive substantial quarter over quarter growth through the remainder of 2018, starting in Q2.

What's next in California?

Given the size and scale of the California market, cross-state distribution is a critical element of our platform. We also view distribution as one of the most strategically compelling components of the highly regulated cannabis value chain in California. The integration of Alta Supply and RVR will give CannaRoyalty a cannabis distribution and logistics network in the world's largest regulated cannabis market. Together, these businesses generated revenue of US$31.9 million in 2017. With our distribution platform, we are well positioned to rapidly expand the sales and reach of existing brands that are looking to access shelf-space across the state, as well as for dispensaries seeking access to a full spectrum of top products and brands. We are leveraging this infrastructure to do the same for our own brands.

The Canadian Opportunity

As the Canadian market moves closer to the sale of cannabis consumer products, we are assembling substantial know-how, intellectual property, and brands to bring back to Canada. We recently established Trichome Yield Corp. ("Trichome"), to offer secured lending solutions to companies operating across the Canadian cannabis value chain, nominated an experienced board of directors and closed our first deal with 180 Smoke, a prominent Canadian online and retail vaporizer products company. On May 7, 2018, we also announced that veteran investment executive Michael Ruscetta was appointed as the CEO of Trichome.

Focusing our Portfolio

Most of our long-term investors are aware of our roots as a diversified investment vehicle. As I outlined in my November shareholder letter, in Phase I of our growth plan, we invested in a basket of companies in value-added areas of the legal cannabis market in North America. Our shift to Phase II of our plan, which is well underway, has involved consolidation of core assets that further the Company's strategy, and rationalization of assets that are non-core. Our acquisition of 100% of RVR is an example of the former, and the announcement of our joint venture with Aequus Pharmaceuticals, to which we intend to contribute our stake in Bodhi Research & Development Inc., is an example of the latter.

During 2018, I see five key opportunities for our business:

1) Integrate the operations of acquired companies, including Kaya, Alta Supply, and RVR;
2) Make strategic acquisitions of promising products or leading brands;
3) Drive growth of distributed and CR Brand products;
4) Lay the foundation for sale of CR Brand products in other jurisdictions, beginning in Canada; and
5) Portfolio focus and rationalization.

Our team continues to grow and is more focused than ever on execution of our objectives to create significant shareholder value. We have a number of exciting developments progressing in our pipeline and look forward to sharing them with you as we continue to deliver.

Marc Lustig, CEO

INTRODUCTION

CannaRoyalty Corp. (the "Company" or "CannaRoyalty") is a publicly traded corporation, incorporated in Canada, with its head office located at 333 Preston Street, Ottawa, Ontario, Canada. CannaRoyalty's common shares trade on the Canadian Securities Exchange ("CSE") under the symbol "CRZ" and in the United States ("U.S.") trades on the OTCQX market under the symbol "CNNRF", and certain of the Company's warrants trade on the CSE under the symbol "CRZ.WT".

This CannaRoyalty Management's Discussion and Analysis ("MD&A") of the Financial Condition and Results of Operations is dated May 28, 2018. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements (the "Financial Statements") for the three months ended March 31, 2018, including the accompanying notes.

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars. The Company prepared this MD&A of the Financial Condition and Results of Operations with reference to National Instrument 51-102- Continuous Disclosure Obligations of the Canadian Securities Administrators ("CSA") and 51-352 (revised) – CSA Staff Notice - Issuers with U.S. Marijuana Related Activities. This MD&A provides information for the three months ended March 31, 2018 and up to and including May 28, 2018.

By their nature, the Interim Financial Statements do not include all the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the period ended December 31, 2017 and the related management's discussion and analysis.

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

The accompanying Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and include the accounts of the Company and its wholly-owned subsidiaries or controlling equity interests including Cannabis Royalties & Holdings Corp. ("CRHC"), Electric Medialand, Inc. ("EML"), Trichome Yield Corp. ("Trichome") and CR Advisory Inc. ("CR Advisory") formed in Canada, Cannroy Delaware, Inc. ("Cannroy Delaware"), Cannroy Distribution LLC ("Cannroy Distribution"), Dreamcatcher Labs, Inc. ("Dreamcatcher"), GreenRock Botanicals, Inc. ("GreenRock"), Achelois LLC ("Achelois"), Kaya Management, Inc. ("Kaya"), and Alta Supply, Inc. ("Alta") formed in the United States of America. All inter-company balances and transactions have been eliminated on consolidation.

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

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

DESCRIPTION OF THE BUSINESS

OVERVIEW OF CANNAROYALTY

CannaRoyalty is a diversified operator in the regulated cannabis industry in North America. The Company's long-term focus is on building and supporting a diversified portfolio of branded cannabis consumer products for discerning consumers. Currently, CannaRoyalty is focused on *Phase II* of its business plan: leveraging its current asset base, expertise and portfolio of branded products to build a leading cannabis consumer products business. The Company's primary focus over the next 12 months will be to continue to build, support, and grow its distribution network and sell-through of both distributed and in-house products and brands portfolio in California, while actively pursuing opportunities to license or commercialize key elements of its portfolio into other strategic jurisdictions such as Canada.

Phase I

Since the inception of CRHC, CannaRoyalty's private company predecessor, the Company has pursued investment opportunities in the cannabis industry, primarily in U.S. states where cannabis use has been legalized. Many U.S. states have had active and thriving cannabis industries for several years, which presented an opportunity for a nimble and well financed company to invest in a well-established, albeit historically illicit sector, that existing consumer goods companies and traditional providers of capital had difficulty entering and exploiting. In Phase I, the Company executed on this opportunity, investing in a basket of companies in value-added areas of the regulated cannabis market in North America: manufacturing, marketing, technology, research and development, products, brands, and distribution.

Phase II

Now, in Phase II of its plan, the Company is focused on leveraging its current asset base, expertise, and portfolio to build a leading cannabis consumer products distribution business, centered in California. California is a global entertainment and cultural hub, which shapes consumer perceptions for a multitude of commercial products and services. The state transitioned to a full adult-use cannabis market in January 2018. It is the largest regulated cannabis market in the world (currently estimated to be US$5.2 billion in 2018 according to Forbes magazine) and has a history of over 20 years of state-legalized medical use. In the Company's view, only superior products and brands will be able to succeed in this market over the long term. CannaRoyalty believes that cannabis consumer products that win in California will have a unique advantage competing not only in other U.S. jurisdictions, but also in Canada and across the globe.

HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2018

SUMMARY

The Company made substantial progress in executing on Phase II of its plan during the first quarter of fiscal 2018, with an increased emphasis on solidifying and growing its active cannabis product distribution and manufacturing operations in California. The Company first consolidated manufacturing of its diversified portfolio in California under its acquiree Kaya, then completed the acquisition of Kaya and its licensed distributor Alta, to seize a historic opportunity to become a substantial cannabis operator in California as the state launched adult-use sales in January 2018.

Through the first quarter of 2018, management continued to grow its expert team to position the Company to capitalize on opportunities in California and conducted substantial testing and experimentation with the Company's branded products in California. This forward spending was critical preparation for the acquisition, closing, and integration of Alta and Kaya, and the recently announced acquisition of River Distribution ("RVR").

The Company is focused on continuing to expand its distribution reach, increasing the sales of its owned and distributed product portfolio in the California market, and adding strategic products and brands to its distribution portfolio through investment, acquisition, and other contractual relationships.

CR Brands

On January 1, 2018, California moved to full-adult use state legalization for cannabis products. During Q1 2018, the Company focussed on assembling its cannabis product distribution and manufacturing operations in California. Given the size and scale of the California market, cross-state distribution is a critical element of the Company's strategy. Building a distribution platform in Q1 2018 has positioned the Company to rapidly expand the sales and reach of existing brands that are looking to access shelf-space across the state, as well as for dispensaries seeking access to a full spectrum of top products and brands.

The cornerstone of the Company's distribution platform is Alta, a licensed cannabis distribution company. Alta's distribution license allows it to engage in commercial cannabis distribution in the state of California, through facilities in Oakland, California. Alta is the distributor of Bhang® vaporizer and Bhang® chocolate products, as well as products for over a dozen other well-known third-party cannabis companies throughout California. The Company completed its acquisition of Alta on March 27, 2018, concurrent with its acquisition of Kaya, the exclusive manufacturer and license holder of rights for Bhang® brand vaporizer products in California (together, the "Kaya/Alta Acquisitions"). As consideration for the Kaya/Alta Acquisitions, the Company issued an aggregate of 1,254,816 Common Shares and $2.8 million in cash, such amounts being subject to post-closing working capital adjustments. Additional consideration of 1,605,992 Common Shares will be paid over the 15 months following the closing date of the Kaya/Alta Acquisitions, subject to the achievement of operational milestones

Prior to the Company's acquisition of Kaya, the Company moved all CR Brands manufacturing and product development functions to Kaya's licensed manufacturing facility in Oakland, California. Given closing of these acquisitions took place in the final days of Q1 2018, the Company did not generate material direct revenues from the sale of CR Brands products.

Also, during Q1 2018, prior to the Company's acquisition of Kaya, the Company completed the acquisition of the exclusive statewide manufacturing and distribution rights to Bhang® edibles and Bhang® concentrates in California (the "License Agreement"). The License Agreement also includes a right of first refusal to license other future Bhang® products within the edibles and concentrates categories in California. The licensing agreement covers an initial period of five years, with a five-year renewal at CannaRoyalty's option. CannaRoyalty has agreed to pay US$100,000 as consideration for the license, comprised of US$25,000 in cash, up to US$50,000 in CannaRoyalty stock, and US$25,000 in pre-paid CannaRoyalty branding services, and also to pre-pay US$425,000 in royalties, through the issuance of up to US$325,000 in CannaRoyalty stock and the balance in cash. As part of the Agreement, CannaRoyalty has agreed to deploy a minimum of US$1 million in the first two years of the license toward building the Product Lines in California and will pay a minimum of US$3.7 million in royalties to Bhang® based on a fixed percentage of gross revenues.

Kaya now produces all CR Brands products, as well as all Bhang® cannabis products sold in the state of California. The Company expects the consolidation of manufacturing operations under Kaya will drive substantial quarter-over-quarter growth through the remainder of 2018, starting in Q2.

The consolidation of Bhang's California product portfolio under Kaya has also allowed the Company to expand the distribution channels for these products. In Q1 2018, the Company announced the launch of the Bhang® Vaporizer ("Bhang Vape") product portfolio into the entire Southern California region through CannaRoyalty investee RVR Distribution, one of California's largest licensed cannabis distributors. This expansion provides hundreds of additional dispensaries in Southern California with access to Bhang Vape's line of oils, disposable vape pens and cartridge vape kits, through the RVR Distribution network.

To further expand its owned-distribution network, the Company entered into a binding term sheet for the acquisition of 100% of RVR Distribution. RVR Distribution 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. The RVR acquisition is expected to close in the summer of 2018.

On February 15, 2018, the Company entered into a strategic partnership with leading premium craft cannabis cultivator in California, FloraCal® Farms ("FloraCal"), to develop and sell branded cannabis products, including a collaboration on the construction and build-out of a 20,000 square foot craft cultivation facility. The initial partnership progressed into the Company subsequently entering into an acquisition term sheet with FloraCal, discussed further below.

CR Holdings

The Company's transformation, which began in the latter half of fiscal 2017, focused in part on rationalizing its diversified portfolio of passive investments. During Q1 2018, the Company executed on this strategy, through consolidation of core assets that further the Company's strategy, and rationalization of assets that are non-core. The Company's agreement to acquire of 100% of RVR is an example of the former, and the Company's announcement of a joint venture with Aequus Pharmaceuticals, to which it intends to contribute its stake in Bodhi Research & Development Inc., is an example of the latter.

Please refer to CannaRoyalty's most recent annual information form for historical information regarding its CR Holdings portfolio. The updates below have been prepared based in part on information provided by management of the respective companies. The most notable and significant remaining elements of CR Holdings are the following:

Alternative Medical Enterprises LLC ("AltMed")

As of March 31, 2018, the Company has assessed the fair value of its investment in AltMed at $6.2 million and has recognized a fair value gain on investment of $4.3 million since its initial investment. The assessment is based on observable transaction prices for comparable assets in a non-active market. Subsequent to these financings, CannaRoyalty's ownership percentage in AltMed has decreased to 6.1% at March 31, 2018.

Anandia Laboratories Inc. ("Anandia")

On January 16, 2018, Anandia closed a private placement financing of $13.4 million at a post-money valuation of $63 million. The Company invested $4.0 million in Anandia in February 2017 at a post-money valuation of $18 million. The post-money valuation of this current financing represents a growth in value of approximately $7 million or 180% for the Company. Anandia continues to expand its operations in a number of areas:

- Increased focus on business development activities with new hires
- Leasing of a new facility in Vancouver for lab expansion and corporate headquarters
- Purchase of land in Comox (Vancouver Island) for a future Cannabis Innovation Centre
- New services in strain archiving and genetics assays

As of March 31, 2018, the Company determined the fair value of its equity investment in Anandia was $10.82 million based on the completion of significant private placement financings in December 2017 and January 2018. The financing was priced at $1.88/share or a post-money valuation of $63 million. As a result, fair value gains of $6.9 million have been recorded over the fourth quarter of fiscal 2017 and the first quarter of fiscal 2018 on CannaRoyalty's statement of loss and comprehensive loss.

Resolve Digital Health Inc. ("Resolve")

As at March 31, 2018, CannaRoyalty held a 26.5% equity interest in Resolve which represents significant unrecognized pent-up value. Resolve closed on a private placement equity financing on March 2, 2018 for gross proceeds of $1.9 million from the issuance of 1,290,500 Class A common shares at $1.50 per share. CannaRoyalty owns nearly 14.2 million Class A common shares in Resolve representing an implied value of approximately $21.3 million in comparison to the carrying value of the investment of $3 million. The Company is considering the disposal of its equity stake in Resolve in keeping with its objective of liquidating non-core assets which could unlock significant value for CannaRoyalty shareholders.

Trichome Yield Corp. ("Trichome")

On January 23, 2018, the Company, together with Sprott and Stoic announced the launch of Trichome. Trichome aspires to be the preferred lending partner to emerging and established cannabis companies operating in Canada and globally by providing flexible asset-backed debt financing. As financial and strategic partners in Trichome, the Company, Sprott and Stoic expect to work together to leverage their complementary value-add competencies to assess opportunities for accretive investments in the cannabis industry.

On February 1, 2018, Trichome appointed a Board of Directors, comprised of Mr. Afzal Hasan, Dr. Jonathan Page, Ms. Marissa Lauder, and Mr. Timothy Diamond, who bring significant collective experience and track record of investing in, acquiring and growing cannabis and financial services companies. On March 23, 2018, Trichome appointed Mr. Brent Cox to its Board of Directors.

On March 14, 2018, the Company announced that Trichrome had signed its first binding term sheet to jointly provide up to $2.5 million to 180 Smoke ("180 Smoke"), to fund an expansion of its retail footprint (the "180 Smoke Financing") in anticipation of Canadian adult-use cannabis legalization. The 180 Smoke Financing will support 180 Smoke's retail and cannabis product offering expansion and prepare 180 Smoke for entry into Canada's cannabis space, once legal, including the opening of 11 new stores and an expansion of 180 Smoke's cannabis hardware offering, as well as an increase in related inventory. 180 Smoke and the Company's subsidiary, CR Advisory, will work together to explore commercialization of innovative cannabis products in the Canadian marketplace to support and complement 180 Smokes' further expansion into the Canadian cannabis retail space.

Corporate Financings and Other Matters

On March 15, 2018, the Company entered into an agreement to complete a bought deal prospectus financing (the "2018 Offering") with a syndicate of underwriters, led by Canaccord Genuity Corp. (the "Underwriters"). Further details regarding the 2018 Offering are set out below under the heading "Recent Developments – Corporate Financings".

FINANCIAL PERFORMANCE

The following are the major financial highlights of CannaRoyalty's operating results for the three months ended March 31, 2018, compared to the three months ended March 31, 2017:

- revenues were $643,437 as compared to $301,111, an increase of 114%;
- gross margin was ($29,630) as compared $244,473, a decrease of 112%;
- operating expenses were $4.5 million as compared to $3.1 million, an increase of 47%;
- net loss of $4.7 million as compared to $2.0 million, an increase of 127%;
- net loss per share of $0.10 as compared to $0.05, an increase of 100%;
- adjusted EBITDA loss of $2.1 million as compared to $1.6 million, an increase of 31%; and
- adjusted EBITDA loss per share of $0.05 as compared to $0.04, an increase of 25%.

The following is a summary of key balance sheet totals as at March 31, 2018 compared to December 31, 2017.

- cash was $6.1 million as compared to $4.5 million an increase of 34%;
- total assets of $67.7 million as compared to $46.1 million, an increase of 47%;
- current assets of $11.8 million as compared to $7.9 million, an increase of 49%;
- current liabilities of $7.9 million as compared to $2.1 million, an increase of 271%; and
- long-term debt of $2.6 million as compared to $2.3 million, an increase of 14%.

RECENT DEVELOPMENTS

Governance

On May 7, 2018, that Mr. Afzal Hasan, previous EVP for Corporate Development and General Counsel, was appointed as President of the Company.

CR Brands

On April 18, 2018, the Company announced that it has entered into a binding term sheet to acquire 100% of FloraCal® Farms for total purchase considerations of US$1 million in cash and 3,508,772 CannaRoyalty shares on close, as well as up to an additional US$3 million in cash and 3,508,772 shares to be paid over 3 years, based on completion of certain milestones. The addition of FloraCal adds branded premium cannabis flower and pre-roll products to CannaRoyalty's diverse portfolio.

CR Advisory

On February 14, 2018, CR Advisory was contracted to provide strategic consultancy services to Planet 13 related to capital market initiatives and the opening of a Planet 13 dispensary 'superstore' located immediately adjacent to the Las Vegas gaming corridor. In addition, Marc Lustig, CEO of CannaRoyalty and Greg Wilson, EVP of CR Advisory were invited to join the Board of Directors of Planet 13.

CR Holdings

Trichome Yield Corp.

On May 7, 2018, the Company announced that Trichome Yield Corp., appointed Mr. Michael Ruscetta as Trichome's Chief Executive Officer and to its Board of Directors.

On May 11, 2018, the Company announced that it and its subsidiary, Trichome Yield Corp. closed the initial $500,000 investment under a credit agreement to provide up to $2.5 million to 180 Smoke. CannaRoyalty and Trichome each invested $250,000 under the initial tranche of the agreement, to be followed by additional investments of up to an aggregate of $2.5 million. Proceeds from the investment will be used to support the rapid expansion of 180 Smoke's retail footprint, as well as establishing CannaRoyalty's cannabis retail business in Saskatchewan and Alberta, subject to approval and permits.

Corporate Financings

The 2018 Offering closed on April 13, 2018, on which date the Underwriters purchased an aggregate of 3,750,000 units (the "Units") of the Company at a price of $4.00 per Unit (the "Offering Price") for aggregate gross proceeds of $15.0 million. On April 18, 2018, the Company issued an additional 562,500 Units to the Underwriters for additional gross proceeds of $2.3 million (aggregate gross proceeds of $17.3 million), all pursuant to the exercise of the over-allotment option granted to the underwriters in connection with the 2018 Offering.

Each Unit consisted of one CannaRoyalty Share and one-half of one common share purchase warrant (each full common share purchase warrant, a "Warrant") of the Company. Each Warrant is exercisable to acquire one common share of the Company for a period of three years following the closing date of the 2018 Offering at an exercise price of $5.50 per common share, subject to adjustment in certain events. In the event that the volume-weighted average trading price of the Common Shares exceeds $8.00 for 15 trading days (the "Acceleration Trigger") 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.

RESULTS OF OPERATIONS

The following tables sets forth consolidated statements of operations data for the three-month periods ended March 31, 2018 and March 31, 2017:

Three months ended March 31		**2018**		2017
Consolidated Statements of Comprehensive Loss				
Revenue	**$**	**643,437**	$	301,111
Gross margin		**(29,630)**		244,473
Operating expenses		**4,480,014**		3,052,761
Loss from operations		**(4,509,644)**		(2,808,288)
Net loss		**(4,654,473)**		(2,053,785)
Other income (expense)		**545,605**		-
Total comprehensive loss		**(4,108,868)**		(2,053,785)
Net loss per common share - basic and diluted		**(0.10)**		(0.05)
Weighted average common shares - basic and diluted		**45,075,695**		38,865,970

REVENUE

The following is a summary of CannaRoyalty's revenue by type for the three-month periods ended March 31, 2018 and March 31, 2017:

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

Historically, product sales have been mostly attributable to the sale of CannaRoyalty's wholly owned brands of GreenRock Botanicals vape cartridges and Soul Sugar Kitchen edibles. For the three-month period ended March 31, 2018, the Company's product sales were driven exclusively through Kaya, which took effect on March 27, 2018. To accelerate its access to licensed manufacturing and distribution when California implemented a new regulatory framework on January 1, 2018, CannaRoyalty took a deliberate approach to rely on the licenses of Kaya, its distributor Alta, and RVR distribution, to pursue its business plan. Hence, product sales for CannaRoyalty in the three-month period ended March 31, 2018 consisted only of activity from March 28th to March 31st.

Service revenues for the period ended March 31, 2018 are from advisory activities which relate to capital markets expertise provided in connection with clients' equity financing initiatives as well as third party marketing services provided by the Company's EML subsidiary. The increase from the three-month period ended March 31, 2018 over the same period last year relates to services provided in the areas of capital markets and strategic financing support.

During the three-month period ended March 31, 2018, the Company's Royalty revenues were primarily attributable to River, whereas in the quarter ended March 31, 2017, these revenues were driven mostly by the Cascadia royalty investment. Due to concerns over the viability of Cascadia's business and ultimate collection of these revenues, CannaRoyalty ceased recording revenue on this investment which is the main cause for the decrease in royalty revenue from the three-month period ended March 31, 2018 in comparison to the same period last year.

Interest income pertains to loans made to current and potential minority holdings such as BAS Research ("BAS"), Eureka Management Services Inc. ("Eureka"), and Wagner Dimas ("WD"). In the first quarter of fiscal 2018, the Company has ceased recording interest income on loans that may be potentially impaired such as Eureka and BAS which explains the decrease from the three-month period ended March 31, 2018 in comparison to the same period last year.

Three months ended March 31		2018		2017
Consolidated Statements of Comprehensive Loss				
Revenue	**$**	**643,437**	$	301,111
Gross margin		**(29,630)**		244,473
Operating expenses		**4,480,014**		3,052,761
Loss from operations		**(4,509,644)**		(2,808,288)
Net loss		**(4,654,473)**		(2,053,785)
Other income (expense)		**545,605**		(87,180)
Total comprehensive loss		**(4,108,868)**		(2,140,965)
Net loss per common share - basic and diluted		**(0.10)**		(0.05)
Weighted average common shares - basic and diluted		**45,075,695**		38,865,970

COST OF SALES AND GROSS MARGIN

The following table represents the costs of sales by revenue type for the three-month periods ended March 31, 2018 and March 31, 2017:

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

Cost of sales were $673,067 for the three months ended March 31, 2018, as compared to $56,638 for the three months ended March 31, 2017.

For the three months ended March 31, 2018, the cost of product sales pertained to cost of materials, and labour related to the sales generated by the Kaya and Alta subsidiaries.

The costs of sales associated with services revenues were primarily EML labor costs to provide marketing, branding, and promotion services and external consultants engaged to assist in capital markets and strategic financing advisory services.

The cost of royalties pertains to the amortization of the royalty financing arrangement with NuTrae and River which are amortized on a straight-line basis over the term of their royalty arrangements. River amortization was higher than normal due to additional advances which were made in the first quarter of fiscal 2018. The amortization on these advances were calculated back to the May 2017 start date which resulted in the amortization charge being $152,417 greater than the normal monthly run rate.

The following tables represent the gross margin amounts and percentages by revenue type for the three-month periods ended March 31, 2018 and March 31, 2017:

Three months ended March 31		2018		2017
Products	**$**	**9,099**	$	-
Services		**220,794**		59,235
Royalties		**(269,312)**		166,494
Interest		**9,789**		18,744
Total	**$**	**(29,630)**	$	244,473

Three months ended March 31	**2018**	2017
Products	**11%**	n/a
Services	**51%**	83%
Royalties	**(226%)**	79%
Interest	**100%**	100%
All Types	(5%)	81%

The gross margin percentage on service revenues decreased due to the mix of services provided. In particular, capital markets and strategic equity financing services were lower than marketing and advertising services generated in the period ended March 31, 2017.

The gross margin percentages related to royalty-based revenues decreased due to the fact that most of the royalty revenue for the three-month period ended March 31, 2017 related to Cascadia, and was at a relatively high margin. There were no royalty amortization costs included in Cost of Sales due to the perpetual term of the Cascadia royalty investment. In comparison, most of the royalty revenue recorded in the three-month period ended March 31, 2018 was attributable to River which is a fixed-term investment requiring the recording of amortization expense, thereby reducing gross margin. In addition, and as explained earlier, there was a one-time retroactive adjustment of $152,417 made to increase the amortization recorded against the River royalty revenue to catch up amortization expense for advances made during the three-month period ended March 31, 2018.

OPERATING EXPENSES

Three months ended March 31		**2018**		2017	Change
Sales and marketing	**$**	**478,516**	$	236,860	102%
Research and development		**75,965**		476,241	(84%)
General and administrative		**3,750,426**		2,137,188	75%
Amortization of intangibles		**175,107**		202,472	(14%)
Total	**$**	**4,480,014**	$	3,052,761	47%

Total operating expenses increased by 47% for the three months ended March 31, 2018 as compared to the same period last year. This was largely due to increased spending in general and administrative as well as sales and marketing activities, partly offset by a decrease in research and development spending. Increased operating expenses during the quarter were related to supporting the Company's asset growth and the current and proposed expansion of operations in California. The Company's assets have increased from $32.2 million at December 31, 2016 to $67.7 million at March 31, 2018, an increase of $35.5 million (110%) over the past fifteen months. Due to the Company's current growth stage and rapid pace of development, operating expenses are not analyzed as a percentage of total revenues.

Sales and marketing ("S&M") expenses were $478,516 for the three month period ended March 31, 2018 as compared to $236,860 for the same period last year. Marketing costs during the first quarter of 2018 related primarily to supporting the continued expansion of the CR Brands Division. This is consistent with the Company's view that comprehensive brand building efforts are fundamental to growing a sustainable base of product revenues.

Research and development ("R&D") expenses were $75,965 for the three months ended March 31, 2018 as compared to $476,241 for the same period last year. This is consistent with the Company's new direction in California, which has resulted in less investment in research-based holdings and future research-based advisory services.

General and administrative ("G&A") expenses increased to $3.8 million for the three months ended March 31, 2018 as compared to $2.1 million for the same period last year. A significant component of G&A is share-based compensation which increased $807,114 (75%) in 2018 relative to the first quarter of 2017. The remaining G&A costs incurred during the three months ended March 31, 2018 were to support a rapidly expanding asset base. These include the costs of new offices in Toronto and California, new employees across corporate support functions and operations management, in addition to increased legal and advisory costs related to ongoing acquisition efforts discussed above.

Expenses related to the amortization of brands and technologies were $175,107 for the three months ended March 31, 2018 as compared to $202,472 for same period last year. These expenses relate to the intangibles that were acquired from Dreamcatcher and EML in October 2016 and November 2016; respectively. The small decrease in 2018 is due to the partial impairment of technology-based intangibles recognized in the fourth quarter of 2017.

Share based compensation, a non-cash expense, was $1.9 million for the three months ended March 31, 2018 as compared to $1.2 million for the same period last year. Restricted share units ("RSUs") were first issued in April 2016. The expenses mostly relate to shares issued under a share unit plan whereby the executive team, the Board of Directors, and new employees are granted RSUs that vest as service conditions are reached. For most RSUs, one-third or one quarter of the shares vest immediately or within one month upon issuance. On December 29, 2017, the Company granted 1,050,000 RSUs for which one-quarter vested on January 31, 2018, generating an expense of $1.3 million in the first quarter of 2018. Due to the grading vesting of RSUs , the expense will decrease in the second quarter. Additionally, the Company saw an increase in share-based compensation expense related to accelerated vesting of RSUs upon retirement of an executive team member and the cost related to 800,000 stock options granted to the Board on December 29, 2017. These costs have been classified in accordance with the corporate functions of the grantee, the majority of which is G&A. The shares are measured at fair value at the date of grant which is based on board approval date.

OTHER INCOME AND EXPENSES

Three months ended March 31		**2018**		2017
Changes in fair value of investments	**$**	**342,106**	$	-
Impairment of convertible notes receivable		**(375,472)**		-
Profit from equity accounted investees, net of tax		**453,804**		942,397
Gain on reclassification to assets held for sale		**-**		98,674
Adjustment from non-completion of share swap transaction		**-**		(183,475)
Listing expense		**-**		(38,193)
Foreign exchange gain (loss)		**(76,030)**		(125,652)
Interest expense		**(319,990)**		(17,620)
Total	**$**	**24,418**	$	676,131

During the three months ended March 31, 2018, the Company recorded a fair value gain on investments of $342,106. The recording of these gains was in accordance with IFRS 9 *Financial Instruments* as described in note 4 to the condensed interim consolidated financial statements for the three months ended March 31, 2018. The determination of fair values was based on observable financing transactions within the entities during the quarter. Gains were realized on Anandia and Farmacopeia Inc., which were partially offset by a loss in AltMed.

The Company incurred a loss of $375, 472 on the impairment of convertible notes receivable related to convertible notes advanced to BAS Research which are potentially uncollectable.

The gain from equity accounted investees was $453,804 for the three months ended March 31, 2018 as compared to $942,397 for the three months ended March 31, 2017. The gain was due to a dilution gain of $846,926 recorded as a result of CannaRoyalty's investment in Resolve decreasing from 27.7% to 26.5% during the quarter (March 31, 2017 – gain of $1.0 million dilution from 33.3% to 27.7%). This gain is offset by the net loss of $393,121 incurred by the Company's associate companies over the past 12-months while the associated companies are still in the early stage of development. Management believes both investments still have fair value which exceeds their carrying value.

The Company is confident that its 26.5% stake in Resolve, an equity accounted investee, has significant pent-up value. Based on the most recent financing of $1.50 per share in March 2018, CannaRoyalty's stake in Resolve has an implied value of approximately $21.3 million. The Company would consider disposing of this non-core investment to unlock significant value for CannaRoyalty shareholders. The carrying value of Resolve on CannaRoyalty's balance sheet at March 31, 2018 is $3.1 million.

A gain of $98,674 was recorded at the end of March 2017, on a pending disposal of equipment in relation to the acquisition of Anandia equity in February 2017. The equipment was disposed in July 2017.

During the three months ended March 31, 2017, the company incurred a penalty of $183,475 related to the non-completion of a transaction with Zenabis Limited Partnership.

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

Interest expense was $319,990 for the three months ended March 31, 2018 as compared to $17,620 for the three months ended March 31, 2017. Amortized charges of $197,650 related to the line of credit with Sprott have been recorded in interest expense, including the costs related to issuing warrants to obtain a line of credit at 10%. The interest on the $3.0 million draw on the Sprott line of credit was $83,333 which was subsequently paid by the issuance of shares in April 2018. The remainder of the expense mostly pertains to the 5% interest expense and the debt accretion on the $1.5 million debt with Aphria. Interest expense was lower in the first quarter of fiscal 2017 as the Company had yet to enter a line of credit agreement with Sprott.

DEFERRED TAX EXPENSE AND RECOVERY

The Company realized a deferred tax expenses of $168,813 and a recovery of $78,372 during the three-month periods ended March 31, 2018 and March 31, 2017, respectively. Typically, the Company will have deferred tax recoveries related to the deferred tax liability established on the acquisition of intangible assets from Dreamcatcher and EML which were acquired in late fiscal 2016, and from Kaya and Alta in future periods during fiscal 2018. In the first quarter of fiscal 2018, an adjustment to the deferred tax liability for a recent change in a tax rate related in a one-time deferred tax expense.

TOTAL COMPREHENSIVE LOSS

Other comprehensive gain for the three months ended March 31, 2018 was $545,605, compared to a loss of $87,180 for same period last year. These gains and losses relate to foreign currency translation.

Total comprehensive loss for the three months ended March 31, 2018, amounted to $4.1 million compared to $2.1 million for the same period last year. The increase in losses is largely due to an increase in operating and interest expenses, a decrease in profits from equity accounted investments and impairment of the BAS convertible notes receivable. Losses in the first quarter of 2018 were partly offset by a gain in foreign currency translation.

ADJUSTED EBITDA

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

		Three months ended March 31		
		2018		2017
Add (Subtract)				
Net loss for the period	**$**	**(4,654,473)**	$	(2,053,785)
Amortization of property and equipment		**45,268**		41,742
Amortization of intangible assets		**175,107**		202,472
Amortization of royalty investments		**388,370**		28,263
Interest expense		**319,990**		17,620
Interest income		**(9,789)**		(18,744)
Current income taxes		**434**		-
Deferred income tax recovery		**168,813**		(78,372)
EBITDA		**(3,566,280)**		(1,860,804)
Gains on investments		**(342,106)**		-
Impairment of convertible notes receivable		**375,472**		-
Listing expense		-		38,193
Gain on reclassification to assets held for sale		-		(98,674)
Adjustment from non-completion of share swap transaction		-		183,475
Share based compensation		**1,940,043**		1,158,396
Gain on dilution of equity accounted investment		**(846,925)**		(1,132,107)
Transaction costs on acquisitions		**282,126**		-
Foreign exchange		**76,030**		125,652
TOTAL ADJUSTED EBITDA	**$**	**(2,081,640)**	$	(1,585,869)
Weighted average number of common shares outstanding - basic and diluted		**45,075,695**		38,865,970
ADJUSTED EBITDA per share - basic and diluted	**$**	**(0.05)**	$	(0.04)

The Company believes that Adjusted EBITDA is a meaningful and useful metric to investors, analysts, and other stakeholders for measuring and predicting the operating performance of CannaRoyalty's core business. Adjusted EBITDA excludes interest expense, income taxes, and depreciation as well as the following charges which are non-recurring or non-cash:

- $342,106 of gains for the three months ended March 31, 2018 related to increases in the investment value of Anandia, Farmacopeia, offset by a minor loss in AltMed. These were calculated from observable transactions in a private market.

- $375,472 of losses for the three months ended March 31, 2018 related to the impairment of convertible notes receivable due from BAS Research.
- Share based compensation of $1.9 million is non-cash compensation that the company uses to incentivize employees and management, preserve its cash resources, and to encourage growth.
- $846,926 gain on the deemed disposal for the three months ended March 31, 2018 of Resolve shares resulting from an additional financing which reduced CannaRoyalty's equity interest from 27.7% to 26.5%.
- $282,126 in acquisition costs related to the purchase of Alta & Kaya.

For the three months ended March 31, 2018, CannaRoyalty incurred an Adjusted EBITDA loss of $2.1 million compared to $1.6 million for the same period last year. The increase of $495,771 between the two periods was due largely to a decrease in gross margins, an increase in operating expenses (excluding share-based compensation), and a decrease in gains from equity accounted investees.

FINANCIAL POSITION

The following table sets forth consolidated statement of financial position data at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017	Change
Selected statement of financial position data			
Cash	**$ 6,056,470**	$ 4,522,644	$ 1,533,826
Working capital	**3,602,059**	5,813,705	(2,211,646)
Total investments (1)	**29,064,150**	26,674,288	2,389,862
Total assets	**67,670,691**	46,139,757	21,530,934
Long term and convertible debt	**2,569,094**	2,258,467	310,627
Shareholders' equity	**53,740,121**	40,468,344	13,271,777
Dividends, per share	-	-	-

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

- The increase in cash of $1.5 million is due to cash from financing activities of $4.9 million, offset by cash used in operations of $1.9 million and investing activities of $1.5 million. A significant portion of operating cash flows were used to support the operating and development needs of investee businesses.
- Working Capital has decreased by $2.2 million due to increased operational spending combined with lower cash inflows over the quarter.
- Total investments have increased by $2.4 million due primarily to the additional royalty investment of $1.5 million in River, as well as smaller net gains on equity investments and other investments.
- Total assets have increased by $21.5 million due largely to the acquisition of Kaya and Alta which increased assets of $19.8 million.
- Shareholders' equity increased by $13.2 million largely due to increases in share capital

In August 2017 the Company closed a financing arrangement with Sprott which provides a secured credit facility of up to $12.0 million. At March 31, 2018, the Company had drawn $3.0 million from the Facility, and had an accrued interest balance of $83,333. The line of credit is reported net of amortized financing fees on the Company's balance sheet.

LIQUIDITY

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

The table below sets out relevant liquidity related financial information at March 31, 2018 and December 31, 2017:

		March 31, 2018		December 31, 2017
Cash	**$**	**6,056,470**	$	4,522,644
Liquid assets (1)		**7,156,116**		5,951,767
Quick ratio (2)		**0.90**		2.79
Working capital		**3,602,059**		5,813,705
Working capital ratio (3)		**1.45**		3.72
Long term and convertible debt		**1,461,614**		1,431,950
Secured credit facility debt		**3,000,000**		**3,000,000**
Secured credit facility available		**9,000,000**		**9,000,000**

(1) Liquid assets include cash and amounts receivable
(2) Quick ratio is defined as liquid assets divided by current liabilities
(3) Working capital ratio is defined as current assets divided by current liabilities

CannaRoyalty's liquid assets as of March 31, 2018 and December 31, 2017 include cash and amounts receivable. The Company's level of liquid assets is relevant to meet its current operating needs and it uses the quick ratio to measure its short-term liquidity.

As of March 31, 2018, the Company had liquid assets of $7.2 million compared to $6.0 million at December 31, 2017. Over the same period the quick ratio has decreased from 2.79 to 0.90, which is due largely to the accounts payable assumed from the Kaya and Alta acquisition, as well as the cash element of the purchase consideration for this acquisition ($2.0 million). The purchase consideration was paid in early April 2018. With a quick ratio below 1.00, the Company may be required to use financing to meet some of its short-term liquidity needs. This financing is currently available to CannaRoyalty in the form of a line of credit. As of March 31, 2018, CannaRoyalty can draw up to $9.0 million on the $12.0 million secured credit facility arrangement with Sprott that was closed on August 23, 2017. Furthermore, a bought deal financing, including an over-allotment, was completed on April 17, 2018, which generated gross proceeds of $17.3 million. This financing will significantly increase the quick ratio. The expectation is that only a minor portion of this financing will be used to fund current operations; however, a more significant portion of it may be used to assist in the short-term needs of our recent investees, Kaya and Alta. While the Company has incurred cash losses to date, management anticipates eventual cash profitability of the business will increase its liquid assets. However, at this relatively early stage of CannaRoyalty's development, there can be no assurance that the Company will gain adequate market acceptance for its products or be able to generate sufficient positive cash flow to reach sustained profitability.

CannaRoyalty monitors its level of working capital and working capital ratio to assess its ability to enter into strategic opportunities such as equity investments, royalty financing arrangements and providing start-up working capital to its existing and/or future business units.

The level of working capital surplus has decreased from $5.8 million at December 31, 2017 to $3.6 million at March 31, 2018. The surplus at March 31, 2018 will not be sufficient on its own for the Company to fully undertake the level of cash based strategic opportunities it would like to pursue over the next 12 months without incremental financing. These opportunities include:

a) The March 27, 2018 acquisition of Kaya and Alta which included cash consideration of $2.0 million (paid in April 2018), share consideration of $4.8 million and contingent share consideration of $5.8 million.
b) A term sheet to complete an acquisition of River Distribution, which would require the issuance of 3.65 million shares and up to 3.35 million in contingent shares
c) A term sheet to complete an acquisition of FloraCal, which would require $1.3 million in cash and the issuance of 3.8 million shares on closing. The term sheet also includes contingent elements which would require cash payments of $3.8 million and the issuance of 3.8 million shares if fully met.

Through each of the above acquisitions the Company has minimized its working capital needs via making share consideration a significant element of the purchase consideration. Beyond the cash elements of the purchase price, the Company will make significant capital investment outlays in some of the above acquisitions to increase or accelerate their growth potential.

In April 2018, the Company completed an equity raise for gross proceeds of $17.3 million (including over-allotment option); the majority of the net proceeds from this raise will be used to develop and expand existing investments in California and to finance new acquisitions, with $1.0 million used to reduce debt. The Company has historically issued shares as part of the compensation for significant acquisitions, however, there can be no assurance that the Company will be able to continue to finance its strategic opportunities via the issuance of shares or debt. Management will continue to monitor and assess its acquisition activities to ensure that operating requirements are met over the next 12 months.

The chart below highlights the Company's cash flows during the three months ended March 31, 2018 and the three months ended March 31, 2017.

Three months ended March 31		**2018**		2017
Net cash provided (used) by				
Operating activities	**$**	**(1,932,647)**	$	(2,454,610)
Financing activities		**4,918,146**		13,791,189
Investing activities		**(1,493,569)**		(2,336,057)
Effect on movements in foreign exchange on cash		**41,896**		-
Cash, beginning		**4,522,644**		2,945,895
Cash, end	**$**	**6,056,470**	$	11,946,417

CASH USED IN OPERATING ACTIVITIES

The cash used in operating activities during the three months ended March 31, 2018 was $1.9 million as compared to $2.5 million for the three months ended March 31, 2017. The use of cash from operating activities is primarily due to cash based operating expenses which in the current business stage are not offset by the gross margin earned from revenues as well as amounts forwarded to our early stage subsidiaries. The decrease in cash used in the current period was driven by less cash being used by developing and supporting operations of our subsidiaries.

CASH FROM FINANCING ACTIVITIES

The cash provided by financing activities during the three months ended March 31, 2018 was $4.9 million as compared to $13.8 million for the three months ended March 31, 2017. The decrease from the prior period is due to a bought deal financing completed in February 2017 which generated proceeds of $13.8 million. The largest sources of financing in the current quarter was the exercise of warrants of $4.7 million and a raise from minority shareholders of Trichome for $0.2 million.

CASH USED IN INVESTING ACTIVITIES

The cash used in investing activities during the three months ended March 31, 2018 was $1.5 million. The largest uses of cash were the advances to River of $1.3 million in line with the financing required as part of the May 2017 agreement, advances of $0.9 million to Kaya and Alta prior to the acquisition date of March 27, 2018. These were offset by net cash proceeds of $0.7 million related to the acquisition of Kaya and Alta. Loans and advances are classified as investment activities as they are extended to businesses that are expected to become future revenue sources.

The cash used in investing activities for the three months ended March 31, 2017 was $2.3 million. The most significant uses of cash were net cash outflows of $1.6 million related to the purchase of equity interests (largely in Anandia), and advances of $0.7 million to current or future interests, the majority being to Rich Extracts.

FINANCING AND CAPITAL RESOURCES

The Company is subject to risks including, but not limited to, its ability to raise additional funds through debt and/or equity financing to support development via acquisition, continued operations and to meet the liabilities and commitments as they come due. Specifically, as of March 31, 2018 the Company has a history of losses with an accumulated deficit of $27.1 million, share capital of $61.2 million and working capital of $3.6 million. This compares to an accumulated deficit of $22.4 million, share capital of $50 million and working capital of $5.8 million as at December 31, 2017.

CAPITAL ACTIVITIES

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

The Company's principal capital needs are for funds to use towards its current investments, pipeline projects, upcoming product launches, and general working capital requirements to support growth. These currently include the March 2018 acquisition of Kaya and Alta, as well as potential term sheet acquisitions of River and FloraCal as noted in the liquidity section of this document. Since its formation, the Company has financed its cash requirements primarily through the issuance of capital stock.

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its investment growth strategy and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed primarily of equity of $53.7 million, convertible debt $1.5 million, and a secured credit facility of $12.0 million, of which $9.0 million remains undrawn. The Company's primary uses of capital are to invest in brands and supporting assets, as well as provide royalty financing in the cannabis industry. The Company also uses capital to finance operating losses, capital expenditures and increases in non-cash working capital. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity to help build its investments into successful businesses that will ultimately generate above market returns.

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

Outstanding and potentially dilutive share count information

The Company's authorized share capital is an unlimited number of common shares of which 46,907,628 were issued and outstanding as at March 31, 2018 (December 31, 2017 – 43,898,445 common shares). The Company has issued 4,109,650 RSUs that have not been exercised as at March 31, 2018 including 2,375,922 that have vested (December 31, 2017 – 4,153,150 including 1,933,587 that had vested). As of March 31, 2018, there are share purchase warrants and broker warrants outstanding that can potentially be converted to 2,623,491 shares (December 31, 2017 – 4,112,712).

ACCOUNTING MATTERS

Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the interim financial report and this interim MD&A (the "Interim Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the Interim Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the filings; and (b) the Interim Filings together with the other financial information included in these Interim Filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the Interim Filings. The Company was a venture issuer as of March 31, 2018. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis Disclosure Controls and Procedures and Internal Controls Over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Adoption of New Accounting Standards

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 is required to be applied for reporting periods beginning on or after January 1, 2018, with retrospective application. The new standard includes a model for the classification and measurement of financial instruments and a single forward-looking expected loss impairment model. The Company's financial performance and financial position is currently not materially affected by the retrospective application of the standard.

The table below outlines the impact of implementing IFRS 9:

	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)

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 is required to be applied for years beginning on or after January 1, 2018. The International Accounting Standards Board and the Financial Accounting Standards Board of the United States worked on this joint project to clarify the principles for the recognition of revenue. The new standard was released in May 2014 and supersedes existing standards and interpretations including IAS 18, *Revenue*. The Company has applied IFRS 15, subject to permitted and elected practical expedients. The effects of the new standard and the materiality of those effects will vary by industry and entity. The effects on CannaRoyalty is not significant, and retrospective adjustments were not significant.

Future Accounting Pronouncements

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the three months ended March 31, 2018 and have not been applied in preparing these consolidated financial statements.

IFRS 16, Lease ("IFRS 16")

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, as well as manufacturing and distribution 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 to increase assets and liabilities as it will be required to record a right-of-use asset and a corresponding lease liability in its financial statements.

RISKS, UNCERTAINTIES AND FORWARD-LOOKING STATEMENTS

Summary of U.S. Cannabis Activity

CannaRoyalty has exposure to U.S. cannabis-related activities through (i) the sale of its cannabis consumer products in the State of California, (ii) the licensed production of its cannabis consumer products in the Territory of Puerto Rico and (iii) investments in companies it does not control that operate in the States of California, Washington, Oregon, Arizona and Florida.

Historically, the Company has manufactured its cannabis consumer products in the State of California through licensed third-party contract manufacturers. The finished products have been primarily sold through licensed distributors to licensed retailers, although some direct sales to licensed retailers were completed through a California cannabis collective controlled by the Company. All such activity is recorded through U.S. operating subsidiaries in which the Company has a controlling interest and is also reflected in the Company's financial statements as intangible assets arising from acquisitions.

More recently, the Company has acquired or will acquire licensed cultivators, manufacturers and distributors in the State of California. These subsidiaries will be directly engaged in the licensed cultivation, manufacture and distribution of the Company's cannabis consumer products.

The non-controlling investments held by the Company include equity-accounted investments, investments with less than significant influence, royalty investments and receivables and loans and advances receivable.

The following table is a summary of CannaRoyalty's balance sheet exposure to U.S. cannabis-related activities as of March 31, 2018:

	Operating Subsidiaries	Non-controlling Investments	Total
Current assets	$ 4,441,731	$ 672,332	$ 5,114,063
Non-current assets	24,750,274	14,887,478	39,637,752
Total Assets	$ 29,192,005	$ 15,559,810	$ 44,751,815
Current liabilities	(5,483,605)	(2,182,906)	(7,666,511)
Non-current liabilities	(3,841,014)	-	(3,841,014)
Total Liabilities	$ (9,324,619)	$ (2,182,906)	$ (11,507,525)

Goodwill and intangibles related to the acquisition of U.S.-based subsidiaries are included within the operating subsidiaries non-current assets balance.

The following represents the portion of certain assets on CannaRoyalty's consolidated balance sheet that pertain to U.S. Cannabis activity as at March 31, 2018:

Loans Receivable – 84%
Interest in equity accounted investees – 79%
Investments – 35%
Royalty investments – 95%
Intangible assets and goodwill – 93%

The following is a summary of operating losses from U.S. cannabis-related activities for the three months ended March 31, 2018:

	Operating Subsidiaries	Non-controlling Investments	Total
Revenue	$ 84,773	$ 126,544	$ 211,317
Cost of sales	(75,674)	(388,370)	(464,044)
Gross margin	9,099	(261,826)	(252,727)
Less - Operating expenses			(913,406)
			$ (1,166,133)
Other Income			
Changes in fair value of investments			(242,750)
Impairment of convertible notes receivable			(375,472)
Loss from equity accounted investees, net of tax			(29,476)
Net Loss			$ (1,813,831)

The operating expenses above include expenses directly incurred by U.S. subsidiaries, the Company's U.S. corporate office, and the amortization of intangible assets. These operating expenses do not include any allocation of costs incurred at our Canadian head office and for Canadian employees. They also exclude any share-based compensation, and service charges from the Company's Canadian marketing subsidiary which would be eliminated on consolidation.

During the year, the Company's Canadian based subsidiaries have provided services of $131,244 to non-related companies in the U.S. cannabis sector.

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

The following are certain risk factors relating to the business carried on by the Company that prospective holders of CannaRoyalty Shares should carefully consider.

Regulatory Risks

The Business Units operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Business Units incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Business Units and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Business Units and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Business Units' earnings and could make future capital investments or the Business Units' operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

This MD&A involves an entity that is expected to continue to derive a portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. CannaRoyalty is involved in the cannabis industry in the United States where local and state laws permit such activities or provide limited defenses to criminal prosecutions. Currently, the Company is indirectly and directly engaged in the manufacture and possession of cannabis in the medical and recreational cannabis marketplace in the United States. **The enforcement of relevant laws is a significant risk.**

Over half of the states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the United States Controlled Substances Act of 1970. As such, cannabis-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation, regulation, and enforcement. Unless and until the United States Congress amends the United States Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the current and future investments of the Company in the United States. As a result of the tension between state and federal law, there are a number of risks associated with the Company's existing and future investments in the United States.

For the reasons set forth above, the Company's existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators (“CSA”) and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (“MOU”) with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties’ understanding of Canada’s regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange. The Company has obtained eligibility with the Depository Trust Company ("DTC") for its Common Share quotation on the OTCQB and such DTC eligibility provides another possible avenue to clear Common Shares in the event of a CDS ban.

The activities of CannaRoyalty’s Business Units are, and will continue to be, subject to evolving regulation by governmental authorities. The Business Units are directly or indirectly engaged in the medical and recreational cannabis industry in Canada and the United States where local state law permits such activities. The legality of the production, extraction, distribution and use of cannabis differs among North American jurisdictions.

CannaRoyalty’s investments have been focused in states that have legalized the recreational use of cannabis. Currently, the states of Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont, Washington and the District of Columbia have legalized recreational use of cannabis. Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulated the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.

Further, on January 4, 2018, U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. Department of Justice federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-20014, principally the August 2013 memorandum from Deputy Attorney General James Cole to U.S. Attorneys, (the “Cole Memorandum”). The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of this memo and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandums were never legally binding; however, the revocation removed the DOJ’s guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum’s guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

Additionally, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company’s investments in such businesses would be materially and adversely affected notwithstanding the fact that the Company is not directly engaged in the sale or distribution of cannabis. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business and its investments.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the CSA published a staff notice (Staff Notice 51-352) setting out the CSA’s disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views this staff notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company’s ability to pursue further investment and opportunities in the United States.

CannaRoyalty’s funding of the activities of Business Units involved in the medical and recreational cannabis industry through loans, royalties or other forms of investment, may be illegal under the applicable federal laws of the United States and other applicable law. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company’s business and could result in the forfeiture or seizure of all or substantially all of the Company’s assets.

The concepts of "medical cannabis" and "retail cannabis" do not exist under United States federal law because the U.S. Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remain illegal under United States federal law. Although the Company's activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

There is still uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole.

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

- The Company has several investments into businesses that operate in the U.S., where cannabis is federally illegal;
- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- Third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- The Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;

Under Section 280E of the Internal Revenue Code, normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, the Company will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable, business may in fact operate at a loss after taking into account its income tax. expenses. There is no certainty that the Company will not be subject to 280E in the future, and accordingly, there is no certainty that the impact that 280E has on the Company's margins will ever be reduced.

Federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's accounts and risks associated with uninsured deposit accounts. There is no certainty that Company will be able to maintain its existing accounts or obtain new accounts in the future;

The Canadian Depository for Securities Limited ("CDS") may be considering a policy change with respect to issuers with U.S. cannabis assets. A policy change, if implemented, could affect the Company's current operations and/or disqualify its ability to settle its securities with CDS.

The Company's investments in the United States are subject to applicable anti-money laundering laws and regulations.

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, the U.S. Department of the Treasury Financial Crimes Enforcement Network (“FinCEN”) issued a memorandum on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities (the “FinCEN Memorandum”).The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the United States Controlled Substances Act on the same day (the “2014 Cole Memo”). The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

Attorney General Sessions’ revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

The Company's investments, and any proceeds thereof, are considered proceeds of crime due to the fact that cannabis remains illegal federally in the United States. This restricts the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The Company's investments in the United States may be subject to heightened scrutiny.

For the reasons set forth above, the Company's existing investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United. States or any other jurisdiction, in addition to those described herein.

Given the heightened risk profile associated with cannabis in the United States, CDS may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis companies that have cannabis businesses or assets in the United States. It is not certain whether CDS will decide to enact such measures, nor whether it has the authority to do so unilaterally. However, if CDS were to decide that it will not handle trades in our securities, it could have a material adverse effect on the ability of investors to make and settle trades and on the liquidity of the Company's securities generally. In particular, the Common Shares would become highly illiquid because, until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange. While there can be no assurance that this would occur, and while it would be subject to regulatory approval, a third party has publicly expressed interest in providing clearing services should CDS decide not to do so.

The Company has obtained eligibility with The Depository Trust Company ("DTC") for its Common Share quotation on the OTCQB and such DTC eligibility provides another possible avenue to clear Common Shares in the event of a CDS ban.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations, investors are cautioned that in the United States, cannabis is largely regulated at the state level. To the Company’s knowledge, there are to date a total of 48 states, plus the District of Columbia, that have legalized cannabis in some form, including Arizona and Florida. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the United States and as such, may be in violation of federal law in the United States.

As previously stated, the United States Congress has passed appropriations bills (currently the "Rohrabacher-Farr Amendment") each of the last three years to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. The 2017 Consolidated Appropriations Act has been extended until March 23, 2018 under a continuing budget resolution, and as such, the Rohrabacher-Farr Amendment is still in effect as of today's date. It will continue to be re-authorized if the 2017 Consolidated Appropriations Act is again extended with a continuing resolution. Should Congress pass a budget resolution for FY 2018, some version of the Rohrabacher-Farr Amendment may or may not be included in its final form.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the U.S. Controlled Substances Act, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Rohrabacher-Farr Amendment in the 2018 budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital Controlled Substances Act violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state's recreational cannabis laws.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

Change in Laws, Regulations and Guidelines

Each Business Unit's current and proposed operations are subject to a variety of laws, regulations and guidelines, including, but not limited to, those relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to health and safety (including those for consumable products), the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations. If any changes to such laws, regulations and guidelines occur, which are matters beyond the control of the Company, the Company may incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's business, financial condition and results of operation. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of its planned operations.

Business Units May be Pre-Revenue

The Company may make investments in Business Units that have no significant sources of operating cash flow and no revenue from operations. As such, the Business Units are subject to risks and uncertainties that new companies with no operating history may face. In particular, there is a risk that the Business Units will not be able to:

- implement or execute their current business plan, or create a business plan that is sound;
- maintain their anticipated management team; and/or
- raise sufficient funds in the capital markets or otherwise to effectuate their business plan.

If the Business Units cannot execute any one of the foregoing, their businesses may fail, which could have a materially adverse impact on the business, financial condition and operating results of the Company.

Lack of Control Over Operations of Business Units

The Company relies on the Business Units to execute on their business plans and produce medical and/or recreational cannabis products and holds contractual rights and minority equity interest relating to the operation of the Business Units. The operators of the Business Units have significant influence over the results of operations of the Business Units. Further, the interests of the Company and the operators of the Business Units may not always be aligned. As a result, the cash flows of the Company are dependent upon the activities of third parties which creates the risk that at any time those third parties may: (i) have business interests or targets that are inconsistent with those of the Company; (ii) take action contrary to the Company's policies or objectives; (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company; or (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend a third party's ability to perform its obligations. In addition, payments may flow through the Business Units, and there is a risk of delay and additional expense in receiving such revenues. Failure to receive payments in a timely fashion, or at all, under the agreements to which the Company is entitled may have a material adverse effect on the Company. In addition, the Company must rely, in part, on the accuracy and timeliness of the information it receives from the Business Units, and uses such information in its analyses, forecasts and assessments relating to its own business. If the information provided by Business Units to the Company contains material inaccuracies or omissions, the Company's ability to accurately forecast or achieve its stated objectives, or satisfy its reporting obligations, may be materially impaired.

Private Companies and Illiquid Securities

The Company may invest in securities of private companies. In some cases, the Company may be restricted by contract or generally by applicable securities laws from selling such securities for a period of time. Such securities may not have a ready market and the inability to sell such securities or to sell such securities on a timely basis or at acceptable prices may impair the Company's ability to exit such investments when the Company considers it appropriate.

Unfavourable Publicity or Consumer Perception

The legal cannabis industry in the United States and Canada is at an early stage of its development. The Company believes the medical and recreational cannabis industry is highly dependent on consumer perception regarding the safety and efficacy of recreational and medical cannabis. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect on the business of the Company. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consumer such products legally, appropriately or as directed.

Public opinion and support for medical and recreational cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. Legalization of medical and recreational cannabis remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, legalization of medical marijuana as opposed to legalization in general).

Each Business Unit's ability to gain and increase market acceptance of its products may require it, and/or CannaRoyalty, to establish and maintain brand names and reputation. In order to do so, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful, and their failure may have an adverse effect on the Company.

Limited Operating History

CannaRoyalty and its Business Units have varying and limited operating histories, which can make it difficult for investors to evaluate the Company's operations and prospects and may increase the risks associated with investment into the Company.

Neither Bonanza nor CannaRoyalty has generated significant profits or revenues in the periods covered by their respective financial statements included herein, and, as a result, have only a very limited operating history upon which its business and future prospects may be evaluated. Although the Company expects to generate some revenues from its investments during the three months ended March 31, 2018, many of the investments will only start generating revenues in future periods and accordingly, the Company is therefore expected to remain subject to many of the risks common to early-stage enterprises for the foreseeable future, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Competition

The Company competes with other companies for financing and investment opportunities in the cannabis industry. Some of these companies may possess greater financial resources than the Company. Such competition may result in the Company being unable to enter into desirable strategic agreements or similar transactions, to recruit or retain qualified employees or to acquire the capital necessary to fund its investments. Existing or future competition in the cannabis industry could materially adversely affect the Company's prospects for entering into additional agreements in the future. In addition, the Company currently competes with other cannabis streaming and royalty companies, some of which may possess greater financial resources than the Company.

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors, including competitors to the Company’s Business Units, could materially and adversely affect the business, financial condition and results of operations of the Company.

It is possible that larger competitors could establish price setting and cost controls which would effectively “price out” certain of the Company’s Business Units operating within and in support of the medical and recreational cannabis industry.

Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. CannaRoyalty may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of the Company.

Banking

Since the production and possession of cannabis is currently illegal under U.S. federal law, it is possible that banks may refuse to open bank accounts for the deposit of funds from businesses involved with the cannabis industry. The inability to open bank accounts with certain institutions could materially and adversely affect the business of the Company.

Additional Financing

CannaRoyalty may require equity and/or debt financing to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially viable. CannaRoyalty’s inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Currency Fluctuations

CannaRoyalty’s revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company’s business, financial condition and operating results. CannaRoyalty may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements; however, there can be no assurance that such a program will effectively mitigate currency risks.

Risks Associated with Acquisitions

As part of the Company's overall business strategy, the Company intends to pursue select strategic acquisitions, which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. The success of any such acquisitions will depend, in part, on the ability of the Company to realize the anticipated benefits and synergies from integrating those companies into the businesses of the Company. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; and (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

While the Company intends to conduct reasonable due diligence in connection with such strategic acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the acquisition. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the CannaRoyalty Shares.

The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such strategic acquisition with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Bankruptcy or Insolvency of Business Units

There is no guarantee that the Company will be able to effectively enforce any interests it may have in the Business Units. A bankruptcy or other similar event related to a Business Unit that precludes a party from performing its obligations under an agreement may have a material adverse effect on the Company. Further, as an equity investor, should a Business Unit have insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities owed to the Company. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the Company.

Research and Market Development

Although the Company, itself and through its Business Units, is committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed.

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry domestically in Canada and in other international jurisdictions.

The Company is operating its business in a relatively new medical cannabis industry and market. Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the recreational or medical cannabis industry or market could have a material adverse effect on the Company's business, financial condition and results of operations. Due to the early stage of the legal cannabis industry, forecasts regarding the size of the industry and the sales of products by the Business Units are inherently difficult to prepare with a high degree of accuracy and reliability. A failure in the demand for products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Business Units, and consequently, the Company.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the Company's lean management structure may be strained as the Company pursues growth opportunities in the future. The loss of the services of such individuals or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all.

CannaRoyalty's future success depends substantially on the continued services of its executive officers, its key research and development personnel and its key growth and extraction personnel. If one or more of its executive officers or key personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose know-how, key professionals and staff members. These executive officers and key employees could compete with and take customers away.

Operation Permits and Authorizations

The Business Units may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate their respective businesses. In addition, the Business Units may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on a Business Unit's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

Liability, Enforcement Complaints, etc.

CannaRoyalty's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against the Company or its Business Units. Litigation, complaints, and enforcement actions involving either of the Company or its Business Units could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Product Liability

Certain of the Business Units manufacture, process and/or distribute products designed to be ingested by humans, and therefore face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against a Business Unit could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

Reliance on Key Inputs

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Business Units. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the relevant Business Unit might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of a Business Unit, and consequently, the Company.

Resale of Shares

Although the CannaRoyalty Shares are listed on the CSE, there can be no assurance that, an active and liquid market for the Company Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company. In addition, there can be no assurance that the publicly-traded stock price of the Company will be high enough to create a positive return for investors. Further, there can be no assurance that the stock of the Company will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of resale of the Company's shares would be diminished.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the shares of CannaRoyalty will be subject to market trends generally, notwithstanding any potential success of CannaRoyalty in creating revenues, cash flows or earnings. The value of the Company's shares will be affected by such volatility. An active public market for the Company's shares might not develop or be sustained. If an active public market for the Company's shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

Management of Growth

CannaRoyalty may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. CannaRoyalty's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Dividends

Neither the Company nor CannaRoyalty has paid dividends in the past, and the Company does not anticipate paying any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Any decision to declare and pay dividends in the future will be made at the discretion of the Company's board of directors and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Company's board of directors may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their shares of the Company for a price greater than that which such investors paid for them.

Intellectual Property

The success of the Company will depend, in part, on the ability of the Business Units to maintain and enhance trade secret protection over the various existing and potential proprietary techniques and processes of the Business Units. The Business Units may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Business Units. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

In addition, other parties may claim that a Business Unit's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages.

Insurance Coverage

CannaRoyalty will require insurance coverage for a number of risks. Although the management of the Company believes that the events and amounts of liability covered by its insurance policies will be reasonable, taking into account the risks relevant to its business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected.

Costs of Maintaining a Public Listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE and the OTC require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. CannaRoyalty may also elect to devote greater resources than it otherwise would have as a private company on communication and other activities typically considered important by publicly traded companies.

Litigation

CannaRoyalty may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for CannaRoyalty Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources. Litigation may also create a negative perception of the Company's brand.

Operational Risks

CannaRoyalty and its Business Units may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Business Units' properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Business Units' operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition on the Company. Also, the Business Units may be subject to or affected by liability or sustain loss for certain risks and hazards against which they may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Holding Company

CannaRoyalty is a holding company and essentially all of its assets are the capital stock of its material subsidiaries. As a result, investors in CannaRoyalty are subject to the risks attributable to its subsidiaries. Consequently, CannaRoyalty's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and Business Units and the distribution of those earnings to CannaRoyalty. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of CannaRoyalty's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before CannaRoyalty.

Difficulty Implementing Business Strategy

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

Conflicts of Interest

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in, among other things, corporations, partnerships, joint ventures, that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who are parties to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the transaction. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

Available Talent Pool

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of medical marijuana research and development, growing marijuana and extraction is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

Risk of criminal charges against CRZ

Mr. Wilkinson, the principal of Rich Extracts, was arrested in Nebraska for possession of marijuana with intent to distribute. The possession and distribution of marijuana are illegal in Nebraska. Although CannaRoyalty was unaware of Mr. Wilkinson's criminal activities, there is a risk that CannaRoyalty could face allegations, criminally or otherwise, in connection with Mr. Wilkinson's actions.