



CannaRoyalty Announces its Second Quarter 2017 Financial Results and Provides Business Update with Review of Top Holdings

- Reports further portfolio expansion and beginning of revenue growth -

Ottawa, Canada – August 24, 2017 – CannaRoyalty Corp. (CSE: CRZ) (OTCQX: CNNRF) (“CannaRoyalty” or the “Company”) today announced the Company’s financial results for the three and six-month periods ended June 30, 2017. All figures are reported in Canadian dollars (\$), unless otherwise indicated. CannaRoyalty’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

“CannaRoyalty is positioned to drive shareholder value as the North American regulatory approach to cannabis evolves and as the Company continues to build its platform of complementary, value-add cannabis assets in key industry verticals,” said Marc Lustig, CEO of CannaRoyalty. “During the second quarter, we continued to expand our balance sheet with targeted investments. We also announced partnerships with key cannabis and investment-industry leaders, further demonstrating that we are rapidly becoming a premier provider of capital and advisory services within the North American cannabis industry. In the coming months, we will continue to add to our portfolio in key focus areas while leveraging the strength of our CR Advisory and CR Brands divisions to generate synergies for portfolio companies and drive results for our shareholders.”

Financial Highlights – Q2-2017

Balance Sheet

All comparisons below are to December 31, 2016, unless otherwise noted

- Total assets of \$50,018,351 as compared to \$32,197,938.
- Total investments² of \$22,329,027 as compared to \$8,363,922.
- Cash and cash equivalents of \$6,441,303 as compared to \$2,945,895.

Revenue Components

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

Income Statement

All comparisons below are to Q2-2016, unless otherwise noted

- Revenues were \$960,157 as compared to \$12,418.
- Gross margin was \$421,681 as compared to \$434.
- Net loss per share of \$0.06 as compared to \$0.06.
- Adjusted EBITDA¹ loss of \$1,456,654 as compared to a loss of \$849,701.
- Adjusted EBITDA¹ loss per share of \$0.03 as compared to a loss a \$0.05.
- CannaRoyalty generated Q2 royalty revenue from 3 investees.

¹Adjusted EBITDA and Adjusted EBITDA per share are non-IFRS measures. See "Adjusted EBITDA" in the Company's Management's Discussion and Analysis for the three and six-month periods ended June 30, 2017.

²This represents the sum of investments, royalty investments, and interests in equity method investees

Notable Developments – Q2-2017

- Announced \$12M financing and joint venture ("JV") with Sprott Inc., a tier-one leader in resource investing. This resulted in a fully executed contractual agreement related to the debenture financing and the appointment of Mr. Peter Gundy to CannaRoyalty's Board of Directors on August 23, 2017. CannaRoyalty has been actively reviewing potential JV investment opportunities with Sprott and will provide updates in due course.
- On July 5, 2017, following consultation with CannaRoyalty, Sprott exercised its Board nomination right to Mr. Peter Gundy as its Board nominee. The CannaRoyalty Board of Directors ("the Board") appointed Mr. Gundy on closing of the Sprott debenture financing August 23, as a Director and as the Chair of CannaRoyalty's Audit Committee, a position that was vacated in May of this year resulting from the resignation of Mr. Chuck Rifici.
- CannaRoyalty's interests have been organized across three business units to maximize synergies between portfolio holdings and CannaRoyalty's capabilities – CR Holdings; CR Brands; and CR Advisory Services.
- TMX Group, the owner and operator of CDS, Canada's equities and fixed income clearing house, released a statement on August 17, 2017, clarifying that, "there is no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S., despite media reports." TMX Group also announced they are working with regulators to clarify this issue. CannaRoyalty's shares are also traded and settled through The Depository Trust Company ("DTC"), allowing CannaRoyalty to facilitate trading and settlement for CannaRoyalty shareholders. DTC is the largest securities depository in the world and holds over US\$35 trillion of securities on deposit. Many Canadian brokerages are fully equipped for and settle through both CDS and DTC, and in the event of any CDS policy changes, CannaRoyalty will, among other options, pursue clearance of trades through the DTC. CannaRoyalty is one of approximately 10 issuers listed on the Canadian Securities Exchange ("CSE") with exposure to the US cannabis sector.

Top Holdings Review – Q2 2017

CR Holdings

CR Holdings includes controlled equity holdings, minority equity holdings and royalty interests.

River Collective (“River”) – Royalty on net sales (December 2024), CR Brands purchase agreement.

- CannaRoyalty completed an agreement regarding a strategic financing and related arrangements with River, during Q2-2017. River aspires to be a leader in California cannabis distribution. The company currently serves 528 dispensaries, has 20 account representatives, 17 suppliers and producers, 1,191 active SKUs and 3,028 total SKUs.
- Began generating revenues for CannaRoyalty in May 2017.

Anandia Laboratories – 20% equity position.

- Anandia Labs is a leader in cannabis testing, extraction and genetics. The company is the only independent Canadian testing facility specializing exclusively in cannabis. Focused on testing, genetics and leveraging its dealers’ license.
- Anandia generated revenues of \$1.1M in Q2-2017.
- Planning is underway for a second licensed laboratory facility to enable increased testing capacity and further expansion of tissue culture technology, extraction services and white-label production for clients. To fuel this continued growth, Anandia Labs anticipates raising additional capital through a private placement.

Wagner Dimas – 20% equity position.

- Wagner Dimas has developed a highly-scalable, patent-pending manufacturing platform for creating machine rolled cannabis products. The company provides contract manufacturing services and has also developed and commercialized its own line of branded pre-rolls that are sold in the California market.
- During the first half of 2017, Wagner Dimas continued expanding its pre-roll co-packing business for California’s top brands.
- The company now has separate contract manufacturing agreements with 20 cannabis brands and cultivators in the California market.
- The company completed its first out-of-state licensing agreement in Nevada in July and anticipates more licensing deals in other states and countries moving forward. The company has also made significant progress on next generation technology for increased production capacity and efficiency.
- Wagner Dimas is currently generating strong sequential revenue growth through its owned brands, co-packing agreements and technology licensing.

Resolve Digital Health (“Resolve”) – 27.2% equity position.

- Resolve is an integrated digital health platform designed for symptom relief. Resolve’s ‘Breeze’ product is a patent-pending dosage control smart inhaler. The Breeze product has been created with proprietary tracking and analytics software.
- Resolve is still in the pre-commercialization stage and is not currently generating revenues.
- Resolve is in the process of obtaining Health Canada approval for two medical devices and is undertaking extensive market testing of their devices over the summer of 2017. The resolve app is being beta tested with an anticipated launch in early Q4 of this year.
- Resolve signed an exclusive distribution deal in Australia with LeafCann and is working on distribution deals in California, Florida, Washington State and Canada.

Rich Extracts – Royalty on gross sales in perpetuity.

- Rich Extracts owns a 30,000-square foot facility in Oregon which houses equipment including specialized extractors and distillation units capable of processing up to 80,000 grams per month of cannabis concentrates and distillates using a variety of extraction processes.
- The company obtained its processing license from the Oregon Liquor Control Commission (OLCC) in May 2017 and commenced commercial sales in July after undergoing an exhaustive regime of product quality testing in May and June.
- Due to delays experienced in obtaining its license and commencing commercial sales, Rich Extracts was unable to make full payment for raw materials purchased from a supplier. The company was named in a lawsuit by this supplier in July for which a negotiated settlement is underway.

Cascadia Holdings – Royalty on gross rental income in perpetuity.

- Cascadia is incorporated in the state of Washington and leases turnkey built-out solutions to companies that produce and process cannabis products pursuant to licenses issued by the Washington State Liquor and Cannabis Board. Cascadia currently has one tenant.
- The tenant of the American Nutraceutical building is selling its own cannabis branded products and is contracted by other brands for production on a “white label” basis.
- Currently generating revenues for CannaRoyalty.

Alternative Medical Enterprises, LLC (“AltMed”) – 8.3% equity position, Royalty on net sales of MüV products (July 2026).

- AltMed is a Florida-based company bringing pharmaceutical industry precision to the development, production and dispensing of medical cannabis. AltMed currently has vertically integrated cannabis operations in Arizona and Florida. The company owns MüV™, a full range of premium smoke-free cannabis products designed and produced to the highest standards, including topicals, inhalers, vaping products, shatter and crumble as well as oral sprays and tinctures.
- Generated royalty revenues for CannaRoyalty along with a work fee for CR Advisory. Potential for CR Advisory to earn success fee (see “CR Advisory” section, below).
- On August 2, 2017, AltMed completed a transaction to form AltMed Florida, an entity owned 40% by AltMed and 60% by Plants of Ruskin. Plants of Ruskin is a licensed operator in the Florida medical cannabis market that is building a 150,000-sq. ft. facility with Phase 1 expected to be complete by the end of 2017. AltMed is aiming to commercialize their MüV™ line of products in Florida in Q1-2018.
- CannaRoyalty also has the right to license the MüV product line in Canada, Puerto Rico and a variety of US states including California, and CR Advisory work/success fee arrangement

Farmacopia Inc. (“Farmacopia”) – minority equity position.

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

CR Brands

CR Brands includes a portfolio of wholly owned and licensed brands that cover high growth segments of the cannabis sector including vaping, pre-rolls, edibles, topicals, medical devices, concentrates and animal health.

Natural Ventures PR, LLC (“Natural Ventures”) – Licencing Partner

- CannaRoyalty investee Natural Ventures is Puerto Rico’s largest licensed cultivator, manufacturer and distributor of cannabis products with a 100,000 square-foot indoor cultivation facility. Natural Ventures is also one of only two companies in Puerto Rico that has received a manufacturer’s license. It has a 30,000 square-foot state of the art lab for processing, testing and distribution. Natural Ventures has full market distribution and is currently selling to every active dispensary in Puerto Rico.
- Natural Ventures launched CR Brands in Puerto Rico during Q2-2017, starting with Soul Sugar Kitchen™ gourmet-edibles and GreenRock Botanicals™ premium vape pens. Puerto Rico is one of the fastest growing medical cannabis markets in North America.

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

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

Dreamcatcher Labs Inc. (“Dreamcatcher”) – 100% wholly-owned subsidiary of CannaRoyalty.

- Dreamcatcher designs and manufactures a proprietary vaporizer cartridge for the cannabis sector. The hardware is designed such that users have an ability to utilize a vast array of extracts

and oil and can enjoy diverse types of strains and experiences. Dreamcatcher’s unique vape cartridge and battery unit are combined into an electronic vaporizer which is commercialized under the brand name GreenRock Botanicals.

- Dreamcatcher continued commercial sales of white-label hardware in Q2-2017, in addition to supplying hardware for GreenRock Botanicals.

The Terpistry™ - Wholly-owned CannaRoyalty venture.

- During Q2-2017, CannaRoyalty launched “The Terpistry,” in collaboration with Dr. Jörg Bohlmann, a world recognized leader in terpene profiling. The Terpistry will focus on the development of a revolutionary platform to develop a next generation level of refined, targeted cannabis extract based products.

CR Advisory

CR Advisory offers a suite of services with the objective of assisting investees and partners in accelerating the commercialization of their product(s) or services, and ultimately in leveraging their unique selling proposition to create a leadership position in their chosen niche within the global cannabis industry.

- CR Advisory signed an engagement with AltMed as they prepare to launch a significant corporate transaction. CR Advisory will earn an upfront work fee of US\$150,000, plus a success fee on corporate transactions undertaken by AltMed during the consulting services agreement or within six months after termination of the Agreement.

Results of Operations (Summary)

The following tables set forth consolidated statements of financial information for the three and six-month periods ending June 30, 2017 and June 30, 2016. For further information regarding the Company’s financial results for these periods, please refer to the Company’s Management’s Discussion and Analysis for the periods ended June 30, 2017 and the Company’s Financial Statements for the periods ended June 30, 2017, published on CannaRoyalty’s issuer profile on SEDAR at www.sedar.com and the Company’s website at www.cannaroyalty.com.

Cost of Sales and Gross Margin

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

| | Three months ended | Three months ended | Six months ended | Six months ended |
|-----------------------|---------------------------|--------------------|-------------------------|------------------|
| | June 30, 2017 | June 30, 2016 | June 30, 2017 | June 30, 2016 |
| Cost of product sales | 3% | n/a | 11% | n/a |
| Cost of service | 89% | n/a | 86% | n/a |
| Cost of royalties | 54% | n/a | 64% | n/a |
| Total | 44% | 3% | 53% | 3% |

Operating Expenses

| | Three months ended | | Three months ended | % |
|-----------------------------|--------------------|------------------|--------------------|-------------|
| | June 30, 2017 | | June 30, 2016 | Change |
| Sales and marketing | \$ | 409,221 | \$ 2,939 | 13824% |
| Research and development | | 148,852 | 161,272 | -8% |
| General and administrative | | 1,977,734 | 763,444 | 159% |
| Amortization of intangibles | | 205,878 | - | n/a |
| Total | \$ | 2,741,685 | \$ 927,655 | 196% |

Operating Expenses (continued)

| | Six months ended | | Six months ended | % |
|-----------------------------|------------------|------------------|---------------------|-------------|
| | June 30, 2017 | | June 30, 2016 | Change |
| Sales and marketing | \$ | 646,081 | \$ 10,942 | 5805% |
| Research and development | | 625,093 | 679,655 | -8% |
| General and administrative | | 4,114,922 | 1,739,131 | 137% |
| Amortization of intangibles | | 408,350 | - | n/a |
| Total | \$ | 5,794,446 | \$ 2,429,728 | 138% |

Adjusted EBITDA¹

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

¹EBITDA, Adjusted EBITDA and Adjusted EBITDA per share are non-IFRS measures. See "Adjusted EBITDA" in the Company's Management's Discussion and Analysis for the three and six-month periods ended June 30, 2017.

Share Capital

The Company's authorized share capital is an unlimited number of common shares of which 41,948,495

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

Conference Call

CannaRoyalty will host a conference call later today, Thursday, August 24, 2017 at 8:30 a.m. (Eastern Time) to discuss its 2017 second quarter financial results. The call will be chaired by Marc Lustig, Chief Executive Officer and François Perrault, Chief Financial Officer.

| | Participant Dial-in | Webcast | Reference Number |
|-----------------------------------|---|---|------------------|
| Conference Call | 647-427-7450 ; or 1-888-231-8191 | http://bit.ly/2uEdwyi | |
| Replay (available for 2 weeks) | 416-849-0833; 613-667-0035; or 1-855-859-2056 | | 61940416 |

Zenabis Share Issuance

The company has issued today an aggregate of 333,402 common shares to Zenabis Limited Partnership (“Zenabis”), pursuant to a previously disclosed arrangement. Of the shares, 243,902 were issued in satisfaction of a \$500,000 cash advance by Zenabis in Q4 2016 for a share subscription at a price of \$2.05 per share. The remaining 89,500 shares were issued in satisfaction of a penalty obligation to CannaRoyalty for non-completion of a previously disclosed share exchange transaction with Zenabis.

About CannaRoyalty

CannaRoyalty is an active investor and operator in the legal cannabis sector. Our focus is building and supporting a diversified portfolio of growth-ready assets in high-value segments of the cannabis sector, including research, consumer brands, devices and intellectual property. Our management team combines a hands-on understanding of the cannabis industry with seasoned financial know-how, assembling a platform of holdings via royalty agreements, equity interests, secured convertible debt, licensing agreements and its own branded portfolio.

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Forward Looking Statements

Statements in this news release that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed here and elsewhere in CannaRoyalty's periodic filings with Canadian securities regulators. When used in this news release, words such as "will, could, plan, estimate, expect, intend, may, potential, believe, should," and similar expressions, are forward-looking statements.

Forward-looking statements may include, without limitation, statements including the Company's expectations with respect to pursuing new opportunities and its future growth and other statements of fact.

Although CannaRoyalty has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in the forward-looking statements, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended, including, but not limited to: dependence on obtaining regulatory approvals; investing in target companies or projects which have limited or no operating history and are engaged in activities currently considered illegal under US Federal Laws; changes in laws; limited operating history; reliance on management; requirements for additional financing; competition; hindering market growth and state adoption due to inconsistent public opinion and perception of the medical-use and adult-use marijuana industry and; regulatory or political change.

There can be no assurance that such information will prove to be accurate or that management's expectations or estimates of future developments, circumstances or results will materialize. As a result of these risks and uncertainties, the results or events predicted in these forward-looking statements may differ materially from actual results or events.

Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release are made as of the date of this release. CannaRoyalty disclaims any intention or obligation to update or revise such information, except as required by applicable law, and CannaRoyalty does not assume any liability for disclosure relating to any other company mentioned herein.

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
In Canadian dollars

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

Unaudited Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars

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

Unaudited Condensed Interim Consolidated Statements of Cash Flows

In Canadian dollars

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