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

Contents

MESSAGE FROM THE CEO

Fellow Shareholders,

Three years ago, as interest in the Canadian cannabis capital markets grew, CannaRoyalty was formed to pursue investment opportunities in the legal cannabis industry. It was clear that the use of cannabis was going to be legalized in many jurisdictions around the world and many U.S. states already had active and thriving cannabis industries. This provided us with plentiful opportunities to invest in a well-established, albeit historically illicit sector that existing consumer goods companies and traditional providers of capital, such as banks, would have difficulty entering and exploiting. We determined that there was an opening for a nimble finance company to take advantage of investment opportunities in an industry poised for explosive growth in North America.

The one investment option to which we chose to significantly limit exposure was the financing of undifferentiated pure-play cannabis cultivation. We believe mass produced cannabis flower will become an agricultural commodity in the long-term, which will eventually be subject to relatively low average margins and commodity-based pricing. We feel that investors will be better served in the long term by the return potential of a basket of key value-added cannabis assets, and recent capital market activity suggests to us that other investors are beginning to share this view.

In Phase 1 of our growth plan, we set about executing on this view, investing in a basket of companies in value-added areas of the legal cannabis market in North America: manufacturing, marketing, technology, research and development, products, brands, and distribution. Under this plan, we've deployed over $30 million into equity, debt and royalty investments.

The experience our team has gained over the past three years in the North American cannabis markets, and in particular the launch of our CR Brands division earlier this year, has led us to Phase two of our journey and a focus on California.

California is a global entertainment and cultural hub, which shapes consumer perceptions for a multitude of commercial products and services. The state is transitioning to a full adult-use cannabis market in January 2018. It is the largest cannabis market in the world (currently estimated to be $5.2 billion USD in 2018 according to Forbes magazine) and has a history of over 20 years of medical legalization. California has a broad range of permitted cannabis products for use and as a result, it is home to some of the most sophisticated and discerning cannabis consumers in the marketplace today. In our view, only superior products and brands will be able to succeed in this market over the long term. We believe that a company that wins in California will have a unique advantage competing not only in other U.S. jurisdictions, but also in Canada and across the globe.

In Phase 2 of our business, we will focus on leveraging our current asset base, expertise and portfolio of brands to build a leading cannabis consumer products business, centered in California. We have already begun this journey. Through CR Brands, we recently announced the commercial manufacture and launch, through River Distribution, of two in-house brands, Soul Sugar Kitchen™ gourmet edibles and GreenRock Botanicals™ vape pens.

Specifically, we are focused on three primary opportunities over the next 12 months in California:

1. Continue to drive growth of CR Brands product portfolio and points of distribution through River and other distribution channels;
2. Make prudent acquisitions of promising products or leading brands; and
3. Increase commercial production in our Santa Rosa facility and gradually drive efficiencies.

At this early stage in our growth trajectory, we are primarily focused on continuing to set a strong foundation for the future. We are making investments in the most exciting cannabis market in the world. Our team has substantial experience developing and commercializing successful brands and we are confident that our business will generate substantial and lasting shareholder value.

Many thanks for your support as we enter this exciting next phase for our business.

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. CannaRoyalty trades on the Canadian Securities Exchange ("CSE") under the ticker symbol "CRZ" and in the United States trades on the OTCQX market under the ticker symbol "CNNRF".

This CannaRoyalty Management's Discussion and Analysis ("MD&A") of the Financial Condition and Results of Operations is dated November 27, 2017. The MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements (the "Financial Statements") for the three months ended September 30, 2017, including the accompanying notes.

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars. The Company prepared this MD&A of the Financial Condition and Results of Operations with reference to National Instrument 52-109 – Continuous Disclosure Obligations of the Canadian Securities Administrators ("NI 52-109"). This MD&A provides information for the three months ended September 30, 2017 and up to and including November 27, 2017.

By their nature, the Interim Financial Statements do not include all the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the period ended December 31, 2016 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 Electric Medialand Inc. ("EML") and CR Advisory Inc. ("CR Advisory") formed in Canada, Cannroy Delaware Inc. ("Cannroy Delaware"), Cannroy Distribution LLC ("Cannroy Distribution"), Dreamcatcher Labs Inc. ("Dreamcatcher"), Cannabis Royalties & Holdings Corp. ("CRHC"), GreenRock Botanicals Inc. ("GreenRock"), and Achelois LLC ("Achelois") 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 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.

CannaRoyalty is building a premium suite of branded cannabis consumer products, supported by its existing and growing portfolio of strategic manufacturing and distribution assets. The Company has a presence throughout North America, with a primary focus on California, the largest cannabis market in the world. The Company's current portfolio of products includes wholly-owned and licensed products and brands in large and high growth segments of the cannabis industry including vaping, pre-rolls, edibles, topicals, patches, creams, intimacy oils, concentrates, and animal health products.

The Company is focused on leveraging its current asset base, expertise, and portfolio of products to continue building a leading downstream consumer products business. CannaRoyalty's primary short-term objective is to create a sustainable business in the key state of California, led by its growing CR Brands portfolio, augmented by judicious acquisitions to bring key products, brands and expertise in-house. In the medium to long term, the Company will also seek to create synergies and brand out-licensing opportunities among its portfolio companies and CR Brands products in Canada, as well as Washington, Arizona, Oregon, Florida and Puerto Rico. In California, CannaRoyalty will focus on three primary initiatives over the next 12 months:

- Continue to drive growth of CR Brand product selection and points of distribution through River;
- Make prudent acquisitions of promising products or leading brands; and
- Increase commercial production in our Santa Rosa facility and gradually drive efficiencies.

More broadly, over the next 12 months CannaRoyalty will also focus on:

- Winning additional CR Advisory mandates;
- Licensing CR Brands products in other jurisdictions, including Canada;
- Executing on our Joint Venture with Sprott; and
- Optimizing our investment portfolio by realizing value on non-core assets.

The Company had 17 full-time employees at September 30, 2017 as well as an additional 20 full time equivalent contract resources located primarily in Ontario, Canada and the State of California, supplemented by specialized advisory and consulting firms in various domains of expertise.

On December 6, 2016, the Company completed a three-cornered amalgamation with Cannabis Royalties & Holdings Corp. ("CRHC"), resulting in the reverse-takeover ("RTO") of CannaRoyalty by CRHC. Pursuant to the RTO, the issued and outstanding securities of CRHC were exchanged for equivalent securities of CannaRoyalty on a one-for-one basis. Prior to the RTO, CannaRoyalty changed its name from Bonanza Blue Corp. ("Bonanza Blue") to CannaRoyalty and completed a 5 for 1 share consolidation. Prior to the RTO, Bonanza Blue had no active business operations. Upon effecting the RTO, CannaRoyalty continued operating the business of CRHC. On December 8, 2016, CannaRoyalty commenced trading on the Canadian Stock Exchange ("CSE") under the symbol "CRZ".

Reference to the annual Management Discussion and Analysis at December 31, 2016, the most recently published Annual Information Form, as well as the Risks, Uncertainties and Forward-Looking Statements section in this MD&A can be made for a more comprehensive description of the Company's risk factor and business environment.

HIGHLIGHTS FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2017

Summary

The theme of the Company's third quarter of fiscal 2017 was an increased focus on its CR Brands division in California to prepare key products for the launch through River distribution in Q4 2017, as well as making discrete investments to further enhance capabilities in the major sub-sectors that the Company believes will be the major drivers of sustained long-term growth. CannaRoyalty is becoming increasingly well positioned to allocate capital to accretive investment opportunities and to provide ongoing support required to de-risk operations and help realize significant upside benefits.

Strategic and Operational

California is transitioning to a full adult-use recreational cannabis market on January 1, 2018. It is the largest cannabis market in the world and has a history of over 20 years of medical legalization. California has a broad range of permitted cannabis products for use and as a result, it is home to some of the most sophisticated cannabis consumers in the marketplace today. The Company is focused on commercializing its product portfolio in the California market, continuing to increase its distribution reach, and adding strategic products and brands to its portfolio through investment and acquisition.

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

CannaRoyalty achieved several strategic milestone objectives during the quarter. One significant highlight was CannaRoyalty continuing to advance its strategic relationship with Sprott Inc. ("**Sprott**") on a number of fronts including announcing: (a) Sprott as CannaRoyalty's joint venture partner to focus on value-add debt investment opportunities in the rapidly growing legal Canadian cannabis sector; (b) closing CannaRoyalty's $12M debt financing with Sprott; and (c) Sprott's nomination of Peter Gundy to the CannaRoyalty board of directors. As financial, strategic, and joint venture partners, CannaRoyalty and Sprott have worked to leverage their complementary value-add competencies to assess opportunities for accretive investments in the cannabis industry.

During the quarter CannaRoyalty also launched CR Advisory Services ("**CR Advisory**"). CR Advisory was formed to capture increased value from the consulting and advisory services that the Company has been providing to its investees since its inception. CR Advisory provides a full suite of consulting and advisory services within three areas: Corporate Finance & Capital Markets, Marketing & Brand Development, and Cultivation & Extraction. CR Advisory leverages the core competencies of its management team, in-house subject matter experts, and external consultants to deliver value that enables our clients to create further value by building stronger, sustainable businesses and becoming leaders in their respective market segments.

CR Advisory secured its first engagement with CannaRoyalty investee, Alternative Medical Enterprises ("**AltMed**"). AltMed engaged CR Advisory to assist with creating documents and materials required to assist in the execution of a financing. The engagement included an upfront work fee of $150,000 USD that was recorded in Q2, plus a success fee on corporate transactions undertaken by AltMed during the consulting services agreement or within six months after its termination. During Q3, AltMed also combined its Florida operations with Plants of Ruskin (d.b.a. AltMed Florida), who was awarded a Florida Medical Marijuana License. The formation of AltMed Florida opens the entire Florida market to AltMed's award-winning line of MüV™ cannabis infused products. AltMed Florida intends to grow its dispensary footprint, with up to 25 total dispensaries available to it under its license, as patient demand grows.

CR Advisory also finalized its second advisory engagement in the quarter with Wagner Dimas ("WD"), an industry-leading cannabis pre-roll technology company. In addition to the engagement, CannaRoyalty acquired the exclusive Canadian license for the entire portfolio of WD technology. Additionally, the Company made a further investment into WD to increase its ownership position to 22%.

Financial Performance

The following are the major financial highlights of CannaRoyalty's operating results for Q3 of Fiscal 2017, compared to the same period in Fiscal 2016:

- revenues were $744,302 as compared to $127,707, an increase of 583%;
- gross margin was $128,010 as compared to $91,269, an increase of 40%;
- operating expenses were $2,834,939 as compared to $1,924,952, an increase of 47%;
- net loss of $3,295,477 as compared to a net loss of $1,867,659, an increase of 76%;
- net loss per share of $0.08 as compared to $0.07, an increase of 14%;
- adjusted EBITDA loss of $1,762,145 as compared to a loss of $1,198,522, an increase of 47%; and
- adjusted EBITDA loss per share of $0.04 as compared to a loss a $0.05, a decrease of 20%.

The following is a summary of key balance sheet totals as of September 30, 2017 compared to December 31, 2016.

- cash and cash equivalents were $2,593,914 as compared to $2,945,895, a decrease of 12%;
- total assets of $46,166,044 as compared to $32,197,938, an increase of 43%;
- current assets of $9,464,651 as compared to $7,197,410, an increase of 32%;

- current liabilities of $4,210,986 as compared to $2,337,807, an increase of 80%; and
- long-term debt of $1,426,118 as compared to $1,414,414, an increase of 1%.

RECENT DEVELOPMENTS

CannaRoyalty continues to push towards the achievement of its strategic objectives. Since Q2, CR Brands has advanced on several fronts including the launch of the CR Brands portfolio through River Collective ("**River**"), which has a distribution network of over 675 dispensaries in California. The Company first launched its Soul Sugar Kitchen edibles products, which experienced rapid retail penetration in the initial launch and distribution period. Shortly after, the Company completed the first commercial production of its GreenRock Botanicals ("**GRB**") vape pens. The Company will continue ramping up production of these products, as well as other products within its existing and growing CR Brands portfolio.

CR Brands is currently retrofitting its new Santa Rosa facility (the "**Facility**") to produce the growing suite of CR Brands products for the California market. The Facility is located in a commercial complex with several tenants that have been licensed for cannabis production and distribution by the city of Santa Rosa, and the Company is in the process of applying for its own processing license. The Facility has significant capacity to accommodate growth in the CR Brands portfolio, and for the manufacture of additional products.

Beyond California, CannaRoyalty continues to build its global distribution platform for its CR Brands portfolio of assets. To that end, the Company executed a letter of intent to launch its CR Brands into the Nevada market, with a focus on Las Vegas. This was accomplished through a CR Advisory engagement with Æther Gardens that focuses on the production and launch of CR Brands products in the Nevada market. Æther Gardens is a vertically-integrated cannabis cultivator, extractor, and manufacturer based in Clark County, Nevada. Additionally, the Company's investee, Resolve Digital Health, signed major exclusive product deals with Aphria Inc., one of Canada's largest legal cannabis producers, and with Liberty Health Sciences Inc., an operator and investor in the medical cannabis market in Florida. The Company continues to explore international distribution partners to help drive the growth and sales of its portfolio products.

The Company's investee, AltMed has also achieved some significant milestones since the end of the quarter. AltMed was recently awarded an authorization to commence medical cannabis cultivation in Florida. There are only 12 other Medical Marijuana Treatment Center (MMTC) licensees in Florida, placing AltMed Florida in a uniquely competitive position, in a growing market that now has over 51,000 registered patients.[1] Additionally, AltMed also opened its first Arizona dispensary during Q3, which has been ramping up its distribution and sales efforts.

On November 9, the Company announced that Mr. R. 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. This development has accelerated the Company's

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[1] https://www.prnewswire.com/news-releases/liberty-health-sciences-inc-announces-two-additional-dispensary-locations-have-been-secured-in-florida-659039473.html

efforts to enforce on its security interest in Rich Extracts and remove Mr. Wilkinson from the Rich Extracts extraction business. For more information on this development, please refer to the Top Holdings section of this MD&A under "Rich Extracts".

Two key regulatory events also occurred subsequent to the end of Q3.

First, both the Canadian Securities Exchange ("**CSE**") and the Canadian Securities Administrators ("**CSA**") released statements (CSA: Staff Notice 51-352; CSE: Press Release dated October 16) providing clarity and certainty for Canadian public companies with US cannabis activities, such as CannaRoyalty. Both the CSA and the CSE reinforced their rights to determine eligibility of listing companies that meet the relevant listing and eligibility requirements. The Company viewed both of these notices as favourable, as they provide increased transparency and certainty regarding the views of its exchange and its regulator of its existing operations and strategic business plan. On November 24, the TMX Group provided an update regarding issuers with U.S. marijuana-related activities. The update confirmed that the TMX Group will rely on the Canadian Securities Administrators' recommendation to defer to individual exchange's rules for companies that have U.S. marijuana-related activities and to determine the eligibility of individual issuers to list based on those exchanges' listing requirements. The TMX also confirmed there is no current CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S.

The second regulatory event was the release of Health Canada's Proposed Approach to the Regulation of Cannabis (the "Proposed Regulations"), which was released to the public on November 22, 2017. The Proposed Regulations contemplate a variety of cannabis product forms not currently allowed under the Access to Cannabis for Medical Purposes Regulations (the "ACMPR"), including: edible products containing cannabis (like food or beverages), pre-rolls, and cannabis concentrates including vaporizing solutions. The Proposed Regulations suggest these product forms are to be permitted after one year of the proposed Cannabis Act coming into effect, which is expected on or before July 1st, 2018. Accordingly, the Proposed Regulations provide a platform for CannaRoyalty to commercialize a significant portion of its products, brands, intellectual property, and know-how into the Canadian market.

On November 23, 2017, the Company received its first draw of $3,000,000 from the Sprott Credit Facility and intends to use the funds for general corporate purposes. The Sprott agreement contains general business maintenance and procedural covenants, including the following significant items:

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

REVIEW OF TOP HOLDINGS

The Company began providing increased disclosure and updates on its top holdings in last quarter's MD&A and plans to continue this practice in ensuing quarters. The following information should be read in conjunction with the more comprehensive descriptions found in CannaRoyalty's June 30, 2017 and December 31, 2016 MD&As.

River

Date of initial investment	May 2017
Type of Investment	2.25% Revenue Royalty to $5 million USD, then 1.75% for the duration of the term. Strategic Partner for CR Brands strategy in California with a term expiring in December 2024.
Description	• Provide distribution and logistics solutions for the cannabis industry • Distributes CR Brands products - $20 million USD purchase commitment over the term of the agreement.
Amount Invested	$5 million USD ($3 million USD paid and $2 million USD owing at September 30, 2017 which will be settled prior to December 31, 2017)
Geography	California
Update	River now distributes to 685 dispensaries throughout California. River recently appointed Tim Morland as their new Compliance and Policy Director. Mr. Morland served as the Legislative Director to State Board of Equalization ("SBOE") Member Fiona Ma. Tim has in-depth knowledge of cannabis tax policy and regulations in the State of California. During his tenure with the SBOE, Tim served on the SBOE Cannabis Compliance Task Force and served on the San Francisco Cannabis Legalization Task Force. Tim will ensure that River complies with all state laws and regulations governing cannabis distributors.

Dreamcatcher Labs Inc. ("DCL")

Date of initial investment	October 2016
Type of Investment	100% Equity position– Controlled subsidiary
Description	• Industrial filling and vape pen technology • Manufacturing capability • GreenRock Botanicals vape pen line as part of CR brands
Amount Invested	$6 million (three million shares $2/share)
Geography	California

Update	Effective October 2017, operating out of newly leased Santa Rosa facility in Northern California (10,000 square feet) adjacent to River's warehouse and distribution center as part of a CR Brands consolidation.

Rich Extracts Inc. ("RE")

Date of initial investment	2016
Type of Investment	Secured debt, convertible into a right to royalties on gross sales in perpetuity; non-interest-bearing secured advances.
Description	Produces cannabis extract products.
Amount Invested	$2.75 million USD
Geography	Oregon
Update	During August 2017, a claim was filed against RE by CURA, a raw materials supplier for payment of debts owed by RE. The claim also included CannaRoyalty and a subsidiary with respect to any royalty payments made by RE to CannaRoyalty. CannaRoyalty did not have any exposure under this claim as it had not received any royalty payments from RE. CannaRoyalty successfully negotiated a settlement agreement between the two parties, but Rich Extracts was subsequently unable to successfully deliver on the terms of the settlement. On November 8, 2017, Rich Wilkinson, the principal owner of RE, was arrested in Nebraska for possession of marijuana with intent to distribute. On November 15, 2017, the Oregon Liquor Control Commission ("OLCC") suspended the Recreational Marijuana processor license of RE based on allegations of several violations. Wilkinson is currently prohibited from allowing the sale, delivery to or from, or receipt of marijuana items at RE until further notice from the OLCC. The licensed premises and all marijuana products located therein have been secured by law enforcement authorities. These developments have accelerated the Company's efforts to enforce on its security interest in Rich Extracts. CannaRoyalty, through local legal counsel, has been in contact with the OLCC and local law enforcement. As the license has been suspended but not revoked, CannaRoyalty intends to work with the OLCC and relevant state authorities to take all available legal action to realize its security over the license and the Rich Extracts extraction facility. CannaRoyalty believes the underlying asset is sound in terms of licensed capability and investment and that the securitized value of this asset, in particular its commercial cannabis producing license, may have significant value. Mr. Wilkinson's status may facilitate the Company's ability to realize on its security interest. If the Company is successful in enforcing its security over the licensed facility, the recovery value may exceed the value of CannaRoyalty's current advances to RE of $2,750,000

	USD. As management is currently assessing the situation and its impact on recoverable values, no impairment has been recorded as of September 30, 2017.

Alternative Medical Enterprises Inc. ("AltMed")

Date of initial investment	2015
Type of Investment	8.3 % equity position and 3.5% royalty on net sales of MüV products until December 2025
Description	• Dispensaries in Arizona and Florida • MüV brand products of lotions, gels, inhalers and patches
Amount Invested	$1.5 million USD for AltMed Equity and $1.13 million CAD for MüV Royalty
Geography	Arizona & Florida; the Company has rights to license MüV in other markets
Update	In August, AltMed agreed to combine its Florida operations with Plants of Ruskin Inc. ("Ruskin"), a multi-generational Florida cultivator, to form AltMed Florida. Ruskin has been granted one of only thirteen Medical Marijuana Treatment Center licenses in Florida, and in November, AltMed Florida announced that it received all required permits to begin cultivating. In September, AltMed opened its inaugural MüV by AltMed dispensary in Phoenix, Arizona. CR Advisory is currently executing on its mandate to support the AltMed financing. AltMed closed on its series 3A convertible debt financing in the amount of $11.5 million USD and is progressing towards the completion of its Series 3B equity financing.

Anandia Labs Inc. ("Anandia")

Date of initial investment	February 2017
Type of Investment	21% equity position
Description	Independent cannabis testing and R&D business that possesses a Health Canada Dealers License
Amount Invested	$3.9 million
Geography	Canada
Update	Anandia continues to expand its market leading position as a source of scientific services and products for the cannabis industry. Its quality control testing service is expanding rapidly. Actively engaged in licensed import / export of cannabis products with global partners.

	Development is underway of 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. Anticipates raising additional capital through a private placement to fuel continued growth.

Resolve Digital Health Inc. ("Resolve")

Date of initial investment	2015
Type of Investment	27% equity position
Description	Creator of patent-pending dosage control smart inhaler and owner of Breeze Smart Inhaler™ brand.
Amount Invested	$2.5 million
Geography	US, Canada, & Australia
Update	Resolve signed a Letter of Intent with Aphria Inc. for the filling, packaging and distribution of consumables for Resolve's devices. Signed a Letter of Intent with Liberty Health Science Inc. to be its exclusive distributor in the state of Florida. In the process of entering into licensing agreements in Washington State, Oregon, California, and Washington D.C. Developed three devices, which are being prepped for manufacturing and sales, expected to begin in 2018. Increased intellectual property base significantly - Resolve currently has 20 innovations in various stages of development as compared to 11 three months ago.

Wagner Dimas ("WD")

Date of initial investment	2016
Type of Investment	22% equity position; $200,000 of debt and right to IP and Manufacturing technology in Canada
Description	Manufacturing platform for creating machine rolled cannabis products, Pre-roll brands, contract manufacturing, licensing.
Amount Invested	$825,000 USD in equity, $200,000 USD in debt and $150,000 for right to a Canadian License for WD IP and technology
Geography	U.S. – IP and technology is exportable
Update	WD is expanding its portfolio of contract manufacturing agreements which now includes over 20 top cannabis pre-roll brands. CannaRoyalty raised its equity stake by 2% to 22% and has secured an advisory engagement whereby WD appointed the CannaRoyalty as its exclusive

	strategic advisor. In September 2017, CannaRoyalty agreed to advance $200,000 USD to WD as an operating loan at 12% interest with a three-month maturity. Half the amount ($100,000 USD) was paid in September and the balance of $100,000 USD was paid in October. CannaRoyalty also secured the right to a Canadian License for WD IP and manufacturing technology.

AltoTerra/Cascadia ("Cascadia")

Date of initial investment	2016
Type of Investment	Royalty on gross rental income in perpetuity
Description	Leases turnkey built-out solutions to cannabis producers and processors
Amount Invested	$807,000 USD in Royalty; $270,000 USD in advances; Royalties receivable of $730,0000 USD and extraction equipment with a net book value of $192,000 USD
Geography	Washington State
Update	Subsequent to September 30, 2017, CannaRoyalty has begun the process of evaluating options for its investment in Cascadia, including but not limited to selling its interest and contractual rights to a third party. CannaRoyalty recently engaged a valuator to determine the fair value of this asset but has yet to receive the valuation report. Until such time as we receive this report, the Company believes this investment is not impaired.

RESULTS OF OPERATIONS

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

	Three months ended		**Nine months ended**	
	Sept 30, 2017	Sept 30, 2016	**Sept 30, 2017**	Sept 30, 2016
Consolidated Statements of Comprehensive Loss				
Revenue	**$ 744,302**	$ 127,707	**$ 2,005,570**	$ 140,125
Gross margin	**128,010**	91,269	**794,164**	91,703
Operating expenses	**2,834,939**	1,924,952	**8,629,385**	4,354,680
Loss from operations	**(2,706,929)**	(1,833,683)	**(7,835,221)**	(4,262,977)
Net loss	**(3,295,477)**	(1,867,659)	**(7,816,773)**	(4,646,500)
Total comprehensive loss	**(3,618,961)**	(1,866,945)	**(8,677,392)**	(4,646,283)
Net loss per common share - basic and diluted	**(0.08)**	(0.07)	**(0.19)**	(0.24)

Total comprehensive loss per common share - basic and diluted	**(0.09)**	(0.07)	**(0.21)**	(0.24)
Weighted average common shares - basic and diluted	**42,156,344**	25,814,087	**40,961,436**	19,247,759

REVENUE

The following is a summary of CannaRoyalty's revenue by type for the three and nine months ended September 30, 2017 and 2016:

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Products	**$ 298,866**	$ -	**$ 703,193**	$ -
Services	**41,451**	-	**314,594**	-
Royalties	**385,001**	136,329	**928,095**	136,329
Interest	**18,984**	(8,622)	**59,688**	3,796
Total	**$ 744,302**	$ 127,707	**$ 2,005,570**	$ 140,125

Revenue for the three and nine months ended September 30, 2017 was $744,302 and $2,005,570 as compared to $127,708 and $140,125 for the same periods ended September 30, 2016. The majority of the revenue earned in the period ended September 30, 2016 pertains to the Cascadia royalty.

CannaRoyalty began generating revenue during June 2016 and has grown in all three main revenue streams – i.e., Products, Services and Royalties. Product sales were mostly attributable to the CR Brands division through the sale of its wholly owned brands of GreenRock Botanicals vape cartridges and Soul Sugar Kitchen edibles. The most significant source of service revenue pertained to the CR Advisory Division's engagement for AltMed as well as marketing services provided by the EML subsidiary. Royalty income was driven mainly by investments in Cascadia and River. Interest income pertains to loans made to current and potential minority holdings.

The following is a summary of CannaRoyalty's revenue by operating Division for the three and nine months ended September 30, 2017 and 2016:

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
CR Holdings	**$ 403,985**	$ 127,707	**$ 987,783**	$ 140,125
CR Brands	**298,866**	-	**703,193**	-
CR Advisory	**41,451**	-	**314,594**	-
Total	**$ 744,302**	$ 127,707	**$ 2,005,570**	$ 140,125

Revenues from the CR Holdings Division were mainly derived from royalty arrangements, namely those with Cascadia and River as well as some interest earned on convertible loans receivable from BAS Research ("BAS") and Eureka Management Services Inc. ("Eureka").

Revenues from the CR Brands Division were mostly related to the sale of branded products namely GreenRock Botanicals and Soul Sugar Kitchen. CannaRoyalty started generating revenue from its brands in the second quarter of fiscal 2017. The Revenues for CR Brands were $nil in Q1 as the Company's focus during the first quarter and into the third quarter was on establishing infrastructure, hiring leadership, opening its U.S. offices and engaging in soft launch commercialization of product sales to River, CannaRoyalty's strategic partner and California distributor. The Company expects these revenues for both product lines to increase over the next 12 months due to larger scale manufacturing to support production volumes to meet an increasing demand driven by California's legalization of the adult use recreational market in 2018.

CR Advisory services revenues in Q3 related mainly to marketing and branding services provided by CannaRoyalty's wholly owned subsidiary, EML. A significant component of the year to date services revenues were generated in Q2 from a non-recurring work fee of $194,460 in connection with the AltMed engagement. The Company expects advisory revenues to increase over the next 12 months in response to increased demand for services and on efforts to monetize services that were traditionally provided on a "pro-bono" basis to the Company's investees. In addition to marketing and branding, the scope of advisory services offered also includes Capital Markets & Corporate Finance as well as Cultivation and Extraction.

COST OF SALES AND GROSS MARGIN

The following table represents the costs of sales by revenue type for the three and nine months ended September 30, 2017 and September 30, 2016:

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Products	**$ 327,986**	$ -	**$ 688,917**	$ -
Services	**23,961**	-	**61,656**	-
Royalties	**264,345**	36,438	**460,833**	48,422
Total	**$ 616,292**	$ 36,438	**$ 1,211,406**	$ 48,422

Cost of sales were $616,292 and $1,211,406 for the three and nine months ended September 30, 2017, as compared to $36,438 and $48,422 for the comparable periods ended September 30, 2016.

For the three and nine-month periods ended September 30, 2017, the cost of product sales pertained to cost of materials, labour and amortization. The costs of labour and materials were higher than expected in the quarter ended September 30, 2017 from what would otherwise be expected in the normal course of business, mainly due to start-up issues and challenges in the Products Sales category which impacted the supply chain and caused higher than expected raw materials and packaging costs. In addition, the use of outsourced labour and facilities to manufacture finished products resulted in higher costs which should improve over time with our new manufacturing facility.

The costs of sales associated with services revenues were primarily direct labor costs of EML employees

The cost of royalties pertains to the amortization of equipment which has been provided to Cascadia as well as the amortization of the royalty financing arrangement with NuTrae and River which are amortized on a straight-line basis over the term of their royalty arrangements.

The following tables represent the gross margin amounts and percentages by revenue type for the three and nine month periods ended September 30, 2017 and September 30, 2016:

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Products	**$ (29,120)**	$ -	**$ 14,276**	$ -
Services	**17,490**	-	**252,938**	-
Royalties	**120,656**	99,891	**467,262**	87,907
Interest	**18,984**	(8,622)	**59,688**	3,796
Total	**$ 128,010**	$ 91,269	**$ 794,164**	$ 91,703

	Three months ended September 30, 2017	**Three months ended September 30, 2016**	**Nine months ended September 30, 2017**	**Nine months ended September 30, 2016**
Products	**(10%)**	n/a	**2%**	n/a
Services	**42%**	n/a	**80%**	n/a
Royalties	**31%**	73%	**50%**	64%
Interest	**100%**	100%	**100%**	100%
All Types	**17%**	71%	**40%**	65%

The gross margin percentage in products for the third quarter was lower than prior quarters in fiscal 2017, due to a distribution arrangement and above noted cost of sales factors which led to higher than normal costs in the third quarter. The Company expects the gross margin achieved on product sales to date will increase in fiscal 2018 due to economies of scale, lower packaging and raw materials costs as well as the reduced reliance on labour and facilities outsourcing. During the fourth quarter, CannaRoyalty began manufacturing products in its new leased space in northern California adjacent to one of River's distribution facilities. CR Brands has begun the process of consolidating its operations in this central and strategic location, concentrating functions such as manufacturing, processing, product development and distribution. These activities are expected to result in cost synergies and production efficiencies.

The gross margins percentages related to services revenues in Q3 were lower than on a year to date basis (i.e. 42% vs. 80%) primarily because of the high margin generated by a CR Advisory project in Q2 which generated revenue of nearly $195,000 with no associated cost of sales.

The gross margins percentages related to royalty based revenues in Q3 were lower than those in the first nine months of fiscal 2017 (i.e. 31% vs. 50%) due to the River royalty which only began in the middle of the second quarter. The Cascadia royalty investment, which has existed for the entire year, is not amortized as it is a perpetual investment. The River royalty investment, is amortized on a straight-line basis as it is a fixed term arrangement. Since the third quarter is the first quarter with the full period impact of both royalties there was be a decrease in margin caused by non-cash amortization charges. As amortization for the River investment is on a straight-line basis and will be flat moving forward, we expect the margins from this investment to increase significantly as revenues earned by River increase.

OPERATING EXPENSES

	Three months ended		%	**Nine months ended**		%
	Sept 30, 2017	Sept 30, 2016	Change	**Sept 30, 2017**	Sept 30, 2016	Change
Sales and marketing	**$ 422,362**	$ 86,190	390%	**$ 1,068,443**	$ 97,132	1000%
Research and development	**275,839**	168,498	64%	**900,932**	848,153	6%
General and administrative	**1,943,675**	1,670,264	16%	**6,058,597**	3,409,395	78%

Amortization of intangibles		**193,063**		-	n/a		**601,413**		-	n/a
Total	**$**	**2,834,939**	$	1,924,952	47%	**$**	**8,629,385**	$	4,354,680	98%

Total operating expenses increased by 47% and 98% for the three and nine months ended September 30, 2017, as compared to the three and nine months ended September 30, 2016. This was largely due to the increased spending in general and administrative expenses and sales and marketing expenses to support the Company's asset growth and the expansion of CR Brands. The Company's assets have increased from $3.9 million at March 31, 2016 to $46.2 million at September 30, 2017, an increase of $42.3 million over the past eighteen months. Due to the Company's current stage of operations, operating expenses are not analyzed as a percentage of total revenues.

For the three months ending September 30, 2017 and September 30, 2016, sales and marketing ("S&M") expenses were $422,362 and $86,190 respectively. S&M expenses increased tenfold to $1,068,443 in the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. Additional marketing costs in the past year resulted primarily from launching new brands and supporting the 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 $275,839 for the three months ending September 30, 2017 as compared to $168,498 for the three months ending September 30, 2016, an increase of 64%. R&D expenses increased by 6% to $900,932 in the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. The Company's development team is researching a variety of intellectual property and other related opportunities with respect to the extraction of cannabis oils. The company remains optimistic that it will reap future benefits from developing expertise in extraction through the creation of future revenue opportunities for the CR Advisory Division. In the current fiscal period, the company is also performing testing and developing the products within the CR Brands portfolio prior to expanded commercialization and distribution.

General and administrative ("G&A") expenses increased by 16% to $1,943,675 for the three months ending September 30, 2017 as compared to $1,670,264 for the three months ending September 30, 2016. G&A expenses increased by 78% to $6,058,597 in the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. A significant factor in the increased G&A is share based compensation which has increased from $582,266 to $618,244 for the three-month periods ending September 30 and increased from $671,651 to $2,239,692 for the nine-month periods ending September 30. Excluding share based compensation, total G&A has increased by 22% and 39% for the three and nine-month periods respectively. Additional costs incurred for the three and nine months ended September 30, 2017 include costs incurred in supporting a rapidly expanding asset base. These include the cost of newly opened offices in Ottawa and California, and the cost of new employees hired on or after November 1, 2016 to support increased demands in finance, legal, corporate development and operations management.

Expenses related to the amortization of brands and technologies were $193,063 and $601,413 for the three and nine months ending September 30, 2017 as compared to $nil and $nil for the three and nine months ending September 30, 2016. These expenses relate to the intangibles that were acquired from Dreamcatcher and EML in October 2016 and November 2016 respectively.

Share-based compensation, a non-cash expense, was $695,144 and $2,499,356 for the three and nine months ended September 30, 2017 as compared to $582,266 and $671,651 for the three and nine months ended September 30, 2016. Restricted share units ("RSUs") were first issued in April 2016. The expenses relate to shares issued under a share unit plan whereby the executive team, the board of directors and new employees were granted RSUs that vest as service conditions are reached. For most RSUs, one-third of the shares vested immediately or within one month upon issuance. Since the executive team and other management became employees in the fourth quarter of fiscal 2016 and early 2017, the expense incurred in the three months ending December 31, 2016 and the nine months ending September 30, 2017 may be higher than future periods. 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.

OTHER INCOME AND EXPENSES

	Three months ended		Nine months ended	
	Sept 30, 2017	Sept 30, 2016	**Sept 30, 2017**	Sept 30, 2016
Gain on disposal of equipment	**$ 3,000**	$ -	**$ 91,674**	$ -
Profit (loss) from equity accounted investees	**(137,093)**	2,023	**706,821**	2,023
Penalties from non-completion of transactions	**6,498**	-	**(214,555)**	-
Unrealized loss on embedded derivatives	**(369,036)**	-	**(369,036)**	-
Listing expense	**-**	-	**(38,193)**	-
Foreign exchange gain (loss)	**(79,631)**	5,098	**(266,911)**	(70,642)
Interest expense	**(85,935)**	(41,097)	**(122,054)**	(314,904)
Total	**$ (662,197)**	$ (33,976)	**$ (212,254)**	$ (383,523)

A gain of $91,674 was recorded on the disposal of equipment in relation to the equity acquisition transaction with Anandia in February 2017. The equipment was disposed in July 2017. The third quarter gain of $3,000 arises from estimating proceeds in a prior reporting period as required for held for sale assets.

The loss from equity accounted investees was $137,093 for the three-month period ending September 30, 2017. For the nine-month period ended September 30, 2017, the Company earned profit of $706,821 from its equity accounted investees. The nine-month profit was due to a gain of $1,132,107 recorded on the deemed disposition resulting from the dilution of CannaRoyalty's investment in Resolve from 33% to 27% in March. This gain is offset by the net proportionate loss of $425,286 incurred by the Company's associate companies over the past 9 months. While the associated companies are still in the early stage of business development, two of the investees have been profitable over the past six months. The associate which is incurring losses is still in the development stage and anticipates generating revenues in fiscal 2018.

In the nine months ending September 30, 2017, the company incurred penalties of $214,555 resulting from the termination of agreements. The company recorded a penalty of $204,060 related to the non-completion of a transaction with Zenabis Limited Partnership ("Zenabis"). The penalty was paid via the issuance of 89,500 shares of the Company on August 24, 2017 and an expense of $204,060 was recorded based on the closing price of the Company's shares on the prior date. The remaining penalty of $10,495 pertains to a forfeited advance to another party from not pursuing a term sheet.

The unrealized loss on embedded derivatives of $369,036 is due to the change in the fair value of the derivative liability associated with the $1,500,000 debt with Aphria that can be converted into 750,000 shares of CannaRoyalty. In the current quarter, the company updated the fair value of these derivatives from the value assigned to the derivative at inception.

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

The Company incurred foreign exchange losses of $79,631 and $266,911 for the three and nine months ended September 30, 2017. The company has a net asset position with regards to US-based monetary assets and the decrease in the USD to CAD exchange rate since December 31, 2016 led to these losses.

Interest expense was $85,935 and $122,054 for the three and nine months ended September 30, 2017 respectively, as compared to the interest expense of $14,222 and $288,029 for the three and nine months ended September 30, 2016. A $68,469 charge to interest expense was booked in the third quarter related to the straight-line amortization of the warrants issued to Sprott to obtain a secured credit facility. Amortization commenced on August 23, 2017, the date the Company was granted the secured credit facility. The remaining Interest expense in the current period and in the current year to date relates to accrued interest on the convertible debt from Aphria. Interest expense was higher in the first half of fiscal 2016 due to the need for short term financing during that period.

The following table sets forth consolidated statement of financial information data at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016	Change
Selected statement of financial position data			
Cash and cash equivalents	**$ 2,593,914**	$ 2,945,895	$ (351,981)
Working capital	**5,253,665**	4,859,603	394,062
Total investments (1)	**19,960,949**	8,363,922	11,597,027
Total assets	**46,166,044**	32,197,938	13,968,106
Long term and convertible debt	**1,426,118**	1,414,414	11,704
Shareholder's equity	**37,432,959**	25,343,365	12,089,594
Dividends, per share	-	-	-

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

- The decrease in cash of $0.4 million, is due to cash used in investing activities of $7.5M and cash used in operations of $6.9 million which has been partially offset by financing proceeds of $14.1 million. A significant portion of operating cash flows were used to support the operating and development needs of investee businesses.
- Total investments have increased by $11.6 million due to investments in River, Anandia, WD and Farmacopeia LLC, as well as deemed disposal gains from the increase in the fair value of Resolve.
- Total assets have increased by $14.0 million due largely to the above noted increase in investments and advances to other investees.
- There is no additional long-term debt, excluding accrued interest and derivative liabilities. In August the Company closed a financing arrangement with Sprott which provides a secured credit facility (the “Facility”) of up to $12 million. At September 30, the Company had not drawn any funds from the Facility.

DEFERRED TAX RECOVERY

The Company realized deferred tax recoveries of $73,649 and $230,702 during the three and nine months ended September 30, 2017 respectively, which relate to the deferred tax liability established on the acquisition of intangible assets from Dreamcatcher and EML. As the Company recognizes amortization on these intangible assets, an offsetting deferred tax recovery is recorded based on the current tax rates.

The Company has no current tax expense and does not meet the attributes necessary under IFRS to recognize deferred tax assets for its losses to date.

TOTAL COMPREHENSIVE LOSS

Other comprehensive loss was $323,484 and $860,619 for the three and nine months ended September 30, 2017, respectively. These losses relate to foreign currency translation.

The total comprehensive loss for the three and nine months ended September 30, 2017, amounted to $3,618,961 and $8,677,392 respectively, as compared to losses of $1,866,945 and $4,646,283 for comparable periods ending September 30, 2016. The increased losses are largely due to an increase in operating expenses as discussed above, including an increase in share-based compensation. This was partially offset by an increase in gross margin and a gain on the deemed disposal of Resolve. During the current start-up phase of several of CannaRoyalty's holdings, short-term losses are expected due to the lack of sufficient revenues to fund operating expenses necessary for the businesses to achieve long and profitability.

ADJUSTED EBITDA

	Three months ended		**Nine months ended**	
	September 30 2017	September 30 2016	**September 30 2017**	September 30 2016
Net loss for the period	**$ (3,295,477)**	$ (1,866,945)	**$ (7,816,773)**	$ (4,646,283)
Add (Subtract)				
Amortization of property and equipment	**46,532**	36,438	**137,730**	48,422
Amortization of intangible assets	**193,063**	-	**601,413**	-
Amortization of royalty investments	**245,753**	-	**411,145**	-
Interest expense	**85,935**	41,097	**122,054**	314,904
Interest income	**(18,984)**	8,622	**(59,688)**	(3,796)
Deferred income tax recovery	**(73,649)**	-	**(230,702)**	-
EBITDA	**$ (2,816,827)**	$ (1,780,788)	**$ (6,834,821)**	$ (4,286,753)
Listing expense	**-**	-	**38,193**	-
Penalties from non-completion of transactions	**(6,498)**	-	**214,555**	-
Gain on disposal of equipment	**(3,000)**	-	**(91,674)**	-
Share based compensation	**695,144**	582,266	**2,499,356**	671,651
Unrealized loss on embedded derivatives	**369,036**	-	**369,036**	-

Gain on dilution of equity accounted investment		-		-		**(1,132,107)**		-
TOTAL ADJUSTED EBITDA	**$**	**(1,762,145)**	$	(1,198,522)	**$**	**(4,937,462)**	$	(3,615,102)
Weighted average number of common shares outstanding - basic and diluted		**42,156,344**		25,814,087		**40,961,436**		19,247,759
ADJUSTED EBITDA per share - basic and diluted	**$**	**(0.04)**	$	(0.05)	**$**	**(0.12)**	$	(0.19)

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

The Company believes that Adjusted EBITDA is a useful financial metric and is meaningful and useful to investors, analysts, and other stakeholders for measuring and predicting CannaRoyalty's operating performance by excluding interest expense, income taxes, and depreciation as well as the following charges which are non-recurring in nature:

- $38,193 of costs in the nine-month period ending September 30, 2017, related to establishing CannaRoyalty on the OTCQB stock exchange.

- $91,674 gain in the nine-month period ending September 30, 2017 due to a gain on disposal of equipment as part of the Anandia equity acquisition.

- $214,555 of penalties recorded in the nine months ending September 30, 2017, arising from the cancellation of two transactions, the largest being a $204,060 penalty to Zenabis.

- A loss of $369,036 related to the valuation of the derivative liability on the convertible debt from Aphria

- $1,132,107 gain on the deemed disposal of Resolve shares resulting from an additional financing which reduced CannaRoyalty's equity interest from 33% to 27%.

Share based compensation was significantly higher than normal in the past four quarters due to the hiring of executives, employees and a board of directors between November, 2016 and February, 2017. These charges have been removed to make the Adjusted EBITDA measure more useful.

On a per share basis the Adjusted EBITDA loss has remained at $0.05 for comparable three-month periods ending September 30 and decreased from $0.19 to $0.12 for comparable nine-month periods ending September 30.

For the three and nine months ending September 30, 2017, CannaRoyalty incurred an Adjusted EBITDA loss of $1,762,145 and $4,937,462, as compared to losses of $1,225,398 and $3,641,977 in the prior year. The increased Adjusted EBITDA loss of $536,747 in the three months ending September 30, 2017, as compared to the three months ending September 30, 2016, was due to the increase in G&A and S&M, additional losses from equity investments and additional losses on foreign exchange which was partially offset by the increase in gross margin of $36,741. The increase in the Adjusted EBITDA loss of $1,295,485 in the nine months ending September 30, 2017 as compared to the nine months ending September 30, 2016, was due to the increase in G&A and S&M which was partially offset by the gain on the deemed disposal on Resolve of $1,132,107 and the increase in gross margin of $702,461.

SELECTED CONSOLIDATED QUARTERLY RESULTS

	31-Dec 2015	31-Mar 2016	30-Jun 2016	30-Sep 2016	31-Dec 2016	31-Mar 2017	30-Jun 2017	**30-Sep 2017**
Revenue	$ -	$ -	$ 12,418	$ 127,707	$ 502,152	$ 301,111	$ 960,157	**$ 744,302**
Gross margin	-	-	434	91,269	236,787	244,473	421,681	**128,010**
Operating expenses	495,995	1,679,848	927,655	1,924,952	4,161,119	3,052,761	2,741,685	**2,834,939**
Loss from operations	(495,995)	(1,679,848)	(927,221)	(1,833,683)	(3,924,332)	(2,808,288)	(2,320,004)	**(2,706,929)**
Net loss	(511,201)	(1,843,747)	(1,043,273)	(1,866,845)	(7,404,357)	(2,053,785)	(2,467,511)	**(3,295,477)**
Total comprehensive loss	(511,201)	(1,843,747)	(1,043,770)	(1,866,131)	(7,507,336)	(2,140,965)	(2,917,466)	**(3,618,961)**
Net loss per share - basic and diluted	$ (0.04)	$ (0.14)	$ (0.06)	$ (0.07)	$ (0.23)	$ (0.05)	$ (0.06)	**$ (0.08)**
Total Comprehensive loss - basic and diluted	$ (0.04)	$ (0.14)	$ (0.06)	$ (0.07)	$ (0.24)	$ (0.06)	$ (0.07)	**$ (0.09)**
Weighted average shares - basic and diluted	12,956,967	13,532,830	18,242,358	25,814,087	31,475,058	38,865,970	41,829,704	**42,156,344**

LIQUIDITY

The Company's objectives when 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 September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Cash and cash equivalents	**$ 2,593,914**	$ 2,945,895
Liquid assets (1)	**4,200,288**	3,502,065
Quick ratio (2)	**1.00**	1.50
Working capital	**5,253,665**	4,859,603
Working capital ratio (3)	**2.25**	3.08
Long term and convertible debt	**1,426,118**	1,414,414
Secured credit facility debt	**-**	-
Secured credit facility available	**12,000,000**	-

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

As of September 30, 2017, the Company had liquid assets of $4.2 million compared to $3.5 million at December 31, 2016. Over the same period the quick ratio has decreased from 1.50 to 1.00, which is due to the $2.5 million of payment obligations related to the River financing. With a quick ratio of 1.00, the Company may be required to use financing to meet some of its short-term liquidity needs. This financing can be obtained through drawing on a $12.0 million secured credit facility arrangement with Sprott that was closed on August 23, 2017. While the Company has incurred cash losses to date, management anticipates eventual cash profitability of the business will increase its liquid assets. However, there can be no assurance that the Company will gain adequate market acceptance for its products or be able to generate sufficient positive cash flow to reach sustained profitability.

CannaRoyalty monitors its level of working capital and working capital ratio to assess its ability to enter into strategic opportunities such as equity investments, royalty financing arrangements and providing start-up working capital to its existing and/or future business units. The level of working capital surplus has increased from $4.9 million at December 31, 2016 to $5.3 million at September 30, 2017 due mainly to additional advances and royalties receivable, which is partially offset by the $2.5 million due for financing the River transaction. The surplus at September 30, 2017 might 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. Management will continue to monitor and assess its acquisition activities to ensure that operating requirements are met over the next 12 months.

The Company has successfully pursued strategic opportunities in the 12 months ending September 30, 2017. This is largely due to proceeds of $18.1 million from share and share purchase warrant issuances, $1.4 million from the exercise of warrants and stock options, $1.5 million from the issuance of convertible debt during the past 12-month period, and the issuance of shares to complete the acquisitions of Dreamcatcher, EML, and Anandia. The February 2017 bought deal financing helped the Company pursue two significant transactions in fiscal 2017, namely Anandia and River and allowed for additional financing of its business partners and early development stage subsidiaries. However, there can be no assurance that the Company will be able to continue to finance its strategic opportunities via the issuance of shares or debt.

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

Net cash provided (used by)	**Three months ended September 30, 2017**	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Operating activities	**$ (2,057,282)**	$ (579,923)	**$ (6,922,035)**	$ (2,451,500)
Financing activities	**105,124**	3,383,087	**14,089,948**	7,641,516
Investing activities	**(1,895,231)**	(2,803,164)	**(7,519,894)**	(4,939,014)
Cash, beginning	**6,441,303**	309,925	**2,945,895**	58,923
Cash, end	**$ 2,593,914**	$ 309,925	**$ 2,593,914**	$ 309,925

CASH USED IN OPERATING ACTIVITIES

The cash used in operating activities during the three and nine months ended September 30, 2017 was $2.1 million and $6.9 million, respectively, as compared to the cash used of $0.6 million and $2.5 million for the three and nine months ending September 30, 2016. 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. The increase in cash used in the current period was driven by cash used by developing and supporting operations of our CR Brand subsidiaries, professional and consulting services required for increased acquisition and financing activities, the cost of opening offices in Ottawa and California, and the cost of new employees hired on or after November 1, 2016 to enhance our legal, finance, corporate development, and operations teams.

CASH FROM FINANCING ACTIVITIES

The cash provided by financing activities during the three and nine months ended September 30, 2017 was $0.1 million and $14.1 million, respectively. The largest sources of financing in the current fiscal year was the issuance of shares and share purchase warrants in a February bought deal financing which generated cash of $13.7 million and proceeds from the exercise of warrants of $0.4 million. During the three months ended September 30, 2017, the company generated $0.1 million from warrants.

For the three and nine months ended September 30, 2016, cash provided by financing activities was $3.4 million and $7.6 million respectively. The largest source of financing was the issuance of shares and warrants in private placements which generated cash of $6.9 million for the nine-month period and the proceeds from exercise of warrants of $1.1 million which was partially offset by the net repayment of short term financing of $0.4 million.

Shares issued in financings were issued from $0.75 to $2.00 per share in the three and nine months ending September 30, 2016 as compared to $2.52 per share in the three and months ending September 30, 2017.

CASH USED IN INVESTING ACTIVITIES

The cash used in investing activities during the three and nine months ended September 30, 2017 was $1.9 million and $7.5 million, respectively. For the nine-month period, the largest uses of cash were the advances to River of $3.9 million to acquire a future stream of royalty based payments, investments of $1.9 million in equity interests (Anandia $1.5 million, WD $0.2 million, Resolve $0.1 million, EML $0.1 million), and advances of $1.5 million of which 1.2 million were to Rich Extracts. CannaRoyalty provides working capital to assist start up interests such as Rich Extracts to become commercially operational or to expand operations. These loans and advances are classified as investment activities as they are extended to businesses that are expected to become future revenue sources.

The cash used in investing activities for the three and nine months ended September 30, 2016 was $2.8M and $4.9 million, respectively. The primary uses of cash for the nine months ending September 30, 2016, were $2.1 million advanced to start up entities, $0.9 million on the issuance of convertible debt to Eureka and BAS Research and $1.5 million on the acquisition of equity from Resolve, WD and Bodhi Research.

FINANCING AND CAPITAL RESOURCES

The Company is subject to risks including, but not limited to, its ability to raise additional funds through debt and/or equity financing to support development via acquisition, continued operations and to meet the liabilities and commitments as they come due. Specifically, as of September 30, 2017 the Company has a history of losses with an accumulated deficit of $21.3 million, share capital of $44.97 million and working capital of $5.25 million This compares to an accumulated deficit of $13.49 million, share capital of $30. 63 million and working capital of $4.86 million as at December 31, 2016.

CAPITAL ACTIVITIES

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

The Company's principal capital needs are for funds to use towards its current investments, pipeline projects, upcoming product launches, and general working capital requirements to support growth. Since its formation, the Company has financed its cash requirements primarily through the issuance of capital stock.

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its investment growth strategy and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed primarily of equity (approximately $37.4 million), convertible debt (approximately $1.5 million), and a secured credit facility of $12.0 million. The Company's primary uses of capital are to invest in brands and supporting assets and 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.

The Company's authorized share capital is an unlimited number of common shares of which 42,391,900 were issued and outstanding as at September 30, 2017 (December 31, 2016 – 36,006,956 common shares). The Company has issued 3,093,150 RSUs that have not been exercised as at September 30, 2017 including 1,546,920 that have vested (December 31, 2016 – 2,774,800 including 1,065,637 that had vested). As of September 30, 2017, there are share purchase warrants and broker warrants outstanding that can potentially be converted to 5,475,212 shares (December 31, 2016 – 1,113,633).

ACCOUNTING MATTERS

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the financial report and this MD&A (the "Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the filings; and (b) the financial report together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings. The Company was a venture issuer as of September 30, 2017. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis Disclosure Controls and Procedures and Internal Controls Over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Critical Accounting Estimates

The Financial Statements include certain amounts that are inherently uncertain and judgmental in nature. As a result, management is required to make assumptions and best estimates to determine the reported values. The Company considers an accounting estimate to be critical if: (1) it requires that significant assumptions be made to deal with uncertainties; and (2) changes in the estimate could have a material impact on operating results, financial condition or liquidity. The Company believes that the material items requiring such subjective and complex estimates are:

- fair values recorded on acquisition of subsidiaries;
- valuation of assets, including intangibles, goodwill, royalty investments with a perpetual royalty stream, and those classified as held for sale;
- valuation of compound financial instruments with debt and equity
- recoverability of loans and advances; and
- estimates and assumptions used in applying IFRS 2 "Share Based Payment"

The Company believes that the amounts included in the Financial Statements reflect management's best judgment. However, factors including, without limitation, those noted under "Risks and Uncertainties" in our Annual MD&A could cause actual events or results to differ materially from our underlying assumptions and estimates. Accordingly, this could lead to a material adverse impact on our results of operations, financial condition and/or liquidity.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

Please see Note 19 of the Financial Statements.

Adoption of New Accounting Standards

None of the new accounting standards adopted during the three and nine months ended September 30, 2017 (see Note 4 of the Financial Statements) resulted in a change in accounting policies.

Future Accounting Pronouncements

Refer to Note 4 of the Financial Statements for the three and nine months ended September 30, 2017.

RISKS, UNCERTAINTIES AND FORWARD-LOOKING STATEMENTS

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

- the Company has several investments into businesses that operate in the U.S., where cannabis is federally illegal;
- the activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- the Company and its subsidiaries and other interests have limited operating histories;
- the operation of the Company can be impacted by adverse changes or developments affecting the Company's subsidiaries and other interests;
- the Company's ability to recruit and retain management, skilled labour and suppliers is crucial to the Company's success;
- the Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- the Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability;
- even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company;
- the Company relies on local partners for the manufacture of its branded products;
- there is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;

- the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity;
- the Company and its subsidiaries and other interests face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury;
- the products of the Company's subsidiaries and other interests could be subject to the recall or return of their products for a variety of reasons. If a product recall or return should happen, the Company could be required to incur unexpected expenses and divert management attention and could see harm caused to its image and product sales decline. In addition, as result of the product recall or return, the Company and its subsidiaries and other interests could face increased operational scrutiny by regulatory agencies, requiring further management attention and potential legal fees and other expenses;
- any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company;
- 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.
- the Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada or the United States. A failure in the demand for its products to materialize because of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;
- the Company may be subject to growth-
- related risks including capacity constraints and pressure on its internal systems and controls;
- 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 Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;

- the Company could fail to integrate subsidiaries and other interests into the business of the Company;
- completed acquisitions, strategic transactions, or investments could fail to increase shareholder value;
- certain of the Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies;
- the Company, its subsidiaries, or other interests may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- the market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;
- there can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Company;
- the Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings; and
- the Canadian Depository for Securities Limited ("**CDS**") may be considering a policy change with respect to issuers with U.S. cannabis assets. A policy change, if implemented, could affect the Company's current operations and/or disqualify its ability to settle its securities with CDS.

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

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.

Almost 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 *Controlled Substances Act* (the "CSA") in the United States and as such, cannabis-related practices or activities, including without limitation, the 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.

As a result 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 and regulation. Unless and until the United States Congress amends the CSA 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 such, 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. 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.

There are a number of risks associated with the business of the Company. See "Risk Factors" generally and for the risks related to the United States cannabis industry see "Risk Factors – Risks Specifically Related to the United States Regulatory System."

Risks Specifically Related to the United States Regulatory System

The Company's business activities while believed to be compliant with applicable state and local law of the United States, are illegal under United States federal law.

The concepts of "medical cannabis" and "retail cannabis" do not exist under United States federal law. The CSA 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 remains illegal under United States federal law. Although the Company believes its business 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 uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole.

There is significant uncertainty surrounding the policies of President Donald Trump and the Trump administration (the "**Trump Administration**") about recreational cannabis and medical cannabis. Attorney General Sessions is a well-known advocate against legalization of cannabis.

Although the United States Department of Justice has stated in the Cole Memorandum that it is not an efficient use of limited resources to direct federal law enforcement agencies to prosecute those abiding by state laws allowing the use and distribution of medical cannabis, there is no guarantee that the United States Department of Justice's position in this regard will not change. Should Attorney General Sessions decide to repeal or amend the Cole Memorandum, there is no certainty as to how the United States Department of Justice, United States Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurances that the Trump administration will not change the current enforcement policy and decide to strongly enforce the United States federal laws. The Company regularly monitors the activities of the current administration for evidence if the Company will contravene the Rohrabacher-Farr Amendment (as defined below) or the guidance provided in the Cole Memorandum.

"**Rohrabacher-Farr Amendment**" means the legislation first introduced by United States. House of Representatives Maurice Hinchey, Dana Rohrabacher, and Sam Farr in 2003 and known as the Rohrabacher-Farr amendment (currently known as the Rohrabacher-Blumenauer amendment after the retirement of Sam Farr) prohibiting the United States Justice Department from spending funds to interfere with the implementation of state medical cannabis laws. In August 2016, the Ninth Circuit Court of Appeals ruled against the Department of Justice, which had taken a narrow interpretation of the Rohrabacher-Farr Amendment, and held that the amendment prohibited the expenditure of funds to prosecute businesses in compliance with state law. The amendment has been renewed numerous times, most recently on September 8, 2017, and is in effect until December 8, 2017. It is not currently known whether the amendment will be included in the final federal budget or continuing resolution that is expected to go into effect on December 8, 2017.

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

The Cole Memorandum outlined certain priorities for the United States Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the United States Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the United States Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March of this year, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit, although he disagreed that it had been implemented effectively and has not committed to utilizing the Cole

Memorandum framework going forward. On November 14th of this year, during a congressional hearing, Attorney General Sessions noted that the Cole Memorandum remains in effect, but that cannabis remains illegal with respect to federal purposes.

The Company's Directors have informed its decision to authorize and approve the Company's strategies based on the guidelines outlined in the Cole Memorandum and believes that the risk of federal prosecution and enforcement is currently unlikely. However, unless and until the Cole Memorandum is memorialized in federal legislation, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company.

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.

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to cannabis related businesses (the "**FinCEN Memo**"). The FinCEN Memo 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 CSA on the same day. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memo.

The Company's investments, and any proceeds thereof, are considered proceeds of crime since 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 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. 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.

Risk Generally Related to the Company

Laws and regulations affecting the Company's industry are constantly changing.

The constant evolution of laws and regulations affecting the marijuana industry could detrimentally affect the Company's operations. Local, state and federal medical marijuana laws and regulations are broad in scope and subject to changing interpretations. These changes may require the Company to incur substantial costs associated with legal and compliance fees and ultimately require the Company to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt its business and result in a material adverse effect on its operations. In addition, the Company cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to its business. For example, see the risk factor related to CDS immediately above.

Risk that we will not succeed in securing or transferring the Rich Extracts license.

After Mr. R. Wilkinson, the principal of Rich Extracts, was arrested, the Oregon Liquor Control Commission (OLCC) suspended the Rich Extracts license. Although CannaRoyalty has contacted the OLCC and state authorities to ensure the license is not permanently revoked, there is no certainty that the license suspension will be lifted and/or that CannaRoyalty will be successful in acquiring control or direction over the license.

Regulatory risk

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.

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 actions.