No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities in those jurisdictions.

*The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United States (as such term is defined in Regulation S under the **U.S. Securities Act**) (the "**United States**"), and may not be offered or sold within the United States, or to, or for the account or benefit of a U.S. Person (as defined in Rule 902(k) of Regulation S under the U.S. Securities Act) or a person in the United States, except as permitted by the Underwriting Agreement (as defined herein) and in transactions exempt from registration under the U.S. Securities Act and applicable U.S. state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to, or for the account or benefit of, U.S. persons.*

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the General Counsel of CannaRoyalty Corp., 333 Preston Street, Preston Square Tower 1, Suite 610, Ottawa, Ontario K1S 5N4, Telephone:1-844-556-5070, and are also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

New Issue **April 6, 2018**

CANNAROYALTY CORP.

$15,000,000
3,750,000 Units

Price: $4.00 per Unit

This short form prospectus (the "**Prospectus**") qualifies the distribution of 3,750,000 units (the "**Units**") of CannaRoyalty Corp. ("**CannaRoyalty**" or the "**Company**") at a price of $4.00 per Unit (the "**Offering Price**") for total gross proceeds of $15,000,000 (the "**Offering**"). Each Unit consists of one common share of the Company (each a "**Unit Share**") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**Warrant**"). Each Warrant entitles the holder to purchase one common share of the Company (a "**Warrant Share**") at an exercise price of $5.50 per Warrant Share for a period of three years from the Closing Date (as defined herein), subject to adjustment in certain customary events. In the event that the volume weighted average closing price of the issued and outstanding common shares of the Company (the "**Common Shares**") is greater than $8.00 per Common Share for a period of 15 consecutive trading days after the Closing Date (the "**Acceleration Trigger**"), the Company may accelerate the expiry date of the Warrants by giving written notice to the holders of the Warrants and concurrently issuing a press release, and in such case, the Warrants will expire on the date that is not less than 21 days from the date notice of such acceleration is provided to the holders of the Warrants pursuant to

a written notice to Warrant holders and a news release issued by the Company. The Warrants will be governed by a warrant indenture to be entered into on the Closing Date between the Company and AST Trust Company (Canada) ("**AST**"), as warrant agent. The Unit Shares and the Warrants are immediately separable and will be issued separately. See "*Description of Securities Being Distributed*".

The Company has entered into an underwriting agreement (the "**Underwriting Agreement**") dated as of March 21, 2018 with Canaccord Genuity Corp., as lead underwriter and sole bookrunner (the "**Lead Underwriter**"), and Beacon Securities Limited, Sprott Private Wealth LP ("**Sprott Private Wealth**"), Mackie Research Capital Corporation, INFOR Financial Inc. and AltaCorp Capital Inc. (together with the Lead Underwriter, the "**Underwriters**"). The Offering Price was determined by negotiation between the Company and the Lead Underwriter, on its own behalf and on behalf of the Underwriters, with reference to the prevailing market price of the Common Shares.

The Common Shares are listed on the Canadian Securities Exchange ("**CSE**") under the symbol "CRZ". On March 15, 2018, the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the CSE was $4.35 per Common Share. On April 5, 2018, the last trading day before the date of this Prospectus, the closing price of the Common Shares on the CSE was $3.81 per Common Share. The Company has given notice to list the Unit Shares, the Warrants and the Warrant Shares, including those Unit Shares, Warrants and Warrant Shares that may be issued upon exercise of the Compensation Warrants (as defined herein), to be distributed under this Prospectus, on the CSE. Listing will be subject to the Company fulfilling all of the requirements of the CSE.

There is currently no market through which the Warrants may be sold and purchasers may not be able to resell securities purchased under the Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "*Risk Factors*".

	Price to the Public	**Underwriting Fee[(1)]**	**Net Proceeds to the Company[(2)(3)]**
Per Unit	**$**4.00	**$**0.24	$3.76
Total	$15,000,000	$900,000	$13,850,000

Notes:

(1) Pursuant to the Underwriting Agreement, the Company has agreed to (a) pay to the Underwriters a cash fee equal to 6% of Offering Price per Unit (including any gross proceeds raised on exercise of the Over-Allotment Option (as defined below)) (the "**Underwriting Fee**"); and (b) issue to the Underwriters such number of non-transferable warrants (each, a "**Compensation Warrant**") as is equal to 6.0% of the number of Units sold under the Offering, with each Compensation Warrant entitling the holder to acquire one Unit, having the same terms as the Units sold under the Offering, at the Offering Price at any time prior to 5:00 p.m. (Toronto time) on the date that is 24 months from the Closing Date, subject to adjustment in certain circumstances. The distribution of the Compensation Warrants is qualified by this Prospectus. See "*Plan of Distribution*".

(2) After deducting the Underwriting Fee, but before deducting the expenses of the Offering, estimated to be $250,000, which, together with the Underwriting Fee, will be paid out of the gross proceeds of the Offering.

(3) The Underwriters have been granted an over-allotment option, exercisable, in whole or in part, at any time, and from time to time, on or before 12:00 p.m. (EST) on the 30th day following the Closing Date (the "**Over-Allotment Deadline**"), to purchase up to an additional 562,500 Units (the "**Over-Allotment Units**") at the Offering Price to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes (the "**Over-Allotment Option**"). The Over-Allotment Option may be exercised to acquire: (i) up to an additional 562,500 Over-Allotment Units at the Offering Price; (ii) up to 562,500 additional Unit Shares (the "**Over-Allotment Shares**") at a price of $3.70 per Over-Allotment Share (the "**Over-Allotment Share Price**"); (iii) up to 281,250 additional Warrants (the "**Over-Allotment Warrants**") at a price of $0.60 (being $0.30 per each half Over-Allotment Warrant) per Over-Allotment Warrant (the "**Over-Allotment Warrant Price**"); or (iv) any combination of Over-Allotment Units at the Offering Price, Over-Allotment Shares at the Over-Allotment Share Price and Over-Allotment Warrants at the Over-Allotment Warrant Price, provided that the aggregate number of Over-Allotment Shares which may be issued under the Over-Allotment Option does not exceed 562,500 and the aggregate number of Over-Allotment Warrants which may be issued under the Over-Allotment Option does not exceed 281,250. The Over-Allotment Option is exercisable by the Lead Underwriter giving notice to the Company prior to the Over-Allotment Deadline, which notice shall specify the number of Over-Allotment Units, Over-Allotment Shares and/or Over-Allotment Warrants to be purchased. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Company" will be $17,250,000, $1,035,000 and $16,215,000, respectively. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Units, Over-Allotment Shares or Over-Allotment Warrants forming part of the Underwriters' over-allocation position acquires those Over-

Allotment Units, Over-Allotment Shares and Over-Allotment Warrants under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

Unless the context otherwise requires, when used herein, all references to "Offering" include the exercise of the Over-Allotment Option, all references to "Units" include the Over-Allotment Units issuable upon exercise of the Over-Allotment Option, all references to "Unit Shares" include the Over-Allotment Shares issuable upon exercise of the Over-Allotment Option, all references to "Warrants" include the Over-Allotment Warrants issuable upon exercise of the Over-Allotment Option and all references to "Warrant Shares" include the Common Shares issuable upon exercise of the Over-Allotment Warrants.

The following table sets out the number of Units or other compensation securities, if any, that have been issued or may be issued by the Company to the Underwriters:

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	562,500 Over-Allotment Units	For a period of 30 days from and including the Closing Date	$4.00 per Over-Allotment Unit $3.70 per Over-Allotment Share $0.60 per Over-Allotment Warrant
Compensation Warrants[(1)]	225,000 Units	Exercisable for a period of 24 months following the Closing Date	$4.00 per Unit

Notes:

(1) Assuming the Over-Allotment Option is exercised in full for Over-Allotment Units.

Subscriptions for the Units will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about April 13, 2018, or such other date as may be agreed upon by the Company and the Underwriters, but in any event not later than 42 days after the date of the receipt of the (final) short form prospectus (the "**Closing Date**").

It is anticipated that the Unit Shares and the Warrants comprising the Units will be delivered under the book-based system through CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and deposited in electronic form. A purchaser of Units will receive only a customer confirmation from the Underwriters or another registered dealer from or through which the Units are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system. No definitive certificates will be issued unless specifically requested or required. See "*Plan of Distribution*".

An investment in the Units involves a high degree of risk. Prospective purchasers should consider the risk factors described under "Risk Factors" in this Prospectus and in the Company's AIF (as defined herein), which can be found on SEDAR at www.sedar.com, before purchasing the Units.

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", subject to the approval of certain legal matters on behalf of the Company by Cassels Brock & Blackwell LLP and Vicente Sederberg LLC, and on behalf of the Underwriters by DLA Piper (Canada) LLP.

Prospective purchasers should rely only on the information contained or incorporated by reference in this Prospectus. The Company and the Underwriters have not authorized anyone to provide prospective purchasers with information different from that contained or incorporated by reference in this Prospectus. The Underwriters are offering to sell and seeking offers to buy the Units only in jurisdictions where, and to persons to whom, offers and

sales are lawfully permitted. Readers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus.

Prospective purchasers are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Units, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires the Units.

Sprott Private Wealth is an affiliate of Sprott Inc. ("Sprott"), which, through a subsidiary, provided a $12.0M credit facility to the Company on August 23, 2017 (the "Sprott Facility"). In addition, a portion of the net proceeds of the Offering will be used by the Company to repay a portion of the indebtedness owed to an affiliate of Sprott Private Wealth. Consequently, the Company may be considered a "connected issuer" of Sprott Private Wealth under applicable Canadian securities laws. See "*Plan of Distribution - Relationship Between the Company and Certain of the Underwriters*" and "*Use of Proceeds*".

Dr. Jim Young and Oskar Lewnowski, each a director of the Company, and Vicente Sederberg LLC, counsel to the Company with respect to certain U.S. regulatory matters, each reside outside of Canada. Dr. Young, Oskar Lewnowski and Vicente Sederberg LLC have each appointed Cassels Brock & Blackwell LLP, Suite 2100, 40 King Street West, Toronto, Ontario, M5H 3C2, as its agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

The Company's head office is located at 333 Preston Street, Preston Square Tower 1, Suite 610, Ottawa, Ontario K1S 5N4.

This Prospectus qualifies the distribution of securities of an entity that currently derives, indirectly, and is expected to eventually derive, directly, a substantial portion of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. Federal Law. CannaRoyalty is directly involved (through licensed wholly-owned subsidiaries) in the medical-use cannabis industry in the State of California, and is in the process of acquiring licensed businesses which would allow the Company to directly participate in both the medical and adult-use cannabis marketplace in the State of California, which has regulated such activity. In addition, the Company is indirectly involved (both by non-controlling investments in entities engaged in the production and sale of cannabis, and non-controlling and controlling investments in ancillary operations) in both the medical and adult-use cannabis industries in the United States where local and state law permits such activities, as well the medical cannabis industry in Canada.

The cultivation, sale and use of cannabis is illegal under federal law pursuant to the U.S. Controlled Substance Act of 1970 (the "CSA"). Under the CSA, the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

Despite the current state of the federal law and the CSA, the states of California, Nevada, Massachusetts, Maine, Washington, Oregon, Colorado, Vermont and Alaska, and the District of Columbia, have legalized recreational use of cannabis. Massachusetts and Maine have not yet begun recreational cannabis commercial operations. In early 2018, Vermont became the first state to legalize recreational cannabis by passage in a state legislature, but does not allow commercial sales of recreational cannabis. Although the District of Columbia voters passed a ballot initiative in November 2014, no commercial recreational operations exist because of a prohibition on using funds for regulation within a federal appropriations amendment to local District spending powers.

In addition, over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC.

The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States and Canada. Accordingly, there are a number of significant risks associated with the business of the Company. Unless and until the United

States Congress amends the CSA with respect to medical and/or adult-use 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, and the business of CannaRoyalty or one or more of CannaRoyalty's investees may be deemed to be producing, cultivating, extracting or dispensing cannabis in violation of federal law in the United States.

For these reasons, the Company's investments in the United States cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities. There are a number of risks associated with the business of the Company. See section entitled "*Risk Factors*", including "*Laws and Regulations Affecting Our Industry Are Constantly Changing*" and "*Cannabis-related Practices or Activities are Illegal Under U.S. Federal Laws*".

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This Prospectus contains "forward-looking information" within the meaning of applicable Canadian securities legislation, which is based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Often, but not always, forward-looking information can be identified by the use of words and phrases such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or similar expressions or variations (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 be achieved. The forward-looking information included in this Prospectus is made only as of the date of this Prospectus. Such forward-looking information may include, but is not limited to, statements with respect to the future financial or operating performance of the Company and its subsidiaries, the Company's expectations with respect to future growth, the Company's expectations with respect to contributing its position in Bodhi Research & Development Inc. to its collaboration with Aequus Pharmaceuticals Inc., the Company's expectations with respect to its completion of an acquisition of RVR (as defined herein), the Company's expectations with respect to Trichome (as defined herein), 180 Smoke and CR Advisory's (as defined herein) exploration of commercialization of innovative cannabis products in the Canadian marketplace, the Company's expectations with respect to negotiating a formal arrangement with Floracal Farms, the dependence of the Company's cash flow and financial performance on third parties, the future delivery and cultivation costs of cannabis and applicable government taxes thereto, the Company's lack of control over the operations of certain entities within its investment portfolio, the Company's ongoing investment strategy, the accuracy of the information and projects provided by entities in the Company's investment portfolio, changes in laws, regulations and guidelines, regulatory risks associated with the operations of the Company, timing and development of current and future projects, requirements for additional capital, limitations of insurance coverage, limitations from institutional financing, timing and possible outcome of pending regulatory matters in Canada and the United States, the Company's competitive position, completion of the Offering and the date of such completion and the proposed use of proceeds.

Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The forward-looking information contained herein is based on certain assumptions, including without limitation: (i) the Company will be able to generate cash flow from operations and obtain necessary financing on acceptable terms; (ii) general economic, financial market, regulatory and political conditions in which the Company operates will remain the same; (iii) the Company will be able to compete in the cannabis industry; (iv) the Company will be able to manage anticipated and unanticipated costs; (iv) the Company will be able to maintain internal controls over financial reporting and disclosure, and procedures; consumer interest in Company products; (v) the timely receipt of any required regulatory approvals; (vi) the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (vii) the Company's ability to conduct operations in a safe, efficient and effective manner; (viii) government regulation of the Company's activities will remain the same; (ix) the Company's ability to complete the Offering and on the Closing Date as set out herein; and (x) the Company using the proceeds of the Offering as set out herein.

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking information is expressly qualified in its entirety by this cautionary statement. In particular, but without limiting the foregoing, statements regarding the Company's objectives, plans and goals, including future operating results, economic performance may make reference to or involve forward-looking information. The purpose of forward-looking information is to provide the reader with a description of management's expectations, and such forward-looking information may not be appropriate for any other purpose. Readers should not place undue reliance on forward-looking information contained in this Prospectus. The Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking information. Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking information contained in

this Prospectus include, but are not limited to, the factors included under "Risk Factors" herein and in the Company's AIF (as defined herein) and elsewhere in the documents incorporated by reference in this Prospectus.

FINANCIAL INFORMATION

The Company prepares its financial statements, which are incorporated by reference into this Prospectus, in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

GENERAL MATTERS

Prospective purchasers should rely only on information contained or incorporated by reference in this Prospectus. Neither the Company nor the Underwriters have authorized any other person to provide prospective purchasers with different information. If a prospective purchaser is provided with different or inconsistent information, the prospective purchaser should not rely on such information. The information contained on the Company's website is not intended to be included in or incorporated by reference into this Prospectus and prospective investors should not rely on such information when deciding whether or not to invest in the Units. Neither the Company nor the Underwriters are making an offer to sell in any jurisdiction where the offer or sale is not permitted.

Unless the context otherwise requires, any references in this Prospectus to the "Company" or "CannaRoyalty Corp." refer to CannaRoyalty Corp. and its subsidiaries.

Unless the context otherwise requires, all references to "$", "C$" and "dollars" mean references to the lawful money of Canada.

EXCHANGE RATES

The high, low and closing rates for Canadian dollars in terms of the United States dollar for each of the following periods were as follows:

	Year ended December 31,		
	2017	**2016**	**2015**
	(expressed in C$)		
High	0.82444	0.79791	0.86072
Low	0.72746	0.68387	0.7148
Closing	0.7974	0.74448	0.72073

On April 5, 2018 the rate of exchange as reported by the Bank of Canada for one U.S. dollar expressed in Canadian dollars was C$1.2776.

ELIGIBILITY FOR INVESTMENT

In the opinion of Cassels Brock & Blackwell LLP, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Underwriters, based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "**Tax Act**") as of the date hereof, the Unit Shares, Warrants and the Warrant Shares, if issued on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans and tax-free savings accounts, each as defined in the Tax Act (collectively "**Registered Plans**") and trusts governed by deferred profit sharing plans ("**DPSPs**"), provided that (i) the Common Shares are listed on a

"designated stock exchange" as defined in the Tax Act (which currently includes the CSE), and (ii) in the case of the Warrants, neither the Company, nor any person with whom the Company does not deal at arm's length for the purposes of the Tax Act, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the particular Registered Plan or DPSP.

Notwithstanding the foregoing, holders, annuitants or subscribers of Registered Plans (each a "**Controlling Individual**") will be subject to a penalty tax in respect of Unit Shares, Warrants or Warrant Shares held in a trust governed by a Registered Plan if such Unit Shares, Warrants or Warrant Shares are a "prohibited investment" under the Tax Act for the particular Registered Plan. Unit Shares, Warrants or Warrant Shares will generally not be a "prohibited investment" for a Registered Plan unless the Controlling Individual of the Registered Plan (i) does not deal at arm's length with the Company for purposes of the Tax Act or (ii) has a "significant interest", as defined in the Tax Act, in the Company. However, Unit Shares or Warrant Shares will not be a "prohibited investment" if such securities are "excluded property" (as defined in the Tax Act for purposes of the prohibited investment rules) for trusts governed by a Registered Plan.

Persons who intend to hold Unit Shares, Warrants or Warrant Shares in a Registered Plan, should consult their own tax advisors in regard to the application of these rules in their particular circumstances.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commission or similar regulatory authority in each of the provinces of Canada, other than Québec, are available at www.sedar.com and are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- the annual information form of the Company for the year ended December 31, 2017 (the "**AIF**");
- the audited consolidated financial statements of the Company, and the notes thereto, for the year ended December 31, 2017 and the nine months ended December 31, 2016 (the "**Annual Financial Statements**");
- the management's discussion and analysis of the financial condition and results of operations of the Company for the year ended December 31, 2017;
- the audited consolidated financial statements of the Company, and the notes thereto, for the nine months ended December 31, 2016, the year ended March 31, 2016, and the period from October 3, 2014 (date of incorporation) to March 31, 2015;
- the management information circular of the Company dated May 8, 2017;
- the management information circular of the Company dated September 30, 2016;
- the material change report of the Company dated January 8, 2018;
- the material change report of the Company dated September 5, 2017;
- the material change report of the Company dated January 24, 2017;
- the material change report of the Company dated March 21, 2018;
- the two material change reports of the Company dated April 6, 2018; and
- a template version of the term sheet in respect of the Offering dated March 15, 2018 (the "**Marketing Materials**").

Any documents of the type required by Item 11.1 of Form 44-101F1 – *Short Form Prospectus*, filed by the Company with a securities commission or similar regulatory authority in any of the provinces or territories of Canada pursuant to the requirements of applicable securities legislation after the date of this Prospectus and prior to

the termination of the distribution of this Offering shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this Prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the statement or document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this Prospectus.

MARKETING MATERIALS

Neither the Marketing Materials, nor any "template version" of any other "marketing materials" (as such terms are defined in National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators) that are utilized by the Underwriters in connection with the Offering, are part of this Prospectus to the extent that the contents of the Marketing Materials or other marketing materials, as the case may be, have been modified or superseded by a statement contained in this Prospectus or any amendment.

In addition, any template version of any marketing materials that is filed under the Company's profile on SEDAR at www.sedar.com with the securities commission or similar authority in each of the provinces of Canada, except Québec, in connection with the Offering after the date of this Prospectus and before the termination of the distribution of the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this Prospectus.

DESCRIPTION OF THE BUSINESS

Name, Address and Incorporation

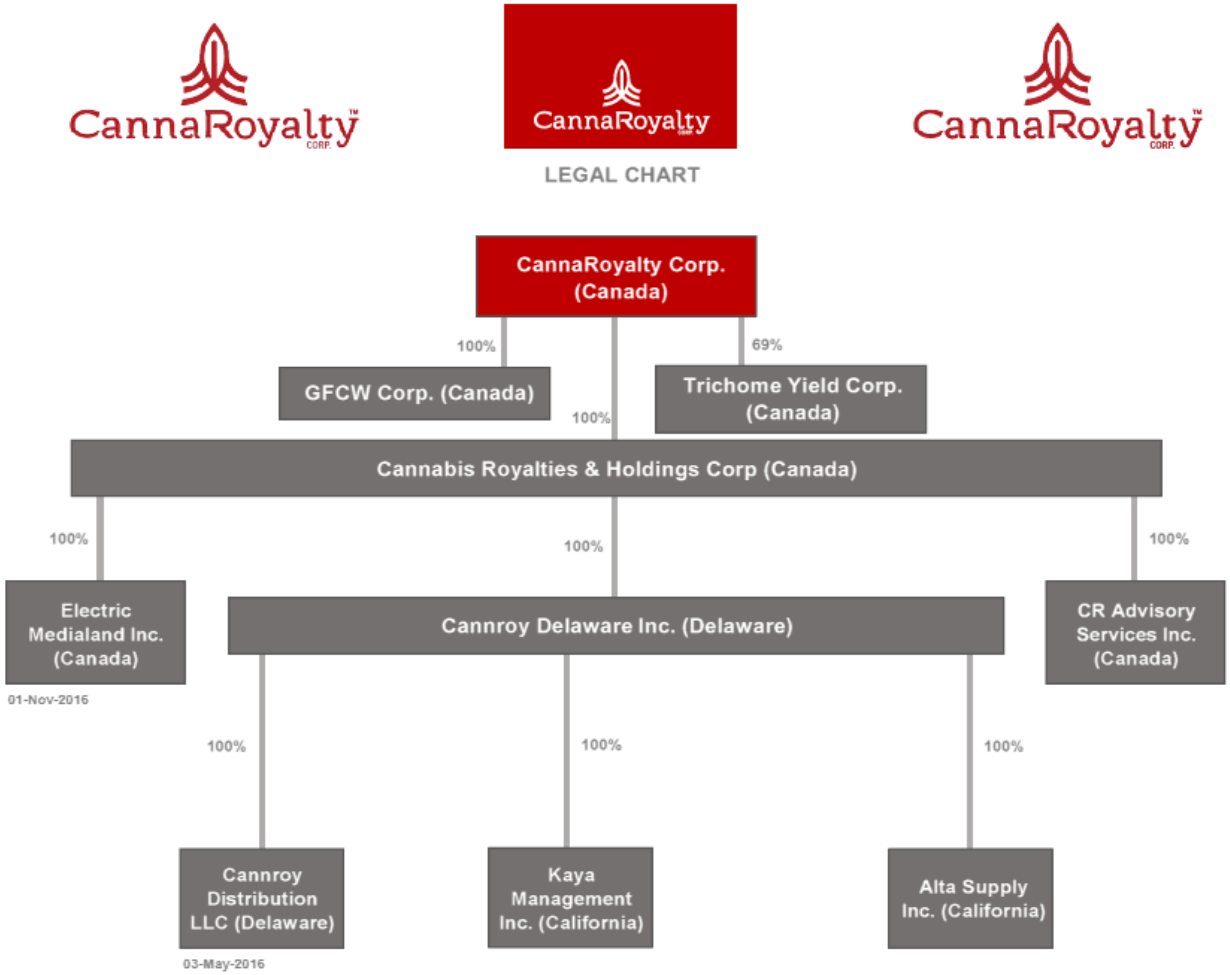
CannaRoyalty Corp. is a reporting issuer in each province of Canada (except Quebec) and its Common Shares are listed for trading on the CSE. CannaRoyalty was incorporated under the *Business Corporations Act* (Ontario) (the "**OBCA**") as "McGarry Minerals Inc." on August 19, 1985. In connection with a corporate reorganization, the Company changed its name to "Bonanza Blue Corp." on August 16, 2000 and changed its name to "CannaRoyalty Corp." on December 5, 2016, prior to the completion of the reverse-takeover (the "**RTO**") of CannaRoyalty by Cannabis Royalties & Holdings Corp. ("**CRHC**").

CannaRoyalty's head office and registered office is located at 333 Preston Street, Preston Square Tower 1, Suite 610, Ottawa, Ontario K1S 5N4.

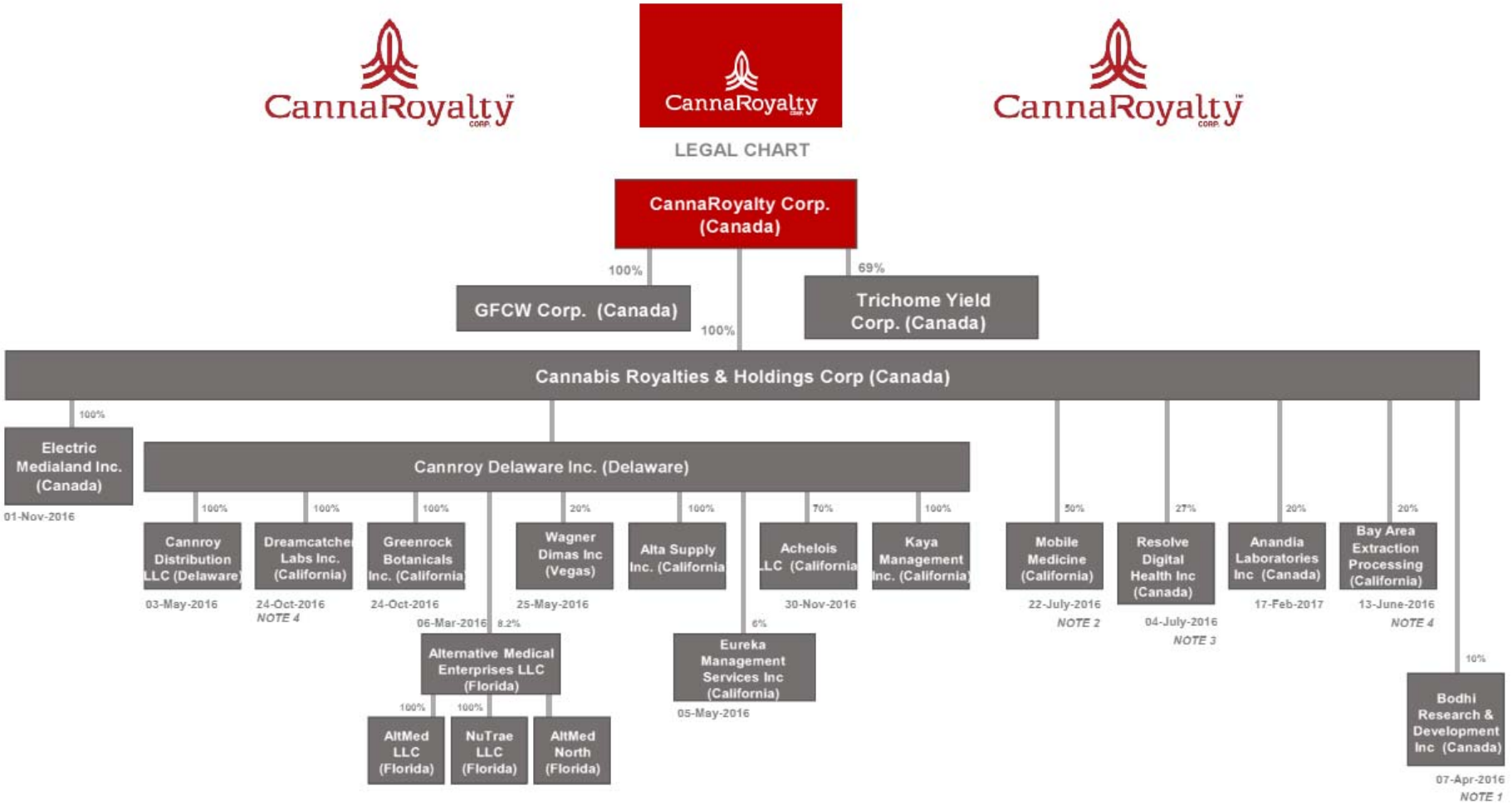
Inter-corporate Relationships

The diagram immediately below presents the corporate subsidiaries of the Company and the diagram on the following page presents certain business interests of the Company. CannaRoyalty's material subsidiaries are incorporated as follows: (i) CRHC is incorporated in Canada under the *Canada Business Corporations Act* (the "**CBCA**"); (ii) Cannroy Delaware Inc. and Cannroy Distribution LLC are incorporated in Delaware; (iii) Kaya Management, Inc. ("**Kaya**") and Alta Supply Inc. ("**Alta Supply**") are incorporated in California; (iv) Electric Medialand Inc., is incorporated in Canada, under the CBCA; and (v) CR Advisory Services Inc. ("**CR Advisory**") is incorporated in Canada, under the CBCA. See "Business of the Company" below for a detailed description of the Company's investments included below.

CR Subsidiaries



CR Equity Holdings



Notes

1. Bodhi - Option to earn an additional 10% equity interest in the future
2. CannaCraft - Business is conducted under the name Mobile Medicine; currently not operational
3. Resolve - Option to have a CRHC representative on their board of directors
4. Greenrock & Bay Area - Membership interests rather than equity were acquired

Business of the Company

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

Phase I

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

Phase II

Now, in Phase II of its plan, the Company is focussed on leveraging its current asset base, expertise and portfolio to build a leading cannabis consumer products business, focused principally on California. California is a global entertainment and cultural hub, which shapes consumer perceptions for a multitude of commercial products and services. The state transitioned to a full adult-use cannabis market in January 2018. It is estimated to be the largest regulated cannabis market in the world and has a history of over 20 years of state regulated medical use. In the Company's view, only superior products and brands will be able to succeed in this market over the long term. CannaRoyalty believes that 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.

Recent Developments

In Q4 2017, the Company announced binding term sheets for the acquisition of Alta Supply and Kaya. Alta Supply is a distributor of Bhang® vaporizer and Bhang® chocolate products, as well as products for over a dozen other third-party cannabis companies throughout California. Kaya is the exclusive manufacturer and license holder of rights for Bhang® brand vaporizer products in California, along with other wholly-owned vaporizer brands. The acquisitions of Alta Supply and Kaya closed on March 27, 2018.

In Q4 2017, the Company announced the commercial launch of distribution through RVR (as defined herein), of two in-house CR Brands, Soul Sugar Kitchen™ gourmet edibles and GreenRock Botanicals™ vape pens.

In January 2018, Alta Supply received a Temporary Cannabis Distribution License (Type 11 – Medical). The license enables Alta Supply to engage in commercial cannabis distribution in the state of California, through facilities in Oakland, California. Also in January 2018, Kaya received a Temporary Cannabis Manufacturing License (Type 6 – Medical). The license enables Kaya to engage in commercial cannabis processing and manufacturing in the state of California, through facilities in Oakland, California.

On January 11, 2018, the Company announced a collaboration with Aequus Pharmaceuticals Inc. ("**Aequus**") to advance a suite of cannabis-based therapies targeting neurological disorders into clinical trials in Canada, in collaboration with Canadian doctors and key opinion leaders. The Company intends to contribute its position in Bodhi Research & Development Inc. to this collaboration.

On January 16, 2018, Anandia Laboratories Inc. ("**Anandia Labs**") closed a private placement financing of $13.4 million at a post-money valuation of $63 million. The Company did not participate in this financing, but originally invested $3.9 million in Anandia Labs in February 2017 at a post-money valuation of $18 million. The

post-money valuation of this current financing represents a growth in value of approximately $7 million or 180% for the Company.

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

On February 14, 2018, the Company announced a letter of intent with Floracal Farms, a California based licensed cultivator of ultra-premium cannabis flower, regarding a strategic partnership to explore craft premium cannabis flower production, branding and sales, and other strategic initiatives. The LOI also contemplates the receipt by CannaRoyalty of the exclusive global rights to license FloraCal’s full Intellectual Property (“**IP**”) portfolio, inclusive of brand, outside of California. The parties are in the process of negotiating terms, and a formal arrangement has not yet been concluded.

On February 22, 2018, the Company announced the acquisition of the exclusive statewide manufacturing and distribution rights to Bhang® edibles and Bhang® concentrates in California (the "**License Agreement**"). These products are now produced by the Company’s wholly-owned subsidiary Kaya. The License Agreement also includes a right of first refusal to license other future Bhang® products within the edibles and concentrates categories in California.

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

On March 27, 2018, the Company announced that it closed its acquisition of both Kaya and Alta Supply (together, the “**Kaya/Alta Acquisitions**”). As consideration for the Kaya/Alta Acquisitions, the Company (i) issued an aggregate of 1,254,816 Common Shares; and (ii) will pay an aggregate of US$2.165 million in cash, such amount being subject to post-closing working capital adjustments. Additional consideration of 1,605,992 Common Share purchase warrants will be issued post-closing, exercisable for one Common Share per warrant over the 18 months following the closing date of the Acquisitions, subject to the achievement of operational milestones.

On March 27, 2018, the Company announced that it entered into a binding term sheet for the acquisition (the “**RVR Acquisition**”) of 100% of River Distribution and its affiliates (“**RVR**”). RVR distributes a number of leading California brands into licensed dispensaries across the state. The consideration for the RVR Acquisition will consist of 5,000,000 Common Shares, with 1,650,000 of such Common Shares subject to operational milestones. Additional consideration of 2,000,000 Common Shares will be issued, subject to the successful completion by RVR of financial milestones to be agreed on by the parties. The RVR Acquisition is expected to close by the end of Q2 2018, and is subject to a number of conditions, including due diligence and final CannaRoyalty board approval. RVR holds several A and M class distribution licences. See “Regulatory Overview” below for a description of A and M class licenses.

Further to the Company’s March 21, 2018 press release disclosing a proposed warrant exercise incentive program, the Company has determined that it would not be practical to proceed with the program under this Prospectus due to timing constraints. The Company intends to announce a new program providing an early exercise incentive to holders of certain of its outstanding common share purchase warrants in due course.

Material Assets and Investments

The following chart is a summary of the Company's material assets and investments. The Company has excluded ancillary intellectual property and other minor transactions and investments, with none such items being larger than $25,000. References to "Direct", "Indirect" or "Ancillary" classifications of each asset or investment have the meanings ascribed thereto in Staff Notice 51-352 (as defined below). All of the Company's investments that give the Company "Direct" and "Indirect" involvement (as such terms are defined in the Staff Notice 51-352) in the U.S. marijuana industry are included in the chart.

Asset Name, Class and Acquisition Date	Description of Asset	
Achelois LLC *IP – Brands* Q3 2016 	Achelois LLC ("**Achelois**"), which along with CannaRoyalty developed DermaLeaf Skin Care, is a company formed in the State of California that develops and manufactures cannabis infused skin lotions with fibroblast technology for healing and pain relief. DermaLeaf targets deep skin repair, burns, scar repair, wrinkle reduction and tattoo enhancement.	Type of Investment: 70% owned equity position in Achelois. Jurisdiction: California Classification: Ancillary (Brand IP). Currently inactive (Brand IP not in commercial production).
GreenRock Botanicals Inc. *IP – Brands* Q3 2016 	A unique marijuana cartridge and battery unit make up GreenRock Botanicals Inc.'s ("**GreenRock Botanicals**") E-Vaporizer. These E-Vaporizers are manufactured and produced by Dreamcatcher Labs Inc. ("**Dreamcatcher**"). This product is easy-to-use, requires no charging of batteries, and no changing of cartridges. This product is presently being manufactured and distributed in California through Kaya and RVR, respectively.	Type of Investment: 100% owned controlling membership interest in GreenRock Botanicals. Jurisdiction: California Classification: Ancillary (Brand IP that is associated with the manufacture of cannabis products through Kaya)
Soul Sugar Kitchen *IP – Brands* Developed internally	Soul Sugar Kitchen, award winning edibles and confections producer, markets gourmet quality cannabis edibles, carefully developed and manufactured by a cannabis chef. Initial product categories include homemade peanut butter cups, hand-formed chocolate truffles, and premium snack mixes in a variety of flavours. Soul Sugar Kitchen uses only cannabis distillate and quality ingredients	Type of Investment: 100% owned brand. Jurisdiction: California Classification: Ancillary (Brand IP that is associated with the manufacture of cannabis

	which, when combined with expert formulations, produce little or no cannabis taste. This product is presently being manufactured and distributed in California through Kaya and RVR, respectively.	products through Kaya)

Asset Name, Class and Acquisition Date	**Description of Asset**	
AltMed 2015 	Alternative Medical Enterprises, LLC ("**AltMed**") is a Florida-based company bringing pharmaceutical industry precision to the development, production and dispensing of medical cannabis. AltMed currently has vertically integrated cannabis operations in Arizona and Florida with a pipeline of expansion opportunities to scale operations significantly in the U.S. medical cannabis market and expand into the international market. Additionally, the company owns MüV™, a full range of premium smoke-free cannabis products designed and produced to the highest standards, including topicals, inhalers, vaping products, shatter and crumble as well as oral sprays and tinctures. CannaRoyalty has the licensing rights to the MüV product line in Canada, Puerto Rico and a variety of US states including California. *Arizona* In Arizona, AltMed owns a 30,000-sq. ft. cultivation facility (approved for a 140,000-sq. ft. greenhouse expansion), one dispensary with plans to target 5+ dispensaries across the state, and has presence in over 50% of the state's dispensaries with MüV™ products. *Florida* On August 2, 2017, AltMed completed a transaction to form AltMed Florida an entity owned 40% by AltMed and 60% by Plants of Ruskin Inc. ("**Ruskin**"), a licensed operator in the Florida medical cannabis market that is building a 150,000-sq. ft. facility with Phase 1 expected to complete by the	Type of Investment: 7% equity position in AltMed and 3.5% royalty on net sales of MüV products until December 2025 Amount invested: USD$1.5 million for AltMed equity and $1.13 million for MüV Royalty Geography: Arizona & Florida, the Company has rights to license MüV in other markets Update: In August 2017, AltMed agreed to combine its Florida operations with 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 MOV by AltMed dispensary in Phoenix, Arizona. CR Advisory has completed on its previously disclosed mandate to support AltMed's corporate activities. As of December 31, 2017, the Company has assessed the fair value of its investment in Altmed

	end of 2017. AltMed and Ruskin will leverage AltMed's extensive offering of smoke-free MüV™ products, beginning with 5 dispensaries and targeting a total of 25 dispensaries throughout Florida.	at $6,277,456 and recognized a fair value gain on investment of $4,427,386. The assessment is based on observable transaction prices for identical assets in a non-active market. The fair value is based on the closing of several financing transactions within a designated series completed prior to the end of December 31, 2017. Subsequent to these financings, CannaRoyalty's ownership percentage in AltMed has decreased to 7.0% at December 31, 2017. Jurisdiction: Arizona and Florida Classification: Indirect (Licensed cultivator and distributor)
Alta Supply Inc. Q1 2018  Q1 2018	Alta Supply Inc. ("**Alta**") has a licensed distribution facility in Oakland, California, a city in the San Francisco Bay Area. CannaRoyalty has acquired the facility for distribution of cannabis products. *Licensing:* Alta holds a Temporary Cannabis Distribution License (Type 11 – Medical), which among other things, allows it to purchase cannabis flower and other products from cultivators and manufacturers, and then resell them to retailers. Alta does not sell cannabis flower or other products directly to consumers. In fiscal 2017, Alta's business generated US$6.5 million in wholesale revenue (equates to approximately US$13.0 million in retail sales).	Amount Invested: For the combined acquisitions of Kaya (as defined herein) and Alta, an aggregate of 1,254,816 CannaRoyalty common shares and US$2.165 million in cash will be paid on or after the aforementioned state approval, and is subject to post-closing working capital adjustments. Additional consideration of 1,605,992 CannaRoyalty common shares will be paid over the next 18 months, subject to the achievement of certain milestones. Jurisdiction: California Classification: Direct (Licensed distributor)
AltoTerra Capital Partners Ltd. *Washington* Q1 2016	Cascadia Holdings LLC, a subsidiary of AltoTerra Capital Partners Ltd. ("**AltoTerra**"), is incorporated in the state of Washington and is a real estate holdings entity focused on owning and leasing facilities that offer full turnkey, equipped-to-rent solutions to tenants that have a valid license to cultivate and/or extract cannabis in the state of Washington. Specifically, Cascadia provides facility design, assistance with licensing, consulting, and distribution in exchange for a gross rent that is priced at a premium due to the value-add and turnkey nature of its offering to its tenant-clients. The two main real estate holdings include the American Nutraceutical building (9,000 sq. ft.), which it owns, and the Aroma Essential Oil Extractions building (18,000 sq ft.), which it leases and which is currently undergoing an expansion to a total of over 40,000 sq. ft of rentable facility space.	Type of Investment: 30% royalty on gross rental income in perpetuity. Amount Invested: USD$807,000 in Royalty; USD$270,000 in advances; Royalties receivable of USD$730,0000 and extraction equipment with a net book value of USD$175,000. Update: During Q4 2017, CannaRoyalty determined that Cascadia will not likely be in a position to repay CannaRoyalty's advance or meet its Royalty obligations in the foreseeable future unless CannaRoyalty or a third party investor

	The American Nutraceutical facility ("**ANI**") currently has one tenant occupying the total leasable space of 9,000 square-feet. ANI is a fully equipped facility which allows its tenant to run several cannabis production activities including analytical product testing, extraction, formulation, product development, post-processing, distillation, and packaging for a large portfolio of cannabis products. The tenant produces and sells many of its own cannabis products, and derives significant revenue from co-packing and white-labelling contracts they have with other Washington cannabis companies. Cascadia charges an above market rent per square foot since it has provided the tenant with a fully built up facility capable of producing cannabis finished products. In addition to ANI, Cascadia has an option to lease the nearby Aroma facility at a cost of $4 per square foot, and then sub-lease to a tenant license holder that would allow it to charge a similar premium rent as with ANI, for which CannaRoyalty would also receive a 30% royalty stream in accordance with the terms of this agreement. Aroma currently consists of an existing 9,000 square foot facility, plus sufficient land to build an additional purpose-built facility of approximately 45,000 square feet. The existing 9,000 square foot facility requires approximately USD$750,000 in additional capital for fit-up costs and equipment to be ready for a tenant to occupy and commence commercial operations.	provides further capital to the underlying business occupying Cascadia's facility. Washington state law strictly limits investment by out-of-state parties, and accordingly, the Company is strictly limited in its ability to provide capital to the underlying business. Consequently, at December 31, 2017: - Advances: CannaRoyalty has determined that the collectability of its loan advances is highly uncertain and therefore recorded a full impairment loss of $339,757. - Royalties receivable: a bad debt expense of $919,481 was recorded to provide for royalties receivable due from Cascadia. While CannaRoyalty believes it could recover royalties in the future given the perpetual term of the royalty arrangement, this eventuality is contingent upon Cascadia's ability to pay based on the profitability of its licensed tenant, which the Company cannot directly or indirectly provide due to restrictions under Washington state law. In the Company's view, the sustained profitability required for Cascadia to meet its royalty obligations to CannaRoyalty is highly uncertain without incremental investment in Cascadia's licensed tenant. - Royalty Investment: the Company recorded a full impairment loss of $1,014,211 on its Royalty investment in Cascadia. However, the royalty investment is both secured and guaranteed by a third party, and accordingly, management believes it can recover a significant portion of its investment in Cascadia. CannaRoyalty is proactively seeking and attempting to secure commercially reasonable offers for its position in Cascadia to maximize recovery of its investment and return to its shareholders.. <u>Jurisdiction:</u> Washington <u>Classification:</u> Ancillary (real estate leased to licensed tenant)

Anandia Q1 2017 	Anandia Laboratories Inc. ("**Anandia**") is a biotechnology company which focuses on leading analytical testing services and developing cannabis strains for safe and effective medical applications. Anandia is the only independent Canadian testing facility specializing exclusively in cannabis. Together with a significant intellectual property position that includes cannabinoid pathway patents and proprietary genetics, Anandia possesses a Health Canada Dealer's License. This license permits Anandia to undertake research and development, and to develop products beyond those currently permitted for licensed producers under Health Canada's *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**"). Anandia continues to expand its market leading position as a source of scientific services and products for the cannabis industry. Quality control testing is expanding rapidly with new LP and patient-grower clients, with a focus on high-sensitivity pesticide assays designed to meet the anticipated implementation of mandatory pesticide analysis for ACMPR batch release. Anandia's testing Division has also made available specialized testing services to clients including residual solvent analysis for oil products and breeding assays such as seedling chemotyping and male/female sex determination. Anandia's genetics division continues to build its germplasm collection through international import and increased tissue culture capacity for strain archiving. By leveraging the sales and distribution activities on its Health Canada Dealers Licence, Anandia has started to supply germplasm to licensed producers, via select offerings of certified strains in Q3 2017. Anandia is also actively engaged in licensed import / export of cannabis products with global partners. Planning is underway for a second licensed laboratory facility to enable increased testing capacity and further expansion of tissue culture technology, extraction services, and white-label production for clients.	Type of Investment: 17% equity position Amount Invested: $4 million Geography: Canada Jurisdiction: Canada Classification: N/A (Canada) Update: At December 31, 2017, the Company determined the fair value of Anandia was $10,465,886, based on a significant private placement financing priced at $1.88/share at a post-money valuation of $63 million. As a result, a fair value gain of $6,583,448 was recorded on CannaRoyalty's statement of loss and comprehensive loss for the year ending December 31, 2017.
BAS Research Q3 2016 	BAS Research ("**BAS**") is a fully-licensed and compliant lab and manufacturing and processing facility located in Berkeley, CA. which carries out licensed extraction, genetics and R&D work regarding advanced tissue culture and genetics. The research work and studies are to determine ailment-specific strains as well as extraction and post-processing. The firm can tailor products to clients' specific needs. In addition to its investment, CannaRoyalty has secured a supplier relationship that includes buying processed cannabis oil at preferred rates, and tailoring the product for its specific requirements.	Type of Investment: Secured debt, convertible at 20% discount to Series A financing. Update: The Company has not converted this debt, and is in the process of extending the maturity date and permitted convert period. Jurisdiction: California Classification: Ancillary (Licensed processor)

Bodhi Research *IP – Research* Q2 2015 	Bodhi Research Development Inc. ("**Bodhi Research**") is an Ontario corporation that is conducting research trials for exploring the use of cannabis in the treatment of concussions and post–concussive syndrome. The collaboration involves some of the world's foremost experts in concussions and pain management, including Dr. Neilank Jha (Neurosurgeon and Founder of Konkussion – the largest network of concussion clinics in North America).	Type of Investment: 10% equity ownership position. Update: CannaRoyalty and Aequus Pharmaceuticals Inc. (TSX-V: AQS) (OTCQB: AQSZF) ("**Aequus**") formed a collaboration (the "**JV**") to advance a suite of cannabis-based therapies targeting neurological disorders into clinical trials in Canada, in collaboration with Canadian doctors and key opinion leaders. CannaRoyalty intends to contribute its 10% equity stake in Bodhi Research into the JV in exchange for an initial ownership position in the JV. Jurisdiction: Canada Classification: N/A (Canada)
Dreamcatcher Labs Inc. *IP – Devices* Q3 2016 	Dreamcatcher is an industrial filling and packaging system. The firm has designed and manufactures a proprietary cartridge for the cannabis sector. See GreenRock Botanicals above. The unique cartridge provides an array of strains that can be delivered through a unique cartridge and is safe and secure. The product ensures that users have an ability to access a vast array of extracts and oil and can enjoy different types of strains and experiences. Through both small batch bench top filling process and its large-scale filling machines, Dreamcatcher has the ability to produce high volume safe, sealed and high-quality extract cartridges for vape pens to meet large-scale mass market demand. The cartridge delivery system provides users with a predictable and consistent experience. Dreamcatcher also has the capability to sell unfilled cartridges on a "white label" basis on a global scale. "White label" agreements are currently in place in California and Arizona. Dreamcatcher's unique vape cartridge and battery unit are combined into a finished product electronic vaporizer which is commercialized under the brand name GreenRock Botanicals. The GreenRock brand is sold in both a full starter kit with battery, USB charger and filled cartridge as well as in individual cartridges.	Type of Investment: 100% equity position Amount Invested: Approximately $6 million (three million shares at $2 per share). Jurisdiction: California Classification: Ancillary (Device and manufacturing IP)
Eureka Management Services	Eureka Management Services ("**Eureka**") invested in, and historically operated, the Magnolia Wellness Dispensary ("**Magnolia**") in Oakland, CA,	Type of Investment: 6% equity and secured debt, which is convertible into an additional 10% equity

Q1/Q2 2016	which has a fully integrated license relating to cultivation, extraction and a dispensary. At present, Magnolia is operated by a third party management company. Eureka remains a secured creditor of Magnolia.	stake. Amount Invested: US$100,000 for the equity portion and $400,000 for the convertible secured debt. Jurisdiction: California Classification: Ancillary (Financing to licensed dispensary) Update: While the Company's debt is not presently due, it does not believe Magnolia will have sufficient capital to repay Eureka on maturity, and accordingly, as at December 31, 2017, the Company has recorded a full impairment loss of its investments in Eureka.
Farmacopeia	In July 2017, CannaRoyalty advanced $250,000 to Farmacopeia Inc. ("**Farmacopeia**"). Farmacopeia is an Ontario-based corporation that is currently in active review as part of its application for a Producer's License from Health Canada under the ACMPR.	Type of Investment: Minority equity position. Jurisdiction: Canada Classification: N/A (Canada)
Kaya Management Inc. Q1 2018 KAYA MANAGEMENT INC.	Kaya Management Inc. ("**Kaya**") has a licensed manufacturing facility in Oakland, California. CannaRoyalty has assumed the facility and consolidated production of Bhang® and CR Brands products into this facility. Kaya is now the exclusive California manufacturer of Bhang® edible and vaporizer product lines in California. Bhang® brand products are highly awarded and widely distributed cannabis branded products. Kaya holds a temporary Cannabis Manufacturing License (Type 6 – Medical), which allows it to, among other things, process cannabis extracts into cannabis consumer products such as edibles and vaporizers, which are then sold to licensed distributors including Alta and RVR. Kaya does not sell directly to retailers or consumers. In fiscal 2017, Kaya's business generated US$5.2 million in manufacturing revenue from Bhang® vaporizers (equates to approximately US$13.0 million in retail sales).	Amount Invested: For the combined acquisitions of Kaya and Alta, an aggregate of 1,254,816 CannaRoyalty common shares and US$2.165 million in cash will be paid on or after the aforementioned state approval, and is subject to post-closing working capital adjustments. Additional consideration of 1,605,992 CannaRoyalty common shares will be paid over the next 18 months, subject to the achievement of certain milestones. Jurisdiction: California Classification: Direct (Licensed manufacturer)

Mobile Medicine Q3 2016 	On July 22, 2016, the Company entered into a joint venture with CannaCraft Inc. ("**CannaCraft**"), a company in California that supplies equipment and cannabis-based medicines. The joint venture is conducted under the name "Mobile Medicine", whose purpose is to manufacture and lease mobile gelatin encapsulation machines. CannaCraft will contribute one third of the funds required, and will be responsible for the design and manufacturing of the machines. CannaCraft will also manage and operate the machines. CRHC will contribute two thirds of the funding required for a 50% equity interest, of which USD$150,000 has been advanced to date. Mobile Medicine is not presently commercially operational.	Type of Investment: 50/50 joint venture agreement with CannaCraft. Jurisdiction: California Classification: Anticipated to be Ancillary (Manufacturing IP) in the future. Currently inactive.
Resolve Digital Health (Breeze) *IP – Devices* Q3 2016 	An integrated digital health platform for cannabis use. Resolve Digital Health Inc.'s ("**Resolve**") "Breeze" product is a patent-pending dosage control smart inhaler. The Breeze product has been created with proprietary tracking and analytics software. Modular, pre-measured, hygienically packed individual dose of very high pharmaceutical grade cannabis with no need to handle or measure product. Resolve's so-called "Smart Pods" are measured for users' specific symptoms, custom formulated by cannabis experts, are geared to specific ailments, including relief, anti-inflammatory, control, sleep, calm, energy and appetite. Each pod has disposable filter tips, which are flavoured or plain, are environmentally friendly, and have magnetic closures. The Breeze product has also been created with a cooling system to ensure that vapour is at a cool temperature. The Resolve Digital Dosing & Tracking System keeps track of doses, dose effectiveness, symptoms, medicine, reporting, lifestyle, retail, supply chain management, and support. Resolve has entered into agreements with licensed counter-parties in Canada, Florida and Australia regarding the sale of its devices in those jurisdictions. As Resolve is a hardware device manufacturer, the Company does not presently expect Resolve will engage in licensed activity.	Type of investment: 27.7% equity position Amount Invested: $2.5 million, through a direct investment into Resolve, as well as a transaction with Vida Cannabis Corp. ("**Vida**") Jurisdiction: Canada with LOI for Florida Classification: Ancillary (Device IP) Update: As at December 31, 2017, CannaRoyalty held a 27.7% equity interest in Resolve which represents significant unrecognized pent-up value. Resolve closed on a private placement equity financing on March 2, 2018 for gross proceeds of $1,935,750 from the issuance of 1,290,500 Class A common shares at $1.50 per share. CannaRoyalty owns over 14 million Class A common shares in Resolve representing an implied value of over $21 million in comparison to the carrying value of the investment of $3 million. The Company is considering the disposal of its equity stake in Resolve in keeping with its objective of liquidating non-core assets which could unlock significant value for CannaRoyalty shareholders.

Rich Extracts LLC Q3 2016  	Rich Extracts operated a facility in Oregon to produce cannabis extract products using a variety of extraction processes. Rich Extracts obtained its processing license from the Oregon Liquor Control Commission (the "**OLCC**") in summer 2017 and commenced commercial sales in July after undergoing an exhaustive regime of product qualify testing in May and June. During August 2017, a claim was filed against Rich Extracts by CURA, a raw materials supplier for payment of debts owed by Rich Extracts. The claim also included CannaRoyalty and a subsidiary with respect to any royalty payments made by Rich Extracts to CannaRoyalty. CannaRoyalty did not have any exposure under this claim as it had not received any royalty payments from Rich Extracts, and filed a cross-claim to protect its interest. On November 8, 2017, Rich Wilkinson, the principal of Rich Extracts, was arrested in Nebraska for possession of marijuana with intent to distribute. On November 15, 2017, OLCC suspended the Recreational Marijuana processor license of Rich Extracts 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. To the best of CannaRoyalty's knowledge, the licensed premises and all marijuana products located therein remain secured by law enforcement authorities.	Type of Investment: Secured debt, convertible into a right to royalties on gross sales in perpetuity; non-interest-bearing secured advances. Amount Invested: USD$2.75 million Jurisdiction: Oregon Classification: In the event that CannaRoyalty realizes its security over Rich Extracts' license and extraction facility, it would constitute Direct involvement. CannaRoyalty's interest is currently inactive (License suspended). Update: 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. Although CannaRoyalty believes the underlying asset is sound in terms of its ability to produce licensed cannabis products, the risk adjusted cost of recovery may exceed the expected return from such recovery. The Company's legal counsel has also recently received notice of a public sale of Rich Extract's equipment and other personal property from Rich Extract's landlord. As a result, a full impairment loss of $3,457,025 has been recorded at December 31, 2017.
RVR Q2 2017 	CannaRoyalty completed a royalty and supply agreement with River Wellness, Inc., an affiliate of RVR, the first California based medical cannabis distributor to receive local permits for medical cannabis wholesale logistics, distribution and transportation. RVR serves the medical cannabis community in California and provides safe storage and transport of medical cannabis products throughout the State in all key regions and urban centres. RVR is a highly respected industry leader that manages its operations in a strict, compliant manner, at times exceeding current legislative requirements or regulatory standards. While being socially conscious and environmentally	Type of Investment: 2.25% revenue royalty to USD$5 million, then 1.75% for the duration of the term. Strategic Partner for CR Brands strategy in California with a term expiring in December 2024 Amount Invested: USD$5 million. Jurisdiction: California Classification: Currently Indirect (Licensed distributor). Anticipated to be Direct if the RVR

	responsible, RVR is adapting early to anticipated changes in legislation. A good example of this is RVR's zero tolerance policy on pesticide content in the products they distribute. RVR holds several Temporary Cannabis Distribution Licenses (Type 11 – Medical and Type 11 – Adult-Use) for three facilities located across California, which among other things, allows it to purchase cannabis flower and other products from cultivators and manufacturers, and then resell them to retailers. RVR does not sell cannabis flower or other products directly to consumers.	Acquisition (as defined below) is completed. Update: CannaRoyalty has agreed to acquire RVR pursuant to a binding term sheet dated March 28, 2018.
Wagner Dimas Q2 2016 WAGNER(WD)DIMAS INC Cannabis Processing Technology	Wagner Dimas Inc. ("**Wagner Dimas**") is a Nevada registered corporation operating primarily in California that has developed a highly scalable, patent-pending manufacturing platform for creating machine rolled cannabis products. The innovative process creates all-natural uniform and perfectly packaged cigarettes. Wagner Dimas provides contract manufacturing services and has also developed and commercialized its own line of branded pre-rolls that are sold through its California mutual benefit corporation. Wagner Dimas has developed a commercially available technology to enable scalable production of pre-rolls. Wagner Dimas is investing significantly in R&D for next generation equipment that is anticipated to significantly increase production capacity further distancing itself from current market alternatives. By leveraging its leadership position in pre-roll manufacturing equipment and process, Wagner Dimas has seen a sharp rise in demand for co-packing services and now has separate contract manufacturing agreements with 20 cannabis brands and cultivators in California, according to Wagner Dimas.	Type of Investment: 22% equity position; USD$200,000 of debt and right to IP and Manufacturing technology in Canada Amount Invested: USD$825,000 in equity, USD$200,000 in debt and $150,000 for right to a Canadian License for Wagner Dimas IP and technology Update: In September 2017, CannaRoyalty raised its equity stake by 2% to 22%. The Company also agreed to advance USD$200,000 to Wagner Dimas as an operating loan at 12% interest with a three-month maturity. Half the amount (USD$100,000) was paid in September and the balance of USD$100,000 was paid in October. CannaRoyalty also secured the right to a Canadian License for Wagner Dimas IP and manufacturing technology. Jurisdiction: Nevada and California (IP and technology is exportable) Classification: Ancillary (Technology)
Natural Ventures PR LLC	Natural Ventures is Puerto Rico's largest licensed cultivator, manufacturer and distributor of cannabis products with a 100,000 square-foot indoor cultivation facility. Natural Ventures is also one of only two companies in Puerto Rico that has received a manufacturer's license. It has a 30,000 square-foot state of the art lab for processing, testing and distribution. Natural Ventures has full market distribution. Natural Ventures launched CR	Type of Investment: USD$118,000 to Natural Ventures PR LLC, through a promissory note dated June 28, 2016, which was taken back with interest charged at 5% per annum. CannaRoyalty entered into a binding term sheet with Natural Ventures regarding a royalty financing arrangement through

 *Puerto Rico* Q2 2016	Brands in Puerto Rico during Q2-2017, starting with Soul Sugar Kitchen gourmet-edibles and GreenRock Botanicals premium vape pens. Puerto Rico is one of the fastest growing medical cannabis markets in North America, but its cannabis industry, and economy as a whole, faced substantial setbacks as a result of Hurricane Maria in 2017. Natural Ventures' facility sustained some damage, but repairs were subsequently completed and the facility is operational.	payment by CannaRoyalty of US$250,000, which was partially offset by the cancellation of the USD$118,000 promissory note. Pursuant to the arrangement, Natural Ventures granted CannaRoyalty a 2.5% royalty on Natural Ventures' net income, and a further 10% referral royalty on revenue generated from products licensed by Natural Ventures from CannaRoyalty over a 10-year term. The 10-year period began when Natural Ventures commenced commercial sales during the first quarter of fiscal 2017. Jurisdiction: Puerto Rico Classification: Non-material indirect (licensed cultivator and processor).

REGULATORY OVERVIEW

In accordance with the Canadian Securities Administrators ("**CSA**") Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**"), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly and indirectly involved through its subsidiaries and investments. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

United States

Summary of CannaRoyalty's United States Cannabis Activity

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

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

With the Kaya/Alta Acquisitions and the RVR Acquisition, the Company has acquired and agreed to acquire, respectively, licensed manufacturers and distributors in the State of California, and, as a result, will be directly engaged in the licensed manufacture and distribution of the Company's cannabis consumer products.

Resolve is not included as a U.S.-based investment as its assets are predominantly intellectual property and, with the exception of a letter of intent in Florida, it was not directly or indirectly engaged in cannabis-related activity in the U.S. as at December 31, 2017.

The non-controlling investments held by the Company include equity-accounted investments, royalty investments and receivables, loans and advances receivable, and convertible notes receivable.

The following table is a summary of CannaRoyalty's balance sheet exposure to U.S. cannabis-related activities as of December 31, 2017:

		Operating Subsidiaries		Non-controlling Investments		Total
Current assets	$	659,756	$	1,696,032	$	2,355,788
Non-current assets		9,075,324		13,615,248		22,690,572
Total Assets	$	9,735,080	$	15,311,280	$	25,046,360
Current liabilities	$	3,279,730	$	255,601	$	3,535,331
Non-current liabilities		1,278,676		-		1,278,676
Total Liabilities	$	4,558,406	$	255,601	$	4,814,007

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

The following is a summary of operating losses from U.S. cannabis-related activities for the nine months ending December 31, 2017:

	Operating Subsidiaries	Non-controlling Investments	Total
Revenue	$ 977,028	$ 1,228,507	$ 2,205,535
Cost of sales	(1,391,896)	(443,952)	(1,835,848)
Gross margin	$ (414,868)	$ 784,555	$ 369,687
Less - Operating expenses			4,676,313
			$ (4,306,627)
Other Income			
Changes in fair value of investments			4,298,706
Impairment of loans and advances			(3,776,081)
Impairment of convertible notes receivable			(559,845)
Impairment of intangible assets & goodwill			(2,335,000)
Impairment of royalty investments			(1,014,211)
Loss from equity accounted investees, net of tax			(148,992)
Changes in fair value of embedded derivatives			(110,965)
Net Loss			$ (7,953,015)

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

During the year ended December 31, 2017, the Company's Canadian based subsidiaries have provided services of $694,374 to non-related companies in the U.S. cannabis sector.

The following represents the portion of certain assets on CannaRoyalty's consolidated balance sheet that pertain to U.S. Cannabis activity as at December 31, 2017:

Balance Sheet Line Item	Percentage which Relates to Investments/Holdings with U.S. marijuana-related activities
Loans receivable	100%
Convertible notes receivable	100%
Interest in equity accounted investees	29%
Investments	36%
Royalty investments	93%
Intangible assets and goodwill	83%

The Company has looked at all its holdings that are based in the United States and given that none of these holdings have any Canadian operating activity Company's full investment in such entities was included in its assets.

Readers are cautioned that the foregoing financial information, though extracted from the Company's financial systems that support its Annual Financial Statements, has not been audited in its presentation format and accordingly is not in compliance with IFRS based on consolidation principles.

United States Federal Overview

In the United States, twenty-nine states, Washington D.C. and Puerto Rico have legalized medical marijuana, and nine states and Washington D.C. have legalized recreational marijuana. At the federal level, however, cannabis currently remains a Schedule I drug under the Controlled Substances Act of 1970. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

Although federally illegal, the U.S. federal government's approach to enforcement of such laws has at least until recently trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice ("**DOJ**"), issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly-regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state-regulated marijuana businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions, a longtime opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, A.G. Sessions also issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. Our outside U.S. counsel, Vicente Sederberg LLC, continuously monitors all U.S. Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the Controlled Substances Act: Adam Braverman, Interim U.S. Attorney for the Southern District of California, has been viewed as a potential enforcement hawk after stating that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the Controlled Substances Act. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity: his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources."

It is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memorandum. While initial fears of a nationwide "crackdown" have not yet materialized, considerable uncertainty remains.

Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always

reserved the right to enforce federal law in regard to the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. From a purely legal perspective, the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Department of the Treasury issued a memorandum in February of 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a "suspicious activity report" ("**SAR**") as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated.

On the same day the FinCEN Memorandum was published, the DOJ issued a memorandum (the "2014 Cole Memo") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

However, Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum can act as a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

Enforcement of U.S. Federal Laws

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. See "Risk Factors".

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. See "Risk Factors".

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

information requested by the applicable authorities involved, and such time or resources could be substantial. See "Risk Factors".

U.S. Enforcement Proceedings

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, one legislative safeguard for the medical marijuana industry remains in place: Congress has used a rider provision in the FY 2015, 2016 and 2017 Consolidated Appropriations Acts (currently the "**Leahy Amendment**") to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. The Leahy Amendment was included in the FY 2018 budget passed on March 23, 2018, meaning that, the Leahy Amendment is still in effect as of today's date and will remain in effect until September 30, 2018, when FY 2019 begins.

Ability to Access Public and Private Capital

The Company has historically, and continues to have, robust access to equity and debt financing from the public and prospectus exempt (private placement) markets in Canada. While the Company is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it currently has: (i) access to equity financing through the public markets in Canada, and (ii) a $12 million credit facility available from Sprott Canna Holdco Corp. The Company's executive team and board also have extensive relationships with sources of private capital (such as funds and high net worth individuals), that could be investigated at a higher cost of capital. Further, the Company is actively pursuing an asset rationalization strategy to divest itself of portfolio assets that do not relate to its core business. Proceeds from the sale of such assets would be used to finance the continued growth of the Company's business.

If such equity and/or debt financing was no longer available in the public markets in Canada due to changes in applicable law, then the Company expects that it would have access to raise equity and/or debt financing privately.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "Risk Factors - Banking" and "Risk Factors – Additional Financing".

State-Level Overview

The following sections present an overview of market and regulatory conditions for the marijuana industry in U.S. states in which CannaRoyalty has a substantial operating presence and is presented as of January 2018, unless otherwise indicated. Although the Company's activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

<u>California Summary</u>

In 1996, California voters passed a medical marijuana law allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result of the system. In September of 2015, the California legislature passed three bills, collectively known as the "Medical Marijuana Regulation and Safety Act" ("**MCRSA**"). In 2016, California voters passed "The Adult Use of Marijuana Act" ("**AUMA**"), which legalized adult-use cannabis for adults 21 years of age and older and created a licensing

system for commercial cannabis businesses. On June 27, 2017, Governor Brown signed SB-94 into law. SB-94 combines California's medicinal and adult-use cannabis regulatory frameworks into one licensing structure under the Medicinal and Adult-Use of Cannabis Regulation and Safety Act ("**MAUCRSA**").

Pursuant to MAUCRSA: (1) the California Department of Food and Agriculture, via CalCannabis, issues licenses to cannabis cultivators: (2) the California Department of Public Health, via the Manufactured Cannabis Safety Branch (the "**MCSB**"), issues licenses to cannabis manufacturers and (3) the California Department of Consumer Affairs, via the Bureau of Cannabis Control (the "**BCC**"), issues licenses to cannabis distributors, testing laboratories, retailers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California's cannabis landscape, including the statewide track and trace system. All three agencies released their emergency rulemakings at the end of 2017 and have begun issuing licenses.

To operate legally under state law, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining state licensure, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. There are also no residency requirements for ownership under MAUCRSA.

The Company is "directly" involved in the cultivation and distribution of cannabis in California as a result of the acquisition of Kaya and Alta Supply (**"the California Operators**"). The California Operators have represented to the Company that their business was conducted in compliance with the regulatory framework enacted by the State of California. The California Operators are in compliance with all applicable California laws, regulations, and guidelines.

California has implemented a robust regulatory system designed to ensure, monitor, and enforce compliance with all aspects of a cannabis operator's licensed operations. Compliance with local law is a prerequisite to obtaining and maintaining state licensure, and all three state regulatory agencies require confirmation from the locality that the operator is operating in compliance with local requirements and was granted authorization to continue or commence commercial cannabis operations within the locality's jurisdiction.

Under California state law, all state licensed cannabis businesses are entitled to rely on certain transition provisions until June 30, 2018. These provisions were included to ease the transition of businesses into the new regulatory regime introduced on January 1, 2018 in California. The provisions grandfather the sale of certain products compliantly produced prior to January 1, 2018, and, among other things, also allow state licensees to transact with other state licensees regardless of the parties' adult-use (A) or medical (M) license until July 1, 2018.

While the Company has not produced products pursuant to any A class license, certain of Company's distributors may be transacting in Company's products with A class retailers.

The Company closed the acquisition of Alta Supply (which is an M-Class Licensed Distributor) and Kaya (which holds a temporary M-Class 6 Licensed Manufacturer license) on March 27, 2018. Also, the Corporation is in the process of preparing applications in California for A and M class licenses.

Further, on March 26, 2018 the Company announced its intention to acquire RVR, which holds several A and M class distribution licenses.

Below is an overview of some of the principal license types issued in California (each of which can be issued with a Medical (M-Class) or Adult-Use (A-Class) designation):

- Type 6: authorized to manufacture cannabis products using mechanical or non-volatile solvent extractions.
- Type 7: authorized to manufacture cannabis products using volatile solvent extractions.
- Type N: authorized to manufacture cannabis products (other than extracts or concentrates) using infusion processes, but does not conduct extractions.
- Type P: authorized to only package or repackage cannabis products or relabel the cannabis product container.

- Type 8: authorized to test the chemical composition of cannabis and cannabis products.
- Type 9: authorized to conduct retail cannabis sales exclusively by delivery.
- Type 10: authorized to sell cannabis goods to customers.
- Type 11: authorized to transport and store cannabis goods purchased from other licensed entities, and sell them to licensed retailers, and is responsible for laboratory testing and quality assurance to ensure packaging and labeling compliance.
- Type 13: authorized to transport cannabis goods between licensed cultivators, manufacturers, and distributors.

Zoning and Land Use Requirements

Applicants are required to comply with all local zoning and land use requirements and provide written authorization from the property owner where the commercial cannabis operations are proposed to take place, which must dictate that the applicant has the property owner's authorization to engage in the specific state-sanctioned commercial cannabis activities proposed to occur on the premises.

Record-Keeping and Continuous Reporting Requirements

California's state license application process additionally requires comprehensive criminal history, regulatory history, financial and personal disclosures, coupled with stringent monitoring and continuous reporting requirements designed to ensure only good actors are granted licenses and that licensees continue to operate in compliance with the State regulatory program.

Operating Procedure Requirements

Applicants must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the State's seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

Site-Visits & Inspections

The California Operators will not be able to obtain or maintain state licensure, and thus engage in commercial cannabis activities in the state of California without satisfying and maintaining compliance with state and local law. As a condition of state licensure, operators must consent to random and unannounced inspections of the commercial cannabis facility as well as all of the facility's books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections, and the state has already commenced site-visits and compliance inspections for operators who have received state temporary or annual licensure.

Compliance Procedures

The California Operators utilize Simplifya, an enterprise compliance platform, which integrates the California Operators' inventory management program and standard operating procedures with the software's compliance checklists and auditing features to facilitate continued compliance with state and local requirements. Simplifya is a comprehensive compliance software solution that was developed specifically for the cannabis industry in collaboration with the nation's premier marijuana law firm, Vicente Sederberg LLC, who has been instrumental in the drafting and implementation of state and local cannabis regulatory programs across the country and in multiple California municipalities. The software features a robust auditing system that allows for both internal as well as third-party compliance auditing, covering all state and municipal, facility and operational requirements. Regulations are monitored in real-time and software updates are timely released to account for any changes. Simplifya offers standard operating procedure building tools to facilitate the implementation and maintenance of compliant operations and tracks all required licensing maintenance criteria, which include countdown features and automatically generated reminders for initiating renewals and required reporting.

The Company's purchase of the California Operators was contingent on both companies' continued ability to operate in compliance with state and local law. The Company has the right to visit and inspect the California Operators' facilities and operations to monitor and ensure continued compliance. The Company has developed a robust Compliance Program designed to ensure operational and regulatory requirements continue to be satisfied, and has retained Vicente Sederberg LLC, as local outside counsel to monitor the Company's compliance with U.S. state law on an ongoing basis. The Company will continue to work closely with Vicente Sederberg LLC to develop and improve its internal Compliance Program, and will defer to their legal opinions and risk mitigation guidance regarding California's complex regulatory framework. The internal Compliance Program, including the use of Simplifya, requires continued monitoring by managers and executives of the California Operators' to ensure all operations conform with legally compliant standard operating procedures. The Company further requires its California Operators to report and disclose all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them.

Arizona Summary

Arizona citizens adopted the Arizona Medical Marijuana Act (''**AMMA''**) via citizens' initiative in November 2010. The AMMA is codified in Arizona Revised Statutes (''**ARS''**) § 36-2801 et. seq. The AMMA also appointed the Arizona Department of Health Services (''**AZDHS''**) as the regulator for the program and authorized AZDHS to promulgate, adopt and enforce regulations for the AMMA. These AZDHS Regulations are embodied in the Arizona Administrative Code (''**AAC''**) Title 9 Chapter 17 (the ''**Rules''**). ARS § 36-2801(11) defines a ''nonprofit medical cannabis dispensary'' as not-for-profit entity that acquires, possesses, cultivates, manufactures, delivers, transfers, transports, supplies, sells or dispenses cannabis or related supplies and educational materials to cardholders (a ''**Dispensary''**).

In order for an applicant to receive a Dispensary Registration Certificate (a ''Certificate'') they must: (i) fill out an application on the form proscribed by AZDHS, (ii) submit the applying entity's articles of incorporation and by-laws, (iii) submit fingerprints for each principal officer or board member of the applicant for a background check to exclude felonies, (iv) submit a business plan and policies and procedures for inventory control, security, patient education, and patient recordkeeping that are consistent with the AMMA and the Rules to ensure that the Dispensary will operate in compliance and (v) designate an Arizona licensed physician as the Medical Director for the Dispensary. Certificates are renewed annually so long as the Dispensary is in good standing with AZDHS and pays the renewal fee and submits an independent third party financial audit.

Once an applicant has been issued a Certificate, they are allowed to establish one physical retail dispensary location, one cultivation location which is co-located at the dispensary's retail site (if allowed by local zoning) and one additional off-site cultivation location. None of these sites can be operational, however, until the Dispensary receives an approval to operate from AZDHS for the applicable site. This approval to operate requires: (i) an application on the AZDHS form, (ii) demonstration of compliance with local zoning regulations, (iii) a site plan and floor plan for the applicable property, and (iv) an in-person inspection by AZDHS of the applicable location to ensure compliance with the Rules and consistency with the Dispensary's applicable policies and procedures.

Any Dispensary facility (both retail and cultivation) must abide by the following security requirements: (i) ensure that access to the facilities is limited to authorized Dispensary Agents who are in possession of a Dispensary Agent card, (ii) equip the facility with: (a) intrusion alarms and surveillance equipment, (b) exterior and interior lighting to facilitate surveillance, (c) at least one 19-inch monitor for surveillance and a video capable of printing a high resolution still image, (d) high resolution video cameras at all points of sale, entrances, exits, and limited access areas, both in and around the building, (e) 30 days' video storage, (f) failure notifications and battery backups for the security system and (g) panic buttons inside each building.

Dispensaries may transport medical cannabis between their own sites or between their sites and another Dispensary's sites and must comply with the following Rules: (i) prior to transportation, the Dispensary's agent must complete a trip plan showing: (a) the name of the dispensary agent in charge of transporting the cannabis, (b) the date and start time of the trip, (c) a description of the cannabis, cannabis plants, or cannabis paraphernalia being transported; and (d) the anticipated route of transportation, (ii) during transport the Dispensary Agent shall: (a) carry a copy of the trip plan at all times, (b) use a vehicle with no medical cannabis identification, (c) carry a cell phone, and (d) ensure that no cannabis is visible, and (iii) Dispensaries must maintain trip plan records.

AZDHS may inspect a facility at any time upon five days' notice to the Dispensary. However, if someone has alleged that the Dispensary is not in compliance with the AMMA or the Rules, AZDHS may conduct an unannounced inspection. AZDHS will provide written notice to the Dispensary of any violations found during any inspection and the Dispensary then has 20 working days to take corrective action and notify AZDHS.

AZDHS must revoke a Certificate if a Dispensary: (i) operates before obtaining approval to operate a dispensary from the Department, (ii) dispenses, delivers, or otherwise transfers cannabis to an entity other than another dispensary with a valid dispensary registration certificate issued by the Department, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, (iii) acquires usable cannabis or mature cannabis plants from any entity other than another dispensary with a valid dispensary registration certificate issued by the Department, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, or (iv) if a principal officer or board member has been convicted of an excluded felony offense.

Furthermore, AZDHS may revoke a Certificate if a Dispensary does not: (i) comply with the requirements of the AMMA or the Rules, (ii) implement the policies and procedures or comply with the statements provided to the Department with the dispensary's application.

Florida Summary

The State of Florida Statutes 381.986(8)(a) provides a regulatory framework that requires licensed producers, which are statutorily defined as ''Medical Marijuana Treatment Centers'' (''**MMTC''**), to both cultivate, process and dispense medical cannabis in a vertically integrated marketplace.

Applicants must demonstrate (and licensed MMTC's must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any byproducts to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the Department, (vii) they have the financial ability to maintain operations for the duration of the 2-year approval cycle, including the provision of certified financial statements to the department, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees.

Upon approval of the application by the Department, the applicant must post a performance bond of up to US$5 million, which may be reduced by meeting certain criteria.

An MMTC may not dispense more than a 70-day supply of cannabis. The MMTC employee who dispenses the cannabis must enter into the registry his or her name or unique employee identifier. The MMTC must verify that: (i) the qualified patient and the caregiver, if applicable, each has an active registration in the registry and active and valid medical cannabis use registry identification card, (ii) the amount and type of cannabis dispensed matches the physician certification in the registry for the qualified patient, and (iii) the physician certification has not already been filled. An MMTC may not dispense to a qualified patient younger than 18 years of age, only to such patient's caregiver. An MMTC may not dispense or sell any other type of cannabis, alcohol, or illicit drug-related product, except a cannabis delivery device as specified in the physician certification. An MMTC must, upon dispensing, record in the registry: (i) the date, time, quantity and form of cannabis dispensed, (ii) the type of cannabis delivery device dispensed, and (iii) the name and registry identification number of the qualified patient or caregiver to whom the cannabis delivery device was dispensed. An MMTC must ensure that patient records are not visible to anyone other than the patient, caregiver, and MMTC employees.

With respect to security requirements for cultivation, processing and dispensing facilities, an MMTC must maintain a fully operational alarm system that secures all entry points and perimeter windows, and is equipped with motion detectors, pressure switches, and duress, panic and hold-up alarms. The MMTC must also have a 24-hour

video surveillance system with specified features. MMTCs must retain video surveillance recordings for at least 45 days, or longer upon the request of law enforcement.

An MMTC's outdoor premises must have sufficient lighting from dusk until dawn. An MMTC's dispensing facilities must include a waiting area with sufficient space and seating to accommodate qualified patients and caregivers and at least one private consultation area and such facilities may not display products or dispense cannabis or cannabis delivery devices in the waiting area and may not dispense cannabis from its premises between the hours of 9:00 p.m. and 7:00 a.m. but may perform all other operations and deliver cannabis to qualified patients 24-hours a day.

Cannabis must be stored in a secured, locked room or a vault. An MMTC must have at least two employees, or two employees of a security agency, on the premises at all times where cultivation, processing, or storing of cannabis occurs. MMTC employees must wear an identification badge and visitors must wear a visitor pass at all times on the premises. An MMTC must report to law enforcement within 24 hours after the MMTC is notified of or becomes aware of the theft, diversion or loss of cannabis. A cannabis transportation manifest must be maintained in any vehicle transporting cannabis or a cannabis delivery device. The manifest must be generated from the MMTC's seed-to-sale tracking system and must include the: (i) departure date and time, (ii) name, address, and license number of the originating MMTC, (iii) name and address of the recipient, (iv) quantity and form of any cannabis or cannabis delivery device being transported, (v) arrival date and time, (vi) delivery vehicle make and model and license plate number; and (vii) name and signature of the MMTC employees delivering the product. Further, a copy of the transportation manifest must be provided to each individual, MMTC that receives a delivery. MMTCs must retain copies of all cannabis transportation manifests for at least three years. Cannabis and cannabis delivery devices must be locked in a separate compartment or container within the vehicle and employees transporting cannabis or cannabis delivery devices must have their employee identification on them at all times. Lastly, at least two people must be in a vehicle transporting cannabis or cannabis delivery devices, and at least one person must remain in the vehicle while the cannabis or cannabis delivery device is being delivered.

The Department shall conduct announced or unannounced inspections of MMTCs to determine compliance with the laws and rules. The Department shall inspect an MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that may cause an adverse effect to humans or the environment. The Department shall conduct at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices, and quality assurance practices.

Puerto Rico Summary

In May of 2015 the Governor Alejandro Garcia Padilla of Puerto Rico signed an executive order legalizing medical cannabis. The Puerto Rico Health Department ("**PRHD**") was tasked with developing regulations for the production, manufacturing, and sales of medical cannabis and medical cannabis products. In January of 2016, the PRHD published their initial set of regulations governing the medical program. Puerto Rico permits the use of medical cannabis pills, creams, patches, tinctures, and whole plant cannabis for vaporization only. Smoking medical cannabis is prohibited in Puerto Rico. The program has a wide range of qualifying conditions including chronic pain, severe nausea, and migraines as well as cancer, HIV, AIDs, Crohn's disease and other conditions often included in state medical marijuana programs. Further regulations were promulgated by the Regulations of Puerto Rico Department of Health No. 8766 in July of 2017.

Puerto Rico has strict residency requirements for medical cannabis business ownership that stipulate the business entity must be held at least 51% by Puerto Rican residents. The medical marijuana program does not require cultivation and dispensing operations to be vertically integrated, but also does not prohibit a single entity from holding a cultivation, manufacturing, and dispensing license.

Oregon Summary

Oregon has both medical and adult-use marijuana programs. In 1998, Oregon voters passed a limited non-commercial patient/caregiver medical marijuana law with an inclusive set of qualifying conditions that include chronic pain. In 2013, the legislature passed, and governor signed, House Bill 3460 to create a regulatory structure for existing unlicensed medical marijuana businesses. However, the original regulations created by the Oregon Health Authority ("**OHA**") after the passage of House Bill 3460 were minimal and only regulated storefront dispensaries, leaving cultivators and infused-product manufacturers within the unregulated patient/caregiver system.

On June 30, 2015, Gov. Kate Brown signed House Bill 3400 into law, which improved on the existing regulatory structure for medical marijuana businesses and created a licensing process for cultivators and processors. In November of 2014, Oregon voters passed Measure 91, "Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act", creating a regulatory system for individuals 21 years of age and older to purchase marijuana for personal use from licensed marijuana businesses.

The Oregon Health Authority licenses and regulates medical marijuana businesses and the Oregon Liquor Control Commission ("**OLCC**") licenses and regulates adult-use marijuana businesses. There are six distinct types of license types are available for medical and adult-use businesses: cultivation, manufacturing ("processing"), wholesaling, dispensing, testing and research. Vertical integration between cultivation, processing, and sales is permissible, but not required, for both medical and adult-use.

The law does not impose a limit on the number of licenses and applications are currently being accepted for both medical and adult-use businesses on a rolling basis. Local governments may restrict the number of both medical or adult-use marijuana businesses. Laws passed during the 2016 legislative session removed the two-year residency requirement that existed within House Bill 3400.

Washington Summary

Washington State has both medical and adult-use marijuana programs. The original medical law, passed by voters in 1998, allows physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a patient/caregiver system without explicitly permitting businesses. But, unlike Colorado, the legislature was unable to pass laws regulating the medical marijuana businesses that developed around 2008.

When Initiative 502 legalized marijuana for adults 21 years of age and older in 2012, it regulated adult-use marijuana businesses and left the unregulated medical marijuana establishments in a precarious situation. The Governor of Washington then signed, Senate Bill 5052 in 2015, which forced the closure of existing unregulated medical dispensaries and allows existing adult-use retail marijuana stores to apply for a "medical marijuana endorsement" to sell medical marijuana tax free to registered qualifying patients and their designated caregivers.

The Washington State Liquor and Cannabis Board ("**WSLCB**") regulates adult-use marijuana businesses and those with a medical endorsement. The WSLCB licenses cultivation facilities, product manufacturing facilities ("processors"), retail stores, transportation licensees, and testing facilities. All individuals and entities considered a "true party of interest" in a marijuana business license must have at least six months of Washington residency.

Unlike many other states, Washington prohibits vertical integration between adult-use marijuana retailers and cultivators. Common ownership between cultivation and processors is permitted. A single entity, and/or principals within an entity, are limited to no more than three marijuana producer licenses, and/or three marijuana processor licenses, or five retail marijuana licenses.

The WSLCB re-opens its application process for growers, processors or retail stores at its discretion, taking into consideration factors such as patient consumption data and population dynamics. The state is currently not accepting new applications for growers, processors or retail stores.

Nevada Summary

Nevada has a medical marijuana program and passed an adult-use legalization through the ballot box in November 2016. In 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a limited non-commercial medical marijuana patient/caregiver system. Senate Bill 374, which passed the legislature and was signed by the Governor in 2013, expanded this program and established a for-profit regulated medical marijuana industry.

The Nevada Division of Public and Behavioral Health licensed medical marijuana establishments up until July 1, 2017 when the state's medical marijuana program merged with adult-use marijuana enforcement under the Nevada Department of Taxation. In 2014, Nevada accepted medical marijuana business applications and a few months later the Division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process is merit-based,

competitive, and is currently closed. Residency is not required to own or invest in a Nevada medical cannabis business. In addition, vertical integration is neither required nor prohibited. Nevada's medical law includes patient reciprocity, which permits medical patients from other states to purchase marijuana from Nevada dispensaries. Nevada also allows for dispensaries to deliver medical marijuana to patients.

Under Nevada's adult-use marijuana law, the Department of Taxation licenses marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. After merging medical and adult-use marijuana regulation and enforcement, the single regulatory agency is now known as the "Marijuana Enforcement Division of the Department of Taxation." For the first 18 months, applications to the Department for adult-use establishment licenses can only be accepted from existing medical marijuana establishments and existing liquor distributors for the adult-use distribution license.

In February 2017, the Nevada Department of Taxation announced plans to issue "early start" recreational marijuana establishment licenses in the summer of 2017. These licenses, beginning on July 1, 2017, allowed marijuana establishments holding both a retail marijuana store and dispensary license to sell their existing medical marijuana inventory as either medical or adult-use marijuana, and expired at the end of the year. Starting July 1, 2017, medical and adult-use marijuana have incurred a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis have incurred an additional 10% special retail marijuana sales tax in addition to any general state and local sales and use taxes.

On January 16, 2018, the Marijuana Enforcement Division of the Department of Taxation issued final rules governing its adult-use marijuana program, pursuant to which up to sixty-six (66) permanent adult-use marijuana dispensary licenses will be issued. Existing adult-use marijuana licensees under the "early start" regulations must re-apply for licensure under the permanent rules in order to continue adult-use sales.

The Company has no investments in Nevada; rather, the Company has entered into consulting services arrangement with several parties, which involve brand and advisory services that are primarily performed remotely. The chart of the Company's material assets and investments set out above does not include any of the Company's Nevada-based investments because the Company's involvement in Nevada is limited to the provision of immaterial ancillary consulting services.

Compliance with Applicable State Law in the United States

Each of the Company's investees that is involved in the U.S. marijuana industry (which are identified on the Company's material assets and investments set out above as having "Direct" or "Indirect" involvement in the U.S. marijuana industry) (collectively, the "**Licensed Entities**") hold licenses that are in good standing to cultivate, possess and/or distribute marijuana in its respective state in the United States. Each of the Company's investees currently classified as having a "Direct" involvement in the U.S. marijuana industry (being the California Operators) is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. With respect to the Company's investees currently classified as having an "Indirect" involvement in the U.S. marijuana industry (being AltMed and RVR), the Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Additionally, the Company is not aware of: (i) any non-compliance by any Licensed Entity with respect to its marijuana-related activities, or (ii) any notices of violation with respect to any Licensed Entity's marijuana-related activities by its respective regulatory authority. For a description of the compliance program for the Company's investees currently classified as having "Direct" involvement in the U.S. marijuana industry (being the California Operators) please see the section entitled "Regulatory Overview – United States – State Level Overview – California Summary – Compliance Procedures".

Except as otherwise disclosed herein, for each of the Company's investees that is involved in the U.S. marijuana industry listed in the chart of the Company's material assets and investments set out above and classified as having anything other than "Direct" or "Indirect" involvement in the U.S. marijuana industry (including, for greater certainty, Rich Extracts and Natural Ventures) (the "**Non-Licensed Entities**"), to the best of the Company's knowledge, the Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state for any of such Non-Licensed Entity's business and the Company is not aware of: (i) any non-compliance by that Non-Licensed Entity with respect to its marijuana-related

activities, or (ii) any notices of violation with respect to any Non-Licensed Entity's marijuana-related activities by its respective regulatory authority.

While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. See "Risk Factors - Risks Specifically Related to the United States Regulatory System."

Canada

On August 24, 2016, the ACMPR was introduced to allow for reasonable access to cannabis for medical purposes for Canadians who have been authorized to use cannabis by their health care practitioner. The ACMPR will replace the Marijuana for Medical Purposes Regulations ("**MMPR**"), introduced in June 2013, reflecting the federal government's evolving view on medical marijuana policy. MMPR and the Marijuana Medical Access Regulations ("**MMAR**") are both legislative schemes that were important early steps in the Canadian government's legislative path towards legalizing and regulating medical marijuana.

Despite MMAR being repealed on March 31, 2014, and MMPR ceasing to be in effect on August 24, 2016; the marijuana medical research and patient treatment industries have grown rapidly. The introduction of ACMPR further regulates the production and distribution of medical cannabis, demonstrating Health Canada's commitment to improving the regulatory landscape surrounding medical marijuana use, in addition to ensuring that production occurs under secure and regulated commercial production facilities. Under the ACMPR, Canadians who have been authorized by their health care practitioner will continue to have the option of purchasing safe, quality-controlled cannabis from one of the 34 producers licensed by Health Canada. Canadians will also be able to produce a limited amount of cannabis for their own medical purposes, or designate someone to produce it for them.

On June 30, 2016, the Government of Canada established the Task Force on Cannabis Legalization and Regulation (the "**Task Force**") to seek input on the design of a new system to legalize, strictly regulate and restrict access to adult-use recreational cannabis. On December 13, 2016, the Task Force completed its review and published a report outlining its recommendations.

On April 13, 2017, Government of Canada introduced legislation to legalize, strictly regulate and restrict access to cannabis. The proposed *Cannabis Act* would create a strict legal framework for controlling the production, distribution, sale and possession of cannabis in Canada. Following Royal Assent, the proposed legislation would allow adults to legally possess and use cannabis. This would mean that possession of small amounts of cannabis would no longer be a criminal offence and would prevent profits from going into the pockets of criminal organizations and street gangs. The Bill would also, for the first time, make it a specific criminal offence to sell cannabis to a minor and create significant penalties for those who engage young Canadians in cannabis-related offences. In addition to legalizing and strictly regulating cannabis, the Government is toughening laws around alcohol- and drug-impaired driving. Under the Government's proposed legislation, new offences would be added to the *Criminal Code* to enforce a zero tolerance approach for those driving under the influence of cannabis and other drugs. Additionally, the proposed legislation would authorize new tools for police to better detect drivers who have drugs in their body. Subject to Parliamentary approval and Royal Assent, the Government of Canada intends to provide regulated and restricted access to cannabis in 2018.

Several recommendations made by the Task Force reflected in the *Cannabis Act* could materially and adversely affect the business, financial condition and results of operations of the Company. These recommendations include, but are not limited to, permitting home cultivation, potentially easing barriers to entry into a Canadian recreational cannabis market and restrictions on advertising and branding. Their advice will be considered by the Government of Canada as a new framework for recreational cannabis is developed and it remains possible that such developments could significantly and adversely affect the business, financial condition and results of operations of the Company.

While the production of cannabis will be under the regulatory oversight of the Government of Canada, the distribution of adult-use recreational cannabis will be the responsibility of the provincial and territorial governments. All of the provinces in Canada have announced that the wholesale distribution of cannabis will fall under the responsibility of their provincial liquor authorities. The legal retail business for adult-use recreational cannabis will initially fall under a framework of new provincially owned and run stand-alone cannabis outlets in Ontario, Quebec,

New Brunswick, Nova Scotia and Prince Edward Island. Crown corporation run retail outlets will thus have a monopoly over the legal retailing and distribution of cannabis in these provinces, which represent a significant percentage of the Canadian population. The provinces of Alberta, Manitoba, Saskatchewan and Newfoundland and Labrador have indicated they would allow private retailers to manage the retail sales of cannabis in their provinces, while British Columbia will allow a mix of private and Crown corporation run retail stores.

On October 3, 2017, the Parliamentary Standing Committee on Health proposed amendments to the *Cannabis Act*, which if approved would allow for cannabis edibles and concentrates to be available for sale within 12 months of the *Cannabis Act* coming into force. Health Canada launched a 60-day public consultation on the proposed approach to the regulation of cannabis on November 21, 2017. On March 22, 2018, the Cannabis Act passed its second reading at the Senate and was referred to the Standing Senate Committee on Social Affairs, Science and Technology.

DIVIDENDS

The Company has not declared or paid dividends since incorporation and has no present intention to declare or pay any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings. Any decision to declare or pay dividends will be made by the Company's board of directors (the "**Board of Directors**") based upon the Company's earnings, financial requirements and other conditions existing at such future time. CannaRoyalty's ability to pay dividends may be affected by U.S. state and federal regulations.

CONSOLIDATED CAPITALIZATION

There have been no material changes to the Company's share and loan capitalization on a consolidated basis since December 31, 2017 except in connection with the following:

(a) 1,254,816 Common Shares issued into escrow on November 28, 2017, released into share count on the completion of the transaction with Kaya Management Inc. and Alta Supply on March 27, 2018. While these shares were issued prior to December 31, 2017, under IFRS these shares were not included in the Company's financial statements at December 31, 2017.

(b) 1,638,993 Common Shares issued on the exercise of warrants, including 557,500 2017 Warrants;

(c) 50,228 Common shares issued on the exercise of compensation warrants;

(d) 53,500 Common Shares issued on conversion of RSU;

(e) 10,000 RSUs and 27,000 share options issued to new and existing directors, officers and employees;

(f) 200,000 warrants issued on February 22, 2018 at an exercise price of $4.00; and

(g) 11,646 Common Shares issued as a payment for Q4 interest on the Sprott Facility.

The following table sets forth the consolidated capitalization of the Company as at the dates indicated, adjusted to give effect to, the Offering and the above noted changes, on the share and loan capital of the Company since December 31, 2017, the date of the Company's most recently filed financial statements. This table should be read in conjunction with the consolidated financial statements of the Company and the related notes and management's discussion and analysis of financial condition and results of operations in respect of those statements that are incorporated by reference in this Prospectus.

	As at December 31, 2017 before giving effect to the Offering, and the above noted changes	Pro-Forma as at December 31, 2017 after giving effect to the above noted changes and the Offering
Common Shares	43,895,445 Common Shares	50,657,688 Common Shares (51,220,188 Common Shares if the Over-Allotment Option is exercised in full) [(1)]
Preference Shares[(2)]	Nil	Nil
Compensation Warrants	381,219 Compensation Warrants[(3)]	555,991 Compensation Warrants[(4)] (589,741 Compensation Warrants if the Over-Allotment Option is exercised in full)
Stock Options	850,000 options	877,000 options
Warrants	3,731,493 Warrants	4,167,500 Warrants[(5)] (4,448,750 Warrants if the Over-Allotment Option is exercised in full)
RSUs[(6)]	4,153,150 RSUs	4,109,650 RSUs
Convertible Notes[(7)]	750,000 Common Shares	750,000 Common Shares
Fully diluted issued and outstanding	53,764,307 Common Shares	61,117,769 Common Shares

Notes:

(1) 2,952,652 Common Shares are held in escrow pursuant to an escrow agreement among the Company, TSX Trust Company and certain shareholders. See "*Escrowed Securities*" in the AIF.

(2) For a description of the rights associated with the preference shares, see "*Description of Capital Structure*" in the AIF.

(3) 475,140 compensation warrants have been issued including the 175,140 compensation warrants issued to the agents in connection with the RTO's concurrent financing entitling the holder to purchase one Common Share at an exercise price of $2.00 for a period of two years from the closing date of the Company's subscription receipt financing on October 4, 2016, and 300,000 compensation warrants issuable to the underwriters under the offering on February 15, 2017, which are comprised of one Common Share and one-half of one warrant, each whole warrant entitling the holder to purchase one Common Share at an exercise price of $4.50 for a period of 24 months from the closing date of such offering, subject to adjustment in certain customary events. 93,921 of the compensation warrants issued in connection with the RTO subscription offering have since been exercised, leaving a net amount of 381,219 Compensation Warrants as of December 31, 2017.

(4) In addition to the compensation warrants noted in (3), an additional 225,000 Compensation Warrants will be issued as part of this offering with an exercise price of $4.00 per Warrant Share for a period of 24 months from the Closing Date, subject to adjustment in certain customary events.

(5) 4,167,500 Warrants includes the 1,875,000 Warrants that would be issued with this Offering as well as 2,292,500 outstanding warrants previously issued by CannaRoyalty which are exercisable to acquire Common Shares. The 2,300,000 warrants include 2,092,500 warrants issued on February 15, 2017 which expire on February 15, 2019 and 200,000 warrants that were issued on February 22, 2018 and expire on February 22, 2020.

(6) All RSUs, with the exception of 1,060,000 RSU's, vest as to one-third on a date determined by the Board (the "Initial Vesting Date"), one-third on the first anniversary of the Initial Vesting Date and one-third on the second anniversary of the Initial Vesting Date. The 1,060,000 RSU's, issued on or subsequent to December 29, 2017, vest as to one-quarter on a date determined by the Board (the "Initial Vesting Date"), one-quarter on the first anniversary of the Initial Vesting Date, one-quarter on the second anniversary of the Initial Vesting Date, and one-quarter on the third anniversary of the Initial Vesting Date.

(7) On October 19, 2016, CRHC issued and sold a secured convertible debenture to Aphria Inc. for $1,500,000. This debenture matures on October 19, 2019, bears interest at 5% per annum payable annually and is convertible by Aphria Inc., in whole or in part, into Common Shares at a conversion rate of $2.00 per Common Share at any time prior to maturity.

USE OF PROCEEDS

The estimated net proceeds of the Offering, after deducting the Underwriters' Fee and the estimated expenses of the Offering, will be $13,850,000. In the ordinary course, the Company is involved in discussions with various strategic partners and needs to be able to execute and rapidly deploy capital when these opportunities present themselves. The net proceeds of the Offering are currently intended to be used for debt repayment obligations, acquisition financing, continued funding of the development of the Company's existing holdings and other general corporate and working capital purposes, as outlined below:

Project	Allocation of Net Proceeds
Repayment of Debt Obligations[(1)]	$1,000,000
Acquisition Financing	$5,000,000
Development of Existing Holdings[(2)]	$5,000,000
General Corporate and Working Capital Purposes	$2,850,000
Total	$13,850,000

Notes:

(1) Pursuant to a credit agreement dated as of August 23, 2017 between, among others, the Company and Sprott Canna Holdco Corp. (the "**Credit Agreement**"), proceeds from the Offering are required to be applied on account of the outstanding balance of the facility advanced to the Company under the Credit Agreement. The Company drew $3,000,000 on November 23, 2017 from the Sprott Facility, to be used for general corporate purposes, related to Canadian operations and/or investments, and Sprott Canna Holdco Corp. and the Company have agreed that $1,000,000 of such outstanding balance shall be repaid with proceeds from the Offering.

(2) Expected to be primarily comprised of two activities: (i) additional financial investment (through equity, debt or otherwise) into the Company's existing investments (although the Company has not yet committed to any specific investment); and (ii) expenditures on sales, marketing and promotional efforts for the Company's existing investments.

If the Over-Allotment Option is exercised in full for Over-Allotment Units, the Company will receive additional net proceeds of $2,115,000 after deducting the Underwriters' Fee and estimated expenses of the Offering. The net proceeds from the exercise of the Over-Allotment Option, if any, is expected to be used for general corporate and working capital purposes.

During the fiscal year ended December 31, 2016 and the nine-month period ended September 30, 2017, the Company and CRHC had negative operating cash flows. If the Company continues to have negative cash flow in the future, the net proceeds of the Offering may be allocated to fund this negative cash flow in conjunction with the operational expenses listed above.

With respect to the proceeds allocated for "Future Asset Acquisitions", there are no specific assets or opportunities identified as at the date of this Prospectus. See "*Risks Associated with Acquisitions*".

While the Company currently anticipates that it will use the net proceeds of the Offering as set forth above, the Company may re-allocate the net proceeds of the Offering from time to time, giving consideration to its strategy relative to the market, development and changes in the industry and regulatory landscape, as well as other conditions relevant at the applicable time. Until utilized, the net proceeds of the Offering will be held in cash balances in the Company's bank account or invested at the discretion of the Board of Directors. Management will have discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditure. See "Risk Factors".

PLAN OF DISTRIBUTION

Unit Shares and Warrants

General

In accordance with the Underwriting Agreement, the Company has agreed to issue and sell an aggregate of 3,750,000 Units at the Offering Price and the Underwriters have severally, and not jointly or jointly and severally, agreed to purchase such Units on the Closing Date, payable in cash to the Company against delivery of the Units and

subject to compliance with all necessary legal requirements and terms and conditions of the Underwriting Agreement.

The Underwriters have been granted the Over-Allotment Option exercisable, in whole or in part, at any time on or before the Over-Allotment Deadline, to purchase up to an additional 562,500 Over-Allotment Units at the Offering Price to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised to acquire: (i) up to an additional 562,500 Over-Allotment Units at the Offering Price; (ii) up to 562,500 Over-Allotment Shares at the Over-Allotment Share Price; (iii) up to 281,250 Over-Allotment Warrants at the Over-Allotment Warrant Price; or (iv) any combination of Over-Allotment Units at the Offering Price, Over-Allotment Shares at the Over-Allotment Share Price and Over-Allotment Warrants at the Over-Allotment Warrant Price, provided that the aggregate number of Over-Allotment Shares which may be issued under the Over-Allotment Option does not exceed 562,500 and the aggregate number of Over-Allotment Warrants which may be issued under the Over-Allotment Option does not exceed 281,250. The Over-Allotment Option is exercisable by the Lead Underwriter giving notice to the Company prior to the Over-Allotment Deadline, which notice shall specify the number of Over-Allotment Units, Over-Allotment Shares and/or Over-Allotment Warrants to be purchased. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Units, Over-Allotment Shares or Over-Allotment Warrants forming part of the Underwriters' over-allocation position acquires those Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Company has given notice to the CSE to list the Unit Shares, the Warrants and Warrant Shares, including those Unit Shares, Warrants and Warrant Shares that may be issued upon exercise of the Compensation Warrants, on the CSE. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE. There is currently no market through which the Warrants may be sold, see "*Risk Factors*".

The obligations of the Underwriters under the Underwriting Agreement are several and not joint or joint and several, and may be terminated at their discretion upon the occurrence of certain stated events including, in the event that: (a) there shall be any material change (actual, anticipated, contemplated, threatened, financial or otherwise) in the assets, liabilities (contingent or otherwise), business, affairs, operations, prospects, capital or control of the Company and its subsidiaries taken as a whole, or there should be discovered any previously undisclosed material fact or new material fact, in each case which, in the reasonable opinion of the Underwriters, which has or would reasonably be expected to have a significant effect on the market price, value or marketability of the Units; (b) any inquiry, action, suit, investigation or other proceeding (whether formal or informal), including matters of regulatory transgression or unlawful conduct, is commenced, announced or threatened or any order is made or issued under or pursuant to any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality (including without limitation the CSE or any securities regulatory authority) or there is any enactment or change in any law, rule or regulation, or the interpretation or administration thereof, which, in the reasonable opinion of the Underwriters (or any of them), could operate to prevent, restrict or otherwise seriously adversely affect the distribution or trading of the Units or the market price or value of the Common Shares; (c) there should develop, occur or come into effect or existence any event, action, state, or condition or any action, law or regulation, inquiry, including, without limitation, terrorism, accident or major financial, political or economic occurrence of national or international consequence, or any action, government, law, regulation, inquiry or other occurrence of any nature, which, in the reasonable opinion of the Underwriters (or any of them), seriously adversely affects or involves, or may seriously adversely affect or involve, the financial markets in Canada or the United States or the business, operations or affairs of the Company and its subsidiaries, taken as a whole, or the marketability of the Units; (d) the Company is in breach of any term, condition or covenant of the Underwriting Agreement or any representation or warranty given by the Company in the Underwriting Agreement becomes or is false; or (e) the Company fails to obtain a receipt for the (final) short form prospectus relating to the Offering on or before 5:00 p.m. (Toronto time) on April 6, 2018, or such other date as may be agreed to between the Company and the Lead Underwriter, acting reasonably. The Underwriters are, however, obligated to take up and pay for all of the Units if any of the Units are purchased under the Underwriting Agreement.

The Underwriters may form a selling group with other registered investment dealers to market a portion of the Offering. Any fees payable to members of such selling group will be paid by the Underwriters out of the Underwriters' Fee.

The Company has agreed, subject to certain limited exceptions, not to directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or any securities convertible into or exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Company for a period of 90 days after the Closing Date, without the prior written consent of the Lead Underwriter, on behalf of the Underwriters, such consent not to be unreasonably withheld, except in conjunction with: (i) the exercise of the Over-Allotment Option; (ii) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Company and other share compensation arrangements, provided such options and other similar securities are granted or issued with an exercise price not less than the Offering Price; (iii) the exercise of outstanding warrants; (iv) obligations of the Company in respect of existing agreements; or (v) the issuance of securities by the Company in connection with acquisitions in the normal course of business.

As a condition of closing of the Offering, each of the senior officers and directors of the Company will enter into agreements in favour of the Underwriters pursuant to which each will agree not to, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or other securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Company for a period of 90 days after the Closing Date, without the prior written consent of the Lead Underwriter, on behalf of the Underwriters, such consent not to be unreasonably withheld.

The Offering is being made in all of the provinces of Canada, except Québec. The Units will be offered in all of the provinces of Canada, except Québec through those Underwriters or their affiliates who are registered to offer the Units for sale in such provinces and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Underwriters may offer the Units outside of Canada.

United States

The Unit Shares and Warrants comprising the Units have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States. Accordingly, the Units being distributed pursuant to the Offering may not be offered, sold or delivered, directly or indirectly, in the United States or to or for the account or benefit of a U.S. Person or a person in the United States, except in accordance with the Underwriting Agreement and pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable United States state securities laws. The Underwriting Agreement permits the Underwriters, through their United States registered broker-dealer affiliates, to offer and sell Units in the United States or to or for the account or benefit of U.S. Persons or persons in the United States to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**")) pursuant to Rule 144A and similar exemptions under applicable United States state securities laws. The Underwriting Agreement also provides that the Underwriters will offer the Units outside the United States only in accordance with Regulation S under the U.S. Securities Act. This Prospectus does not constitute an offer to sell or a solicitation or an offer to buy any of the Units within the United States.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Unit Shares and Warrants comprising the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act. The Unit Shares and Warrants comprising the Units sold in the United States will be "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act.

Certificates

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part. It is anticipated that the Unit Shares and Warrants comprising the Units will be registered in the name of CDS or its nominee, and will be deposited with CDS at the closing of the Offering on the Closing Date, which is expected to

occur on or about April 13, 2018 or such other date as the Underwriters and the Company may agree, but in any case no later than 42 days after the date a receipt is issued for the (final) prospectus to be filed in respect of the Offering. A purchaser of Units pursuant to the Offering will receive only a customer confirmation from the registered dealer from or through which the Units are purchased and who is a CDS participant. No definitive certificates will be issued unless specifically requested or required.

Pricing of the Offering

The Offering Price was negotiated among the Company and the Lead Underwriter, on behalf of the Underwriters. Among the factors considered in determining the Offering Price were the following:

- the market price of the Common Shares;
- prevailing market conditions;
- historical performance and capital structure of the Company;
- estimates of the business potential and earnings prospects of the Company;
- availability of comparable investments;
- an overall assessment of management of the Company; and
- the consideration of these factors in relation to market valuation of companies in related businesses.

Price Stabilization and Passive Market-Making

In connection with the Offering and subject to applicable laws, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Common Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the CSE, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Common Shares are listed, in the over-the-counter market, or as otherwise permitted by applicable law.

Commissions and Expenses

The Company has agreed to pay to the Underwriters the Underwriting Fee which is equal to 6% of the Offering Price per Unit (including any gross proceeds raised on exercise of the Over-Allotment Option). As additional compensation, the Company has also agreed to issue to the Underwriters the Compensation Warrants on the Closing Date. The Compensation Warrants will entitle the Underwriters to acquire that number of Units as is equal to 6% of the number of Units sold pursuant to the Offering (including any Units issued on exercise of the Over-Allotment Option).

The Company has also agreed to reimburse the Underwriters for their reasonable out-of-pocket fees and expenses, including the fees and expenses of their legal counsel (subject to a maximum amount), whether or not the Offering is completed. All amounts payable to the Underwriters will be paid from the proceeds of the Offering.

The Compensation Warrants will be exercisable at the Offering Price for a period of 24 months from the Closing Date. This Prospectus qualifies the grant of the Compensation Warrants.

The Underwriters propose to offer the Units initially at the Offering Price. After a reasonable effort has been made to sell all of the Units at the Offering Price, the Underwriters may subsequently reduce the selling price to purchasers from time to time in order to sell any of the Units remaining unsold. In the event the selling price of

the Units is reduced, the compensation received by the Underwriters will be decreased by the amount of the aggregate price paid by the purchasers for the Units is less than the gross proceeds paid by the Underwriters to the Company for the Units. Any such reduction will not affect the net proceeds received by the Company pursuant to the Offering.

Relationship between the Company and Sprott

Sprott Private Wealth is an affiliate of Sprott, which, through a subsidiary, has provided the Sprott Facility. The Sprott Facility has a three-year term and is secured against the Canadian assets of the Company. Any outstanding principal amount will bear interest at an annual rate of 10%, payable quarterly in cash or Common Shares. If the interest is repaid in Common Shares, the share price will be determined based on a 10% discount of the volume-weighted average price in the five trading days immediately prior to the second last business day of the quarter. As of the date of this Prospectus, $3.0 million is outstanding on the Sprott Facility. The Company is in compliance with the terms of the Sprott Facility in all material respects and no breach of the terms of the Sprott Facility has been waived by Sprott. The financial position of the Company has changed over the period since entering into the Sprott Facility, as set out in its publically filed financial statements.

In connection with the Sprott Facility, on June 19, 2017 the Company executed a term sheet and issued Sprott 1,800,000 non-transferable Common Share purchase warrants (the "**Sprott Warrants**"), which were valued at $1,922,400. The Sprott Warrants were exercised by Sprott and are no longer outstanding. See "*Prior Sales*".

A portion of the net proceeds of the Offering will be applied to the repayment of amounts currently outstanding under the Sprott Facility. See "*Use of Proceeds*".

The Company may be considered a "connected issuer" of Sprott Private Wealth under applicable Canadian securities legislation. The decision to issue the Units and the determination of the terms of the Offering were made through negotiation between the Company and the Underwriters. The Underwriters have advised that the decision to underwrite the Offering was made independently of Sprott and its affiliates (other than Sprott Private Wealth) and neither Sprott nor any of its affiliates (other than Sprott Private Wealth) had any involvement in such decision or determination. As a consequence of the Offering, each of such Underwriters will receive its proportionate share of the Underwriters' Fee.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Units

Each Unit will be comprised of one Unit Share and one-half of one Warrant. Each Warrant will entitle the holder to purchase, subject to adjustment in certain circumstances, one Warrant Share at a price of $5.50 for a period of 24 months following the Closing Date. The Units will separate into Unit Shares and Warrants immediately upon issue.

Common Shares

The Company is authorized to issue an unlimited number of Common Shares without par value. Each Common Share carries the right to attend and vote at all general meetings of shareholders. As at April 5, 2018, 46,907,628 Common Shares were issued and outstanding. Holders of Common Shares are entitled to dividends, if any, as and when declared by the directors, to one vote per Common Share at meetings of shareholders. In the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, subject to prior rights of the holders of the preference shares, holders of Common Shares are entitled to receive the remaining property and assets of the Company. The Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

Warrants

Each Warrant entitles the holder to acquire, subject to adjustment in certain circumstances, one Warrant Share at an exercise price of $5.50 on or before 5:00 p.m. (Toronto time) on the date that is three years following the Closing Date, after which time the Warrants will be void and of no value. In the event that the volume weighted average closing price of the Common Shares is greater than $8.00 per Common Share for a period of 15 consecutive trading days after the Closing Date, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and by issuing a press release, and in such case, the Warrants will expire on the date that is not less than 21 days from the date notice of such acceleration is provided to the holders of the Warrants pursuant to a written notice to Warrant holders and a news release issued by the Company.

The Warrants will be governed by a warrant indenture to be entered into on the Closing Date (the "**Warrant Indenture**") between the Company and AST (the "**Warrant Agent**"), as warrant agent. The Company will designate the Warrant Agent, in its Toronto office, as agent for the Warrants. Prior to the closing of the Offering, the Company may name any other agent with respect to the Warrants.

The following is a summary of the principal attributes of the Warrants to be issued pursuant to the Offering and certain anticipated provisions of the Warrant Indenture. The summary does not purport to be complete and is qualified in its entirety by the detailed provisions of the Warrant Indenture. A copy of the Warrant Indenture may be obtained on request from the Company's General Counsel and will be available electronically at www.sedar.com and reference should be made to the Warrant Indenture for the full text of the attributes of the Warrants.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

(i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend or other distribution (other than a dividend paid in the ordinary course or a distribution of Common Shares upon the exercise of any outstanding warrants or options);

(ii) the subdivision, redivision or change of the Common Shares into a greater number of shares;

(iii) the consolidation, reduction or combination of the Common Shares into a lesser number of shares;

(iv) the issuance to all or substantially all of the holders of Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per Common Share to the holder (or at an exchange or conversion price per share) of less than 95% of the "current market price", as defined in the Warrant Indenture, of Common Shares on such record date; and

(v) the issuance or distribution to all or substantially all of the holders of Common Shares of securities, including rights, options or warrants to acquire shares of any class or securities exchangeable or convertible into any such shares or property or assets and including evidences of indebtedness, or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events:

(i) the reclassification of the Common Shares;

(ii) the amalgamation, arrangement or merger with or into any other corporation or other entity (other than an amalgamation, arrangement or merger which does not result in any reclassification of the Company's outstanding Common Shares or a change of the Common Shares into other shares); or

(iii) the transfer of the Company's undertakings or assets as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or number of Warrant Shares will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Warrant Shares purchasable upon exercise by at least one one-hundredth (1/100th) of a Common Share, as the case may be.

The Company will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, the Company will give notice to Warrant holders of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants at least 14 days prior to the record date or effective date, as the case may be, of such event.

No fraction of a Warrant Share will be issued upon the exercise of a Warrant and no cash payment will be made in lieu thereof. Warrant holders are not entitled to any voting rights or pre-emptive rights or any other rights conferred upon a person as a result of being a holder of Common Shares.

From time to time, the Company and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either (1) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 20% of the aggregate number of the then outstanding Warrants, cumulatively, and passed by the affirmative vote of holders of Warrants representing not less than $66^{2/3}$% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution, or (2) adopted by an instrument in writing signed by the holders of not less than $66^{2/3}$% of the aggregate number of all then outstanding Warrants.

The Warrants will not be exercisable in the United States or by or on behalf of a "U.S. Person", nor will certificates representing the Warrant Shares, as applicable, issuable upon exercise of the Warrants be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities laws is available.

PRIOR SALES

For the 12-month period before the date of this Prospectus, the Company issued the following Common Shares and securities convertible into Common Shares:

Date of Issuance	Number of Common Shares Issued	Issue/Exercise Price
April 25, 2017	42,691 Common Shares[(1)]	$2.00
May 25, 2017	51,230 Common Shares[(1)]	$2.00
June 21, 2017	50,000 Common Shares[(2)]	$1.50
June 28, 2017	16,650 Common Shares[(3)]	N/A
June 30, 2017	22,500 Common Shares[(3)]	N/A
July 2017	75,000 Common Shares[(2)]	$1.50
July 10, 2017	11,765 Common Shares[(4)]	$2.55
August 24, 2017	243,902 Common Shares[(5)]	$2.05
August 24, 2017	89,500 Common Shares[(6)]	$2.28

September 7, 2017	9,000 Common Shares[3]	N/A
September 2017	23,238 Common Shares[3]	N/A
October 2017	15,000 Common Shares[2]	$1.50
November 2017	230,000 Common Shares[2]	$1.50
November 28, 2017	1,254,816 Common Shares[7]	$3.02
December 2017	360,000 Common Shares[2]	$1.50
December 5, 2017	1,545 Common Shares[3]	N/A
December 6, 2017	900,000 Common Shares[8]	$2.05
January 2018	16,075 Common Shares[1]	$2.00
January 2018	181,493 Common Shares[2]	$1.50
January 2018	51,000 Common Shares[3]	N/A
January 2018	557,500 Common Shares[9]	$4.50
January 3, 2018	900,000 Common Shares[8]	$2.05
February 6, 2018	11,646 Common Shares[10]	$3.10
February 12, 2018	2,500 Common Shares[3]	N/A
March 16, 2018	34,153 Common Shares[11]	$2.00

Notes:

(1) Issued pursuant to the exercise of broker warrants.
(2) Issued pursuant to the exercise of common share purchase warrants issued under private placements completed in June 2016 and July 2016.
(3) Issued pursuant to the settlement of RSUs by employees, consultants and former Board of Director members.
(4) Issued to a consultant in satisfaction of services performed for the Company.
(5) Issued to Zenabis Limited Partnership in relation to shares that were subscribed for in November 2016.
(6) Issued to Zenabis Limited Partnership in relation to the termination of a letter of intent.
(7) Issued to Kaya Management Inc. and Alta Supply Inc. in relation to a term sheet for a proposed asset purchase. These shares will be returned to CannaRoyalty if a transaction is not completed and are currently held in escrow.
(8) Issued to Sprott upon Sprott's exercise of 900,000 common share purchase warrants.
(9) Issued pursuant to the exercise of common share purchase warrants issued as part of a brokered offering completed in February 2017.
(10) Issued to Sprott in connection with line of credit interest incurred during the fourth quarter of fiscal 2017.
(11) Issued upon exercise of warrants held by KES 7 Capital.

Date of Issuance	Number of Warrants Issued	Issue/Exercise Price
June 19, 2017	1,800,000 warrants[1]	$2.05
February 22, 2018	200,000 warrants[2]	$4.00

Notes:

(1) Issued to Sprott in conjunction with a term sheet to provide line of credit financing to the Company.
(2) Issued to an advisor in satisfaction of a prior commitment.

Date of Issuance	Number of Options Issued[1]	Issue/Exercise Price
October 13, 2017	50,000 Options[2]	$2.80
December 28, 2017	800,000 Options[3]	$3.73
February 21, 2018	20,000 Options[4]	$4.15
March 2018	7,000 Options[4]	$4.02

Notes:

(1) Granted pursuant to the Company's Share Option Plan. Each option entitles the holder thereof to one Common Share on exercise.
(2) Issued to a consultant for the Company.
(3) Issued to members of the Board of Directors.
(4) Issued to new employees of the Company.

Date of Issuance	Number of RSUs Issued[(1)]	Issue/Exercise Price
March 2017	200,000 RSUs	N/A
April 2017	18,093 RSUs	N/A
May 2017	5,000 RSUs	N/A
June 2017	3,090 RSUs	N/A
August 2017	45,000 RSUs	N/A
September 2017	20,000 RSUs	N/A
November 2017	10,000 RSUs	N/A
December 2017	1,050,000 RSUs	N/A
January 2018	10,000 RSUs	N/A

Notes:

(1) Granted pursuant to the Company's Share Unit Plan. Each RSU entitles the holder to one Common Share on vesting. The Share Unit Plan does not permit cash settlement of RSUs.

TRADING PRICE AND VOLUME

The Common Shares are listed on the CSE under the trading symbol "CRZ". The following tables set forth information relating to the trading of the Common Shares on the CSE for the months indicated.

	CSE Price Range		
Month	High	Low	Total Volume
April 1 - 5, 2018	$4.04	$3.18	1,646,000
March 2018	$4.40	$3.76	4,789,194
February 2018	$4.70	$3.32	6,505,096
January 2018	$5.75	$3.60	20,016,638
December 2017	$3.88	$2.36	10,798,571
November 2017	$3.62	$2.57	8,707,350
October 2017	$3.13	$2.47	4,215,645
September 2017	$2.57	$2.09	2,813,597
August 2017	$2.79	$1.86	2,032,217
July 2017	$2.88	$2.20	1,227,355
June 2017	$2.45	$1.55	4,125,230
May 2017	$2.60	$1..50	3,520,953
April 2017	$3.05	$2.12	4,409,105
March 2017	$3.33	$2.40	3,032,087

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Cassels Brock & Blackwell LLP, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Underwriters, the following is, as at the date of this Prospectus, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to an investor who acquires Units pursuant to the Offering and who, for the purposes of the Tax Act and at all relevant times, (i) deals at arm's length with the Company and the Underwriters, (ii) is not affiliated with the Company or the Underwriters, and (iii) acquires and holds the Unit Shares and/or Warrants, and will hold the Warrant Shares issuable on the exercise of the Warrants (the Unit Shares and Warrant Shares hereinafter collectively referred to as "**Shares**") as capital property (a "**Holder**"). Generally, the Shares and Warrants will be considered to be capital property of a Holder thereof provided that the Holder does not use the Shares or Warrants in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a "financial institution" for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii), an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iv) that has made a functional currency reporting election under the Tax Act; (v) that has or will enter into a "derivative forward agreement", as that term is defined in the Tax Act, with respect to the Shares or Warrants; or (vi) that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Units, controlled by a non-resident corporation for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors with respect to an investment in Units.

This summary is based upon the current provisions of the Tax Act in force as of the date hereof and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"). This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any other federal or any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Holders should consult their own tax advisors with respect to their particular circumstances.

Allocation of Cost

The total purchase price of a Unit to a Holder must be allocated on a reasonable basis between the Unit Share and the one-half Warrant to determine the cost of each to the Holder for purposes of the Tax Act.

For its purposes, the Company intends to allocate $3.70 of the Offering Price of each Unit as consideration for the issue of each Unit Share and $0.30 of the Offering Price of each Unit for the one-half Warrant comprising part of the Unit. Although the Company believes its allocation is reasonable, it is not binding on the CRA or the Holder. The Holder's adjusted cost base of the Unit Share comprising a part of each Unit will be determined by averaging the cost allocated to the Unit Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Exercise of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Share. When a Warrant is exercised, the Holder's cost of the Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Share. The Holder's adjusted cost base of the Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Resident Holders

The following section of this summary applies to Holders who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times ("**Resident Holders**"). Certain investors who are resident in Canada for purposes of the Tax Act and whose Shares might not constitute capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Shares, and every other "Canadian security" as defined in the Tax Act, held by such persons, in the taxation year of the election and each subsequent taxation year to be capital property. This election does not apply to Warrants. Investors should consult their own tax advisors regarding this election.

Expiry of Warrants

In the event of the expiry of an unexercised Warrant, a Resident Holder generally will realize a capital loss equal to the Resident Holder's adjusted cost base of such Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses".

Dividends

Dividends received or deemed to be received on the Shares will be included in computing a Resident Holder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from "taxable Canadian corporations" (as defined in the Tax Act), including the enhanced dividend tax credit in respect of "eligible dividends", if any, so designated by the Company to the Resident Holder in accordance with the provisions of the Tax Act.

Dividends received or deemed to be received by a corporation that is a Resident Holder on the Shares must be included in computing its income but generally will be deductible in computing its taxable income, subject to special rules under the Tax Act. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a "private corporation" (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay an additional refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Shares to the extent such dividends are deductible in computing taxable income.

Dispositions of Shares and Warrants

Upon a disposition (or a deemed disposition) of a Share or a Warrant (other than on the exercise thereof), a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such security, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such security to the Resident Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses".

Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized in that year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstance specified by the Tax

Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Shares, directly or indirectly, through a partnership or trust. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) also may be liable to pay an additional refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year which will include taxable capital gains.

Minimum Tax

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act. Resident Holders should consult their own advisors with respect to the application of the minimum tax.

Non-Resident Holders

The following section of this summary is generally applicable to Holders who, for the purposes of the Tax Act, (i) have not been and will not be resident or deemed to be resident in Canada at any time while they hold the Shares or Warrants, and (ii) do not use or hold the Shares or Warrants in carrying on a business in Canada ("**Non-Resident Holders**"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere or that is an "authorized foreign bank" (as defined in the Tax Act). Such Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Company are subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend, unless such rate is reduced by the terms of an applicable tax treaty. Under the *Canada-United States Tax Convention (1980)* (the "**Treaty**") as amended, the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the Treaty and entitled to benefits under the Treaty (a "**U.S. Holder**") is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a company beneficially owning at least 10% of the Company's voting shares). Non-Resident Holders should consult their own tax advisors.

Dispositions of Shares and Warrants

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Share or a Warrant, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Share or Warrant constitutes "taxable Canadian property" to the Non-Resident Holder thereof for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Provided the Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the CSE) at the time of disposition, the Shares and Warrants generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60 month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or such non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the Company; and (ii) more than 50% of the fair market value of the shares of the Company was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or an option, an interest or right in such property, whether or not such property exists. Notwithstanding the foregoing, a Share or Warrant may also be deemed to be taxable Canadian property to a Non-Resident Holder under other provisions of the Tax Act.

A Non-Resident Holder's capital gain (or capital loss) in respect of Shares or Warrants that constitute or are deemed to constitute taxable Canadian property (and are not "treaty-protected property" as defined in the Tax Act)

will generally be computed in the manner described above under the subheading "Resident Holders – Dispositions of Shares and Warrants".

Non-Resident Holders whose Shares or Warrants are taxable Canadian property should consult their own tax advisors.

RISK FACTORS

An investment in the securities of the Company is speculative and subject to risks and uncertainties. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the business, prospects, financial position, financial condition or operating results of the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations.

Prospective purchasers should carefully consider all information contained in this Prospectus, including all documents incorporated by reference, and in particular should give special consideration to the risk factors under the section titled "Risk Factors" in the AIF, which may be accessed on the Company's SEDAR profile at www.sedar.com, and the information contained in the section entitled "Caution Regarding Forward-Looking Information", before deciding to purchase the Units.

The risks and uncertainties described or incorporated by reference in this Prospectus are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks actually occur, the Company's business, financial condition or results of operations could be materially adversely affected, with the result that the trading price of the Common Shares could decline and purchasers could lose all or part of their investment. Additionally, purchasers should consider the following risk factors:

Risks Related to the Offering

Discretion in the Use of Proceeds

The Company intends to use the net proceeds from the Offering as set forth under "Use of Proceeds"; however, the Company maintains broad discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditure. The Company may re-allocate the net proceeds of the Offering other than as described under the heading "Use of Proceeds" if management of the Company believes it would be in the Company's best interest to do so and in ways that a purchaser may not consider desirable. Until utilized, the net proceeds of the Offering will be held in cash balances in the Company's bank account or invested at the discretion of the Board of Directors. As a result, a purchaser will be relying on the judgment of management of the Company for the application of the net proceeds of the Offering. The results and the effectiveness of the application of the net proceeds are uncertain. If the net proceeds are not applied effectively, the Company's results of operations may suffer, which could adversely affect the price of the Common Shares on the open market.

Additional Financing

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its future business activities by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company will require additional financing to fund its operations until positive cash flow is achieved. See "*Risk Factors – Negative Cash Flow from Operations*".

No Current Market for Warrants

The Company has given notice to list the Warrants on the CSE. However, there is currently no market through which the Warrants may be sold. The purchasers may not be able to resell the securities purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation..

The Market Price of the Common Shares is Volatile and May Not Accurately Reflect the Long-Term Value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected

Risk Factors Related to Dilution

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, and 2,000,000 special redeemable, voting, non-participating preference shares. The Company's shareholders do not have pre-emptive rights in connection with any future issuances of securities by the Company. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan, upon the exercise of outstanding warrants, and upon issuances under the Company's Share Unit Plan.

Negative Cash Flow from Operations

During the fiscal year ended December 31, 2016 and the year ended December 31, 2017, the Company and CRHC had negative cash flows from operating activities. Although the Company anticipates it will have positive cash flow from operating activities in future periods, to the extent that the Company has negative cash flow in any future period, certain of the net proceeds from the Offering may be used to fund such negative cash flow from operating activities.

Risks Related to the Business of the Company

Risks Specifically Related to the United States Regulatory System

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

The Company's investments incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of

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

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

This prospectus 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. While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. CannaRoyalty is involved in the cannabis industry in the United States where local and state laws permit such activities or provide limited defenses to criminal prosecutions. Currently, the Company is indirectly and directly engaged in the manufacture and possession of cannabis in the medical and recreational cannabis marketplace in the United States. **The enforcement of relevant laws is a significant risk.**

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

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

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

despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

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

The activities of CannaRoyalty's investments are, and will continue to be, subject to evolving regulation by governmental authorities. The Company's investments are directly or indirectly engaged in the medical and recreational cannabis industry in the United States, where local state law permits such activities, and in the legal medical cannabis industry in Canada, where recreational cannabis is not expected to be legalized until the Cannabis Act comes into force. The legality of the production, extraction, distribution and use of cannabis differs among North American jurisdictions.

CannaRoyalty's investments have been focused in states that have legalized the recreational use of cannabis. Currently, the states of Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont, Washington and the District of Columbia have legalized recreational use of cannabis. Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. However, the U.S. federal government has not enacted similar legislation. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.

Further, on January 4, 2018, U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. Department of Justice federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-2014, principally the Cole Memorandum. The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of this memo and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandums were never legally binding; however, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

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

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

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

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

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

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

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

- The Company has several investments into businesses that operate in the U.S., where cannabis is federally illegal;

- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;

- Third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;

- The Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;

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

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

- Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

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

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

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

Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum.

Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

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

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

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.

Although the TMX MOU has confirmed that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange. The Company has obtained eligibility with DTC for its Common Share quotation on the OTCQB and such DTC eligibility provides another possible avenue to clear Common Shares in the event of a CDS ban.

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

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations, investors are cautioned that in the United States, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 46 states, plus the District of Columbia, that have legalized cannabis in some form, including Arizona and Florida as noted above in connection with the investment in AltMed. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the United States and as such, may be in violation of federal law in the United States.

As previously stated, the United States Congress has passed appropriations bills (currently the "**Leahy Amendment**") each of the last four years to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. The 2018 Consolidated Appropriations Act was passed by Congress on March 23, 2018, and included the re-authorization of the Leahy Amendment. It will continue in effect until September 30, 2018, the last day of FY 2018.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to

appropriate funds to fully prosecute the U.S. Controlled Substances Act, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Leahy Amendment in the 2019 budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital Controlled Substances Act violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations, and provide no protection against businesses operating in compliance with a state's recreational cannabis laws.

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

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

Change in Laws, Regulations and Guidelines

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

Changes in regulations, more vigorous enforcement thereof, the imposition of restrictions on the Company's ability to operate in the U.S. as a result of the federally illegal nature of cannabis in the U.S. or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Reliance on third-party suppliers, manufacturers and contractors

The Company intends to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the United States, the Company and its investee's third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Company's business and operational results.

Investments May be Pre-Revenue

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

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

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

Lack of Control Over Operations of Investments

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

Private Companies and Illiquid Securities

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

Unfavourable Publicity or Consumer Perception

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

Public opinion and support for medical and recreational cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. Legalization of medical and recreational cannabis remains a

controversial issue subject to differing opinions surrounding the level of legalization (for example, legalization of medical marijuana as opposed to legalization in general).

Each of CannaRoyalty's investments' ability to gain and increase market acceptance of its products may require it, and/or CannaRoyalty, to establish and maintain brand names and reputation. Federal protection of trademarks may be difficult or impossible for CannaRoyalty to obtain in the United States, given the federal illegality of cannabis and the necessity of making "lawful use" of the trademark in commerce to obtain federal protection. While state-level protection is available, this nevertheless increases the risks in protecting CannaRoyalty's brands until such time as the Controlled Substances Act is amended by federal legislation. Furthermore, in order to obtain such protection, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful and their failure may have an adverse effect on the Company.

Limited Operating History

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

CannaRoyalty has not generated significant profits or revenues in the periods covered by its financial statements included herein, and, as a result, has only a very limited operating history upon which its business and future prospects may be evaluated. Although the Company expects to generate some revenues from its investments, many of the investments will only start generating revenues in future periods and accordingly, the Company is therefore expected to remain subject to many of the risks common to early-stage enterprises for the foreseeable future, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Internal Controls Over Financial Reporting

The Company has identified material weaknesses in its internal control over financial reporting and if the Company fails to remediate these weaknesses and maintain proper and effective internal controls, its ability to produce accurate and timely financial statements could be impaired, which could harm the Company's operating results, its ability to operate the business and investors' views of the Company.

Ensuring that the Company has adequate internal financial and accounting controls and procedures in place so that it can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be evaluated frequently. In connection with the audit of the Company's Annual Financial Statements, it has identified material weaknesses in certain internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's consolidated financial statements will not be prevented or detected on a timely basis.

The specifically identified weakness relates to internal control deficiencies in two areas: non-timely impairment assessment of investments and foreign exchange accounting.

Material weaknesses relating to non-timely impairment assessment of our Investments portfolio and for the application of foreign exchange accounting during the year ending December 31, 2017.

Non-timely impairment assessment of our investments portfolio: The Company's financial investments are not formally assessed for impairment on a timely basis. This area of the Company's business has complexities that require a significant amount of monitoring by management. A certain level of management effort is required for each material investment no matter the relative size, which has not been consistently completed on a timely basis.

This prevents the Company from actively tracking the accounting performance of each investment and anticipating, at financial reporting dates, whether a write down (or write up) is necessary.

Foreign exchange accounting: There have been instances where foreign exchange accounting was not appropriately or consistently applied from period to period. The foreign exchange exposure was not correctly reflected between net income/ net loss and other comprehensive income/loss. This is in part due to limitations on multicurrency functionality in our existing accounting systems. Not applying foreign exchange accounting correctly could result in the misstatement of the stand-alone and consolidated financial statements.

Adjustments and analysis were completed subsequent to December 31, 2017 to ensure that the consolidated financial statements were not materially misstated as at December 31, 2017. However, the controls and processes over impairment assessment and foreign exchange accounting were not operating effectively during the year ending December 31, 2017, and accordingly a reasonable possibility exists that material misstatements in the Company's financial statements will not be prevented or detected on a timely basis if not remediated in future periods.

Remediation Plan and Activities

Non-timely impairment assessment of our investments portfolio:

1. Developing a quarterly impairment assessment review of all investments in the portfolio to assess the risk of impairment on each investment.
2. Perform impairment testing on each asset that has been highlighted as having an indicator of impairment under IAS 36 at each quarterly reporting date. Leverage and customize the impairment models developed for December 31, 2017 reporting date to perform this exercise on a quarterly basis.
3. Hiring additional accounting resources with IFRS expertise and experience to augment the Finance function's capacity to perform the work involved on a timely basis.
4. Seeking the input from our external advisors and experts to ensure that that conclusions reached by management on the carrying value of assets in the impairments is reasonable and supportable.

Foreign exchange accounting

1. Implementing an accounting system or ERP, that will more effectively handle the Company's functionality requirements, including the ability to accurately distinguish between realized and unrealized foreign exchange gains and losses.
2. Developing policies and procedures specifically related to foreign exchange translation in order to ensure a better common understanding of the Company's practice and to ensure successful transition in case of staff turnover.
3. The Company has engaged advisors to assess the implementation of an ERP systems solution. The Company plans on having a new ERP system in place by the end of fiscal 2018.
4. The Company has hired new employees in the finance department that have direct practical experience with the implementation of ERP systems.

Senior management has discussed the aforementioned material weaknesses with the Audit Committee, and the Board will continue to review progress on these remediation activities on a regular and ongoing basis.

The material weaknesses cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Failure to implement actions and remediation efforts that will effectively remediate the material weaknesses described above may have a material adverse effect on the Company.

Competition

The Company competes with other companies for financing and investment opportunities in the cannabis industry. Some of these companies may possess greater financial resources than the Company. Such competition may result in the Company being unable to enter into desirable strategic agreements or similar transactions, to recruit or retain qualified employees or to acquire the capital necessary to fund its investments. Existing or future competition in the cannabis industry, including, without limitation, the entry of large multinational entities into the industry, could materially adversely affect the Company's prospects for entering into additional agreements in the future. In addition, the Company currently competes with other cannabis streaming and royalty companies, some of which may possess greater financial resources than the Company.

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

It is possible that larger competitors could establish price setting and cost controls which would effectively "price out" certain of the Company's investments operating within and in support of the medical and recreational cannabis industry.

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

Banking

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

Additional Financing

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

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

Currency Fluctuations

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

Risks Associated with Acquisitions

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

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

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

Passive Foreign Investment Company

There is a risk that the Company may, in the future, be construed as a passive foreign investment company ("**PFIC**"). If the Company is a passive foreign investment company, its shareholders in the U.S. are likely subject to adverse U.S. tax consequences. Under U.S. federal income tax laws, if a company is a PFIC for any year, it could have adverse U.S. federal income tax consequences to a U.S. shareholder with respect to its investment in the Company's shares. The Company earns significant royalty and franchise revenue which may be treated as passive income unless the royalty and franchise revenue is derived in the active conduct of a trade or business. Assessing whether royalty or franchise revenue received by the Company and its subsidiaries is derived in the active conduct of a trade or business involves substantial factual and legal ambiguity. Based on current business plans and financial expectations, the Company expects that it will not be a PFIC for its current tax year. PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Furthermore, because PFIC determinations are made annually, it is possible that the Company will meet the requirements to be treated as a PFIC in one or more years, but not meet such requirements in other years. U.S. shareholders should consult their own tax advisors regarding the potential adverse tax consequences to owning PFIC stock, and whether they are able to and should make any elections or take other actions to mitigate such potential adverse tax consequences.

*If the Company is deemed to be an investment company under the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**"), it may be required to institute burdensome compliance requirements and its activities may be restricted.*

The Company intends to conduct its operations so that it is not required to register as an investment company under the United States Investment Company Act of 1940, as amended, which we refer to as the Investment Company Act. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40.0% of the value of the issuer's total assets (exclusive of government securities and cash items) on an unconsolidated basis. However,

any issuer primarily engaged, directly or through a wholly-owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities is exempt from the requirements of the Investment Company Act under Section 3(b)(1).

The Company's historical business model consisted of making investments in a broad portfolio of cannabis-related assets and, in some cases, taking minority stakes in business ventures, which may have resembled certain aspects of an investment company within the definition of the Investment Company Act. However, the Company believes that its current mix of controlled holdings and wholly-owned brands, in addition to its current focus on being an operator in the legal cannabis space, is not that of an investment company and it is the Company's intent that its business continues to evolve in this direction. As a result, the Company believes that it is not "primarily engaged" in the business of investing, reinvesting, owning, holding or trading in securities and thus qualifies for the exemption under Section 3(b)(1) of the Investment Company Act. Nevertheless, the Company's substantial investments, including those in minority companies, royalty interests and diverse portfolio of other assets may leave it vulnerable to being classified as an investment company in the future should its asset mix change.

If the Company is deemed to be an investment company under the Investment Company Act, its activities may be restricted, including restrictions on the nature of the Company's investments and restrictions on the issuance of securities. In addition, the Company may have imposed upon it burdensome requirements, including:

- registration as an investment company;
- adoption of a specific form of corporate structure; and
- reporting, record keeping, voting, proxy and disclosure requirements and other rules and regulations.

In sum, if the Company were to be characterized as an investment company, the inability of the Company to satisfy such regulatory requirements, whether on a timely basis or at all, could, under certain circumstances, have a material adverse effect on the Company and its ability to continue pursuing its business plan could be limited. Furthermore, if the Company is deemed to be an investment company, its existing contracts may be voided and it may be unable to continue its existing business.

Bankruptcy or Insolvency of Investments

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

Research and Market Development

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

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

The Company is operating its business in a relatively new medical cannabis industry and market. Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the recreational or medical cannabis industry or market could have a material adverse effect on the Company's business, financial condition and results of operations. Due to the early stage of the regulated cannabis industry, forecasts regarding the size of the industry and the sales of products

by the Company's investments are inherently difficult to prepare with a high degree of accuracy and reliability. A failure in the demand for products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company's investments, and consequently, the Company.

Reliance on Management

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

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

Operation Permits and Authorizations

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

Liability, Enforcement Complaints, etc.

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

Product Liability

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

Reliance on Key Inputs

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company's investments. Some of these inputs

may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the relevant investment entity might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of an investment, and consequently, the Company.

Resale of Shares

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

Price Volatility of Publicly Traded Securities

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

Management of Growth

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

Dividends

CannaRoyalty has not paid dividends in the past, and the Company does not anticipate paying any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

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

Intellectual Property

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

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

Insurance Coverage

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

Costs of Maintaining a Public Listing

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

Litigation

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

Operational Risks

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

Holding Company

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

indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before CannaRoyalty.

Difficulty Implementing Business Strategy

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

Conflicts of Interest

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

Available Talent Pool

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

Risk 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.

The Company's legal counsel has also recently received notice of a public sale of Rich Extract's equipment and other personal property from Rich Extract's landlord. The Company has retained local legal counsel to discuss and assess potential options to ensure its security interest in certain of Rich Extracts' property may be enforced with priority, however there is no guarantee that the Company will be able to enforce its collateral interest in Rich Extracts without the initiation of litigation against Rich Extracts (or certain of its related parties), if at all.

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.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

The following directors and legal counsel of the Company reside outside of Canada. Such directors and legal counsel named below have appointed the following agent for service of process:

Name of Director	Name and Address of Agent
Dr. Jim Young	Cassels, Brock & Blackwell LLP, Suite 2100, 40 King Street West, Toronto, Ontario, M5H 3C2
Oskar Lewnowski	Cassels, Brock & Blackwell LLP, Suite 2100, 40 King Street West, Toronto, Ontario, M5H 3C2
Vicente Sederberg LLC	Cassels, Brock & Blackwell LLP, Suite 2100, 40 King Street West, Toronto, Ontario, M5H 3C2

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is MNP LLP at 800-1600 Carling Ave., Ottawa, Ontario K1Z 1G3. MNP LLP has advised that they are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

The transfer agent and registrar for the Company's Common Shares is TSX Trust Company at 301-100 Adelaide Street West, Toronto ON M5H 4H1.

The Warrant Agent in respect of the Warrants is AST Trust Company (Canada) at 1 Toronto Street, Suite 1200, Toronto, Ontario M5C 2V6.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon by Cassels Brock & Blackwell LLP and Vicente Sederberg LLC, on behalf of the Company, and by DLA Piper (Canada) LLP, on behalf of the Underwriters. As at the date hereof, the partners and associates of Cassels Brock & Blackwell LLP, as a group, the partners and associates of Vicente Sederberg LLC, as a group, and the partners and associates of DLA Piper (Canada) LLP, as a group, each beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares of the Company.

PROMOTER

AJKNJ Corp. ("**Lustig Holdco**"), a corporation wholly-owned and controlled by Marc Lustig, director and Chief Executive Officer of the Company, may be considered a promoter of the Company for the purposes of applicable securities laws, as Lustig Holdco has taken the initiative in reorganizing and financing the Company.

Lustig Holdco owns or controls, directly or indirectly, 171,335 Common Shares, representing approximately 0.37% of the outstanding Common Shares, and Marc Lustig owns or controls, directly or indirectly, 3,199,750 Common Shares, representing approximately 6.82% of the outstanding Common Shares, assuming no exercise of convertible securities held.

Marc Lustig holds 1,416,500 RSUs, of which 812,750 have vested. Assuming full exercise of the vested RSUs, Marc Lustig owns or controls, directly or indirectly, 4,012,500 Common Shares, representing approximately 7.92% of the outstanding Common Shares after giving effect to the Offering (exclusive of the Over-Allotment Option). Marc Lustig has entered into a conversion blocker with respect to his RSUs, which restricts him from converting any RSUs into Common Shares if such conversion would result in Mr. Lustig holding 10% or more of the issued and outstanding Common Shares.

To the best of the knowledge of the Company, other than as disclosed in this section or elsewhere in this Prospectus (or in the AIF), no person who was a promoter of the Company within the last two years:

1. received anything of value directly or indirectly from the Company or a subsidiary;

2. sold or otherwise transferred any asset to the Company or a subsidiary within the last two years;

3. has been a director, chief executive officer or chief financial officer of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days (an "**order**") that was issued while such person was acting in the capacity as director, chief executive officer or chief financial officer;

4. has been a director, chief executive officer or chief financial officer of any company that during the past 10 years was subject to an order that was issued after the promoter ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while such person was acting in the capacity as director, chief executive officer or chief financial officer;

5. is or has been, within the past 10 years, a director or executive officer of any person or company that, while the such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

6. has, within the past 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person;

7. has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

8. has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

INTERESTS OF EXPERTS

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in the Prospectus:

1. Cassels Brock & Blackwell LLP is the Company's counsel with respect to Canadian legal matters herein;

2. Vicente Sederberg LLC is the Company's counsel with respect to certain U.S. federal and state legal matters described herein;

3. DLA Piper (Canada) LLP is the Underwriters' counsel with respect to Canadian legal matters herein;

4. Jackson & Company is the former auditor of the Company and reported on the audited consolidated financial statements of the Company, and the notes thereto, for the nine months ended December 31, 2016, the year ended March 31, 2016, and the period from October 3, 2014 (date of incorporation) to March 31, 2015; and

5. MNP LLP is the auditor of the Company and reported on the Company's Annual Financial Statements.

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the property of the Company or of an associate or affiliate of any of them, and, as of the date hereof, each expert, or any associate or affiliate of such person, as a group, beneficially owns, directly or indirectly, less than 1% of the outstanding securities of the Company and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In an offering of convertible, exchangeable, or exercisable securities, such as the Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained herein is limited, in certain provincial securities legislation, to the price at which the Warrants are offered to the public under the Offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the Warrants, those amounts may not be recoverable under the statutory right or action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages, or consult with a legal adviser.

CERTIFICATE OF CANNAROYALTY CORP.

Dated: April 6, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

(Signed) *Marc Lustig*
Chief Executive Officer

(Signed) *Francois Perrault*
Chief Financial Officer

On Behalf of the Board of Directors

(Signed) *Jim Young*
Director

(Signed) *Rob Harris*
Director

CERTIFICATE OF THE PROMOTER

Dated: April 6, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

AJKNJ CORP.

By: (Signed) *Marc Lustig*

CERTIFICATE OF THE UNDERWRITERS

Dated: April 6, 2018

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all the provinces of Canada, except Québec.

CANACCORD GENUITY CORP.

By: (Signed) *Steve Winokur*

BEACON SECURITIES LIMITED

By: (Signed) *Mario Maruzzo*

SPROTT PRIVATE WEALTH LP

By: (Signed) *Tim Sorensen*

MACKIE RESEARCH CAPITAL CORPORATION

By: (Signed) *Jeff Reymer*

ALTACORP CAPITAL INC.

By: (Signed) *Jeff Fallows*

INFOR FINANCIAL INC.

By: (Signed) *Ben Goldstein*