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, 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 **February 8, 2017**

CANNAROYALTY CORP.

$15,000,000
5,000,000 Units

Price: $3.00 per Unit

This short form prospectus (the "**Prospectus**") qualifies the distribution of 5,000,000 (the "**Units**") of CannaRoyalty Corp. ("**CannaRoyalty**" or the "**Company**") at a price of $3.00 per Unit (the "**Offering Price**") for total gross proceeds of **$**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 $4.50 per Warrant Share for a period of 24 months 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 $6.00 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 notice to the holders of the Warrants by way of a press release, and in such case, the Warrants will expire on the 21st day after the occurrence of the Acceleration Trigger. The Warrants will be governed by a warrant indenture to be entered into on the Closing Date between the Company and TSX Trust Company, 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 January 25, 2017 with Canaccord Genuity Corp., as lead underwriter and sole bookrunner (the "**Lead Underwriter**"), and Clarus Securities Inc., Mackie Research Capital Corporation, Beacon Securities Limited, Sprott Private Wealth LP and PI Financial Corp. (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 traded on the Canadian Securities Exchange ("**CSE**") under the symbol "CRZ". On January 18, 2017, the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the CSE was $3.10 per Common Share. On February 7, 2017, the last trading day before the date of this Prospectus, the closing price of the Common Shares on the CSE was $2.95 per Common Share. The Company has applied to list the Unit Shares and Warrant Shares, including those Unit Shares 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)]
Per Unit	$3.00	$0.18	$2.82
Total	**$15,000,000**	**$900,000**	**$14,100,000**

Notes:

(1) Pursuant to the Underwriting Agreement, the Company has agreed to pay to the Underwriters a cash fee equal to 6% of Offering Price per Unit (the "**Underwriting Fee**").

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

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
Compensation Warrants[(1)]	300,000 Units	Exercisable for a period of 24 months following the Closing Date	$3.00 per Unit

Notes:

(1) In addition to the Underwriting Fee, pursuant to the Underwriting Agreement, the Underwriters will be granted compensation warrants (the "**Compensation Warrants**") exercisable to acquire, within two years of the Closing Date, such number of Units (each comprised of one Common Share and one-half of one Warrant) as is equal to 6% of the number of Units sold under the Offering, at an exercise price per Unit equal to the Offering Price. See "Plan of Distribution". This Prospectus qualifies the grant of the Compensation Warrants to the Underwriters. See "Plan of Distribution".

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 February 15, 2017, 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. Definitive certificates will be issued for the Unit Shares and the Warrants comprising the Units issued under the Concurrent Private Placement. 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 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.

Dr. Jim Young, a director of the Company, resides outside of Canada. Dr. Young has 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 does, and is expected to continue to, indirectly derive 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 indirectly involved (through investments in its Business Units (as defined herein)) in both the medical and full adult-use cannabis industries in the United States where local state law permits such activities, as well the medical cannabis industry in Canada. Canada has legalized medical use of cannabis, but has not legalized the recreational use of cannabis. The Company is not directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace. The Company has not applied for nor does it have any intention to apply for any retailer, grower, processor or wholesaler licenses which would allow the Company to directly participate in the recreational cannabis marketplace in certain U.S. states which have legalized such activity.

Currently, the states of California, Nevada, Massachusetts, Maine, Washington, Oregon, Colorado and Alaska, and the District of Columbia, have legalized recreational use of cannabis. In California, Nevada, Massachusetts and Maine, all of which passed legalization pursuant to ballot measures on November 8, 2016, no recreational cannabis commercial operations have begun yet. 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. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the U.S. Controlled Substance Act of 1970 ("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 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 risks associated with the business of the Company. Unless and until the United States Congress amends the CSA with respect to medical 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 one or more of CannaRoyalty's Business Units may be deemed to be producing, cultivating, extracting or dispensing cannabis in violation of federal law in the United States. 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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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated herein by reference contain certain statements that are forward-looking statements or information (collectively "**forward-looking statements**"). Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

In particular, this Prospectus contains forward-looking statements relating to:

- the Company's expectations regarding the development of its Business Units (as defined herein);
- the Company's expectations with respect to pursuing new opportunities and its future growth;
- the potential for the Company to be treated as a passive foreign investment company under applicable U.S. tax laws;
- the use by the Company of the net proceeds of the Offering;
- the terms of the Offering (including the manner of distribution);
- the listing of the Unit Shares and Warrant Shares on the CSE;
- the Company's expectations with respect to its working capital requirements and financial obligations; and
- the anticipated Closing Date.

These forward-looking statements are necessarily based on a number of factors and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. With respect to the forward-looking statements, the Company has made assumptions, which may prove to be incorrect, regarding, among other things:

- the timely receipt of any required regulatory approvals;
- the ability of the Company and its Business Units to generate cash flow from operations and necessary financing on acceptable terms;
- government regulation of the Company and its and its Business Units' activities remain the same;
- general economic, financial market, regulatory and political conditions in the jurisdictions in which the Company and its Business Units operate remain the same;
- the impact of increasing competition on the Company and its Business Units;
- anticipated and unanticipated costs;
- the ability of the Company to obtain qualified staff and services in a timely and cost efficient manner;
- the ability of the Company to enter contracts and complete transactions with target companies; and
- the Company's ability to maintain adequate internal control over financial reporting and disclosure controls and procedures.

This list is not exhaustive of the factors that may affect any of forward-looking statements or information of the Company. Further, any forward-looking statement speaks only as of the date on which such statement is made,

and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management of the Company to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "Risk Factors".

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 investor 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.

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**") and any proposal to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, as of the date hereof, the Unit Shares, Warrants and Warrant Shares, if issued on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts ("**TFSAs**"), all as defined in the Tax Act (collectively "**Deferred Income Plans**"), 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 Deferred Income Plan.

Notwithstanding that a Unit Share, Warrant or Warrant Share may be a qualified investment for an RRSP, RRIF or TFSA as discussed above, if the Unit Share, Warrant or Warrant Share is a "prohibited investment" for the purposes of the Tax Act, the holder of a TFSA or the annuitant under an RRSP or RRIF which holds such Unit Share, Warrant or Warrant Share will be subject to penalty taxes as set out in the Tax Act. The Unit Share, Warrant or Warrant Share will be a prohibited investment for a RRSP, RRIF or TFSA if the annuitant or holder, as the case may be, does not deal at arm's length with the Company for the purposes of the Tax Act or has a "significant interest" (as defined in the Tax Act for purposes of the prohibited investment rules) in the Company. However, a Unit Share or Warrant Share 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 such RRSP, RRIF or TFSA.

Purchasers who intend to hold Unit Shares, Warrants or Warrant Shares in their RRSP, RRIF or TFSA, 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, 2015 (the "**AIF**");
- the audited consolidated financial statements of the Company, and the notes thereto, for the year ended December 31, 2015 and 2014, together with the auditors' report thereon (the "**2015 Year End Financial Statements**");
- management's discussion and analysis of financial condition and result of operations of the Company for the year ended December 31, 2015;
- the Company's CSE Form 2A Listing Statement dated December 5, 2016 (the "**Listing Statement**");
- the management information circular of the Company dated September 30, 2016;
- the material change report of the Company dated July 5, 2016 with respect to the announcement of the RTO (as defined herein);
- the material change report of the Company dated December 15, 2016 with respect to the completion of the RTO;
- the material change report of the Company dated January 24, 2017 with respect to the announcement of the Offering; and
- a template version of the term sheet in respect of the Offering dated January 20, 2017 (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

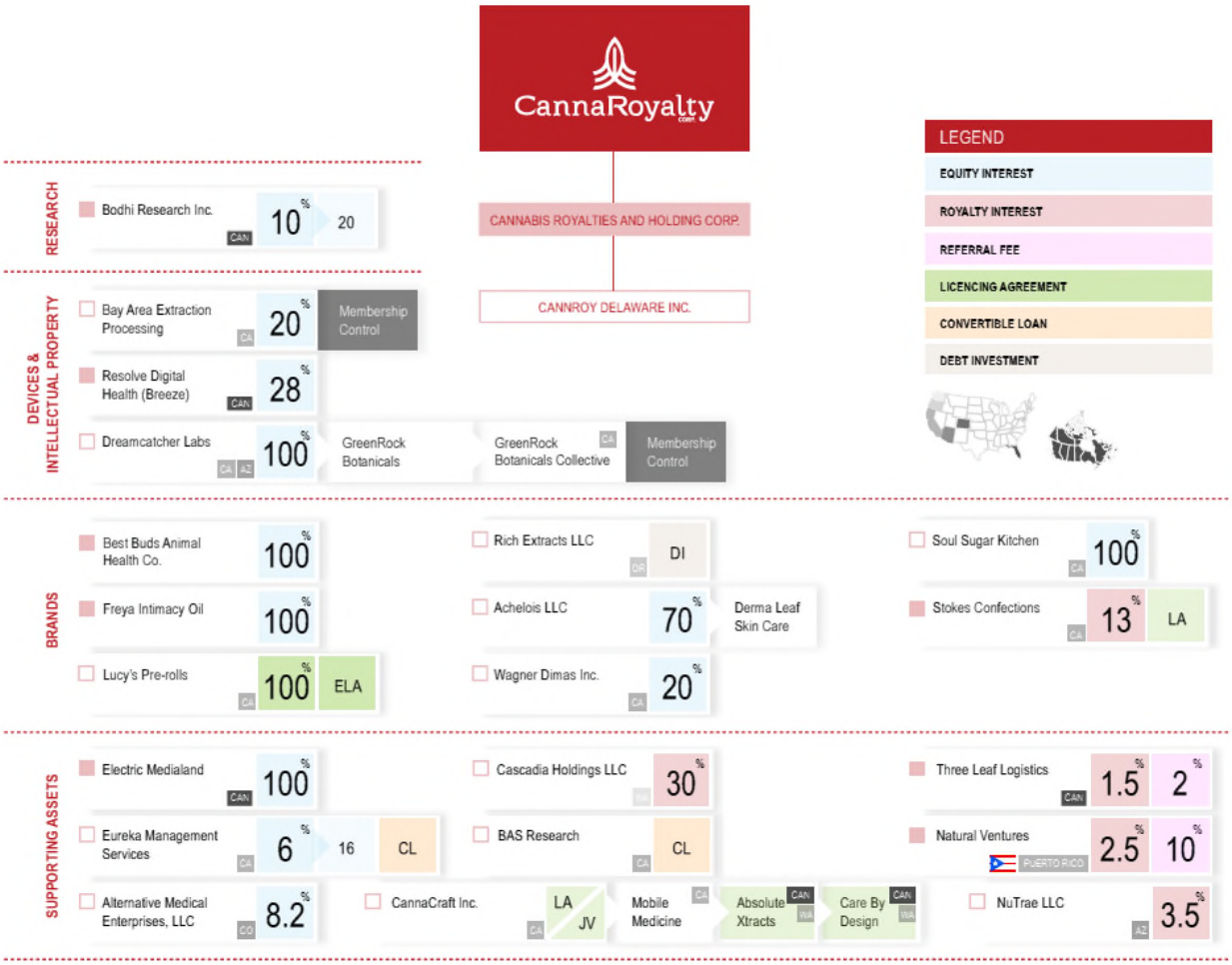
Name, Address and Incorporation

CannaRoyalty Corp. is a reporting issuer listed for trading on the CSE in the Province of Ontario. CannaRoyalty was incorporated 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 RTO. CannaRoyalty's head office and registered office is located at 333 Preston Street, Preston Square Tower 1, Suite 610, Ottawa, Ontario K1S 5N4.

CannaRoyalty was incorporated under the *Business Corporations Act* (Ontario) (the "**OBCA**").

Inter-corporate Relationships

The diagram on the following page presents the corporate subsidiaries and certain business interests of the Company, both in existence and in negotiations. CannaRoyalty's material subsidiaries are incorporated as follows: (i) CannaRoyalty is incorporated in Ontario, under the OBCA; (ii) Cannabis Royalties & Holdings Corp. ("**CRHC**") is incorporated in Canada under the *Canada Business Corporations Act* (the "**CBCA**"); (iii) Cannroy Delaware, is incorporated in Delaware, United States; (iv) Dreamcatcher Labs Inc. ("**Dreamcatcher Labs**"), is incorporated in Nevada; (v) Achelois LLC ("**Achelois**") is incorporated in California; and (vi) Electric Medialand Inc., is incorporated in Canada, under the CBCA.



Business of the Company

CannaRoyalty had no active business operations leading up to completion of the business combination of CannaRoyalty (formerly Bonanza Blue Corp.), CRHC and 9995471 Canada Corp. by way of a "three-cornered" amalgamation under the provisions of the CBCA (the "**RTO**"). CannaRoyalty entered into a definitive agreement with CRHC on June 30, 2016, which outlines the general terms and conditions of the RTO. The RTO was completed on December 5, 2016 and CannaRoyalty acquired all of the issued and outstanding securities of CRHC in exchange for securities of CannaRoyalty. Trading of the Common Shares on the CSE commenced shortly thereafter, on December 8, 2016.

CRHC was incorporated on October 3, 2014, with the aim of providing integrated, end-to-end solutions encompassing research, brands, and devices covering the key segments of the legal cannabis market. The business of CRHC became the business of CannaRoyalty following the RTO. CannaRoyalty contributes strategic capital and functional expertise to maximize the return potential of its diversified platform of assets. In addition to its head office in Ottawa, CannaRoyalty has a registered address in County of Kent, Delaware, care of a registered agent. CannaRoyalty's trademark/trade dress is branded under the "CannaRoyalty" name.

CannaRoyalty has built a platform of assets via royalty agreements, equity interests, convertible and non-convertible debt and licensing agreements with various businesses in Canada and the United States, primarily in the start-up phase. CannaRoyalty has two streams of reportable segments, (i) industry verticals for operation, and (ii) geographies for assets. CannaRoyalty operates in four main verticals within the cannabis sector consisting of research, brands, intellectual property, and devices. Within these verticals, the Company generates revenue from royalties, licenses, and through the sale of products. Many product sales are generated by way of distribution and resale arrangements. The Company also generates revenues from infrastructure assets that support these main

industry verticals. CannaRoyalty's geographies for assets include Canada and the United States.

CannaRoyalty's long-term objective is to build one of the cannabis industry's first multinational, value-added, end-to-end solution providers encompassing research, brands and devices covering the key high value segments of the legal cannabis market. CannaRoyalty focuses on building its platform of assets via royalty agreements and minority equity stakes in licensed operations in legal cannabis jurisdictions. Further, CannaRoyalty seeks to actively assist and drive the commercialization of its assets (referred to as "**Business Units**") by contributing strategic capital and functional expertise to maximize the return potential of its diversified platform of assets. For further reference on the Company's Business Units and strategic partnerships, please see the Listing Statement incorporated by reference herein.

Recent Corporate Developments

The following section discusses recent corporate developments that have occurred since the date of the RTO.

On June 30, 2016, CannaRoyalty committed to subscribe for a 70% equity interest in Achelois, a company in the State of California that develops and manufactures cannabis infused skin lotions with fibroblast technology for healing and pain relief. Consideration for the shares in Achelois is comprised of funding commitments, the provision of services, and nominal cash consideration. As part of the funding commitments, CannaRoyalty will provide funding to Achelois on an as needed basis to allow Achelois to become commercially operational. On November 30, 2016, CannaRoyalty completed the transaction and acquired a 70% equity interest in Achelois. In connection with the Company's subscription for shares in Achelois, Achelois' founder and sole shareholder (pre-acquisition), Tina King, took a US$336,000 loan from Achelois in exchange for certain inventory purchased by Achelois from Ms. King. Ms. King also entered into a consulting agreement with the Company on closing, whereby Ms. King will be paid a salary of $90,000 per year to manage the development of Achelois.

On September 9, 2016, CannaRoyalty entered into a term sheet to subscribe for a 50% equity stake in Rich Extracts LLC ("**Rich Extracts**"), a corporation engaged in the business of using a variety of proprietary extraction processes to produce premium cannabis concentrate and cannabis distillate products in the State of Oregon. On February 2, 2017, the Company executed a term sheet with Rich Extracts providing for a perpetual 30% royalty on Rich Extracts' revenue. The Company's existing advances to Rich Extracts to date (approximately US$1,900,000) are the consideration for the royalty, and will be extinguished on closing. The parties have also executed a general security agreement to secure the Company's existing advances against the assets of Rich Extracts. The term sheet executed on February 2, 2017, replaces and supersedes the Company's previous term sheet with Rich Extracts. Closing of the transaction is subject to the following conditions: (i) satisfactory completion of financial and legal due diligence by the Company; (ii) the execution of final definitive documents acceptable to the Company (the "**Definitive Documents**"); and (iii) the satisfaction or waiver of all conditions to closing specified in the Definitive Documents by Rich Extracts and the Company, as applicable

On December 20, 2016, CannaRoyalty entered into a binding term sheet regarding a royalty financing arrangement with Natural Ventures PR, LLC ("**Natural Ventures**"). Pursuant to the term sheet, Natural Ventures granted CannaRoyalty a 2.5% royalty on Natural Ventures' net profits, and a further 10% referral royalty on revenue generated from products licensed by Natural Ventures from CannaRoyalty over a 10-year term. The total advances under the royalty financing arrangement were US$250,000 including the conversion of the US$118,000 promissory note on May 15, 2016, and any accrued interest, into royalty financing. The term sheet gives the Company the right to elect a cash payment of 2.5% of the gross proceeds from a sale of business or change of control.

On January 9, 2017, the Company signed a letter of intent to acquire a 20% equity interest in Anandia, a biotechnology company with a focus on providing leading analytical testing services and developing cannabis strains for safe and effective medical applications. CannaRoyalty has agreed to provide aggregate consideration of C$4,000,000 in exchange for a 20% equity interest in Anandia, which will be satisfied through a combination of $500,000 in equipment and services to be provided by CannaRoyalty, $1,500,000 in cash, and the balance in CannaRoyalty Shares at a deemed price per CannaRoyalty Share equal to the lesser of (a) $3.10 being the closing price of the CannaRoyalty Share on January 6, 2017, the last trading day prior to the announcement of this transaction, and (b) the volume weighted average price of the CannaRoyalty Shares on the CSE for the 10

consecutive trading days immediately preceding the date of closing. The closing was originally scheduled to be on January 31, 2017, but has been rescheduled to February 15, 2017, subject to, among other things, (i) satisfactory completion of financial and legal due diligence by the parties; (ii) the execution of final definitive documents acceptable in form and substance to the parties; (iii) the approval of each of the board of directors of each of the parties to the transaction and the definitive documents; and (iv) the satisfaction or waiver of all conditions to closing specified in the definitive documents.

Operational Updates and Outlook

The following section includes operational updates and outlook with respect to certain of the Company's Business Units. Capitalized terms used below and not otherwise defined herein have the meanings ascribed thereto in the Company's AIF.

Dreamcatcher Labs/ Green Rock Botanicals	Green Rock Botanicals has used cartridges and technology owned by Dreamcatcher Labs to fill and produce Green Rock Botanical e-vaporizer cartridges, which have been sold directly to dispensaries in Northern California and indirectly in Southern California through an independent distributor. Dreamcatcher Labs has also supplied empty vaporizer cartridges on a "white-label" basis to NuTrae LLC ("**NuTrae**") (discussed below) for use in Arizona. The two Business Units are expected to continue their sales and expansion efforts in 2017. Dreamcatcher Labs is a wholly-owned subsidiary of the Company, and Green Rock Botanicals is controlled by the Company. The Company expects to fund marketing and working capital related to these expansion efforts. Further, the Company may in the future invest additional capital into improvements of Dreamcatcher Lab's technology and existing equipment in the context of sales volume and demand.
Rich Extracts	Rich Extracts has completed the build out and installation of equipment at its facility in Oregon, and is in the process of completing improvements to its manufacturing infrastructure to satisfy the requirements to obtain a license for its contemplated extraction activities. It is expected that such improvements will be completed and the license obtained during H1 2017[(1)]. The Company expects to provide Rich Extracts with additional capital in the near term to fund the aforementioned expenditures.
Soul Sugar Kitchen ("SSK")	SSK recently launched its initial product line of edible cannabis products in California in February 2017. The products have been manufactured and distributed by a third-party under license. This Business Unit is expected to continue its sales and expansion efforts in 2017, including through licensing arrangements in other U.S. states. The Company expects to fund marketing and working capital related to these expansion efforts.
Achelois	Achelois is working with Natural Ventures (another CannaRoyalty holding) to manufacture and distribute products under the DermaLeaf brand in Puerto Rico. The DermaLeaf brand is owned by CannaRoyalty and will be licensed to Natural Ventures, which is licensed to produce such products in Puerto Rico. Prior to its acquisition by CannaRoyalty, Achelois sold products in California under the Achelois brand. Commercial sales of DermaLeaf products are expected to commence in Q2 or Q3 of 2017[(1)]. As manufacturing and distribution costs would be borne by Natural Ventures, the Company expects its expenditures will be limited to marketing expenses. Achelois is a majority-owned (70%) subsidiary of the Company, and the Company has agreed to fund Achelois' expenses with debt until such time that

	Achelois is commercially operational.
Eureka Management Services ("Eureka")	Eureka provides management services to Magnolia Wellness, a licensed dispensary operating in Oakland, California. Magnolia Wellness is in full commercial operation, but in the process of developing and expanding its operations. The Company is a minority equity investor in Eureka, and is not obliged to provide further funding to Eureka, although it may elect to do so in the future.
Resolve Digital Health ("Resolve")	Resolve has prototyped its 'Breeze' product (discussed further in the Company's AIF). The Company's expects Resolve to deploy its product into test markets in Q1 2017(1), continue to develop its product and make arrangements for commercial production. The Company is a significant (but not controlling) equity investor in Resolve, and is not obliged to provide further funding to Resolve, although it may elect to do so in the future.
Cascadia Holdings LLC ("Cascadia")	Cascadia has two main real estate holdings, the American Nutraceutical building, which it owns and has currently leased to a third party, 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. The Company has a royalty arrangement with Cascadia, and is not obliged to provide further funding or equipment to Cascadia, although it may elect to do so in the future.
Alternative Medical Enterprises ("Altmed")	Altmed owns 100% of NuTrae, which in addition to its research and development activities mentioned in the Company's AIF, is selling a line of medical cannabis products in Arizona via direct sales to dispensaries. The products include e-vaporizers based on hardware manufactured by the Company's subsidiary Altmed also has an interest in a licensed cultivation operation in Arizona, and an interest in a company with real estate and agriculture assets focused on the cannabis sector in Colorado. Both of these assets are currently operational and do not require further funding. Altmed expects to expand its business in Florida once it begins its license application process. The Company is a minority equity investor in Altmed, and is not obliged to provide further funding to Altmed, although it may elect to do so in the future.
Wagner Dimas	Wagner Dimas leverages its technology and equipment for contract manufacturing and co-packing arrangements in California, where it is currently being employed to produce cannabis pre-roll products. The company plans to expand the use of its technology and equipment further in California and to license its technology and know how to other U.S. states. The Company is a significant (but not controlling) equity investor in Wagner Dimas, and is not obliged to provide further funding to Wagner Dimas, although it may elect to do so in the future.

Note:

(1) See "Risk Factors – Timing Estimates".

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 as 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 September 30, 2016 except in connection with the RTO and the following:

- an aggregate of 75,000 common shares were issued on the exercise of options issued in connection with the RTO;
- an aggregate of 345,000 restricted share units ("**RSUs**") under the Company's share unit plan ("**Share Unit Plan**") were issued to consultants and employees of the Company;

The following table sets forth the consolidated capitalization of the Company as at the dates indicated, adjusted to give effect to the RTO, Offering and the above noted changes, on the share and loan capital of the Company since September 30, 2016, 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 September 30, 2016 before giving effect to the Offering, and the above noted changes	**Pro-Forma as at September 30, 2016 after giving effect to the RTO but before giving effect to the Offering, and the above noted changes**	**Pro-Forma as at September 30, 2016 after giving effect to the RTO and above noted changes**	**Pro-Forma as at September 30, 2016 after giving effect to the RTO, the above noted changes and the Offering**
Common Shares	1,611,000 Common Shares	35,957,227 Common Shares[(1)]	36,032,227 Common Shares[(1)]	41,032,227 Common Shares[(1)]
Preference Shares[(2)]	Nil	Nil	Nil	Nil
Compensation Warrants	Nil	175,140 Compensation Warrants[(3)]	175,140 Compensation Warrants	475,140 Compensation Warrants[(4)]
Stock Options	Nil	75,000 Options[(5)]	Nil	Nil
Warrants	Nil	938,493 Warrants[(6)]	938,493 Warrants[(6)]	3,588,493 Warrants[(7)]
RSUs[(8)]	Nil	2,684,800 RSUs	3,029,800 RSUs	3,029,800 RSUs
Convertible Notes[(9)]	Nil	750,000 Common Shares	750,000 Common Shares	750,000 Common Shares
Future Common Share Issuance[(10)]	Nil	2,243,902 Common Shares	2,243,902 Common Shares	2,243,902 Common Shares
Fully diluted issued and outstanding	**1,611,000 Common Shares**	**42,824,562 Common Shares**	**43,169,562 Common Shares**	**51,119,562 Common Shares**

Notes:

(1) Based on the TSX Trust Capital Control Report following the RTO, the total issued and outstanding Common Shares after giving effect to the RTO was 35,956,956. The difference between the actual 35,956,956 Common Shares and the 35,957,227 Common Shares in the chart, is due to the cancellation of fractional shares on consolidation immediately prior to the RTO. 4,991,085

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 and "11. Escrowed Securities" in the Listing Statement.

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

(3) 175,140 Compensation Warrants were issued to the agents in connection with the RTO's subscription receipt financing. Each Compensation Warrant entitling the holder to purchase one Warrant 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.

(4) 475,140 Compensation Warrants includes the 175,140 Compensation Warrants issued to the agents in connection with the RTO's subscription receipt financing entitling the holder to purchase one Warrant 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 includes Compensation Warrants issuable to the Underwriters under the Offering, which are comprised of one Common Share and one-half of one Warrant, each whole Warrant entitling the holder to purchase one Warrant Share at an exercise price of $4.50 per Warrant Share for a period of 24 months from the Closing Date, subject to adjustment in certain customary events.

(5) In connection with the RTO certain former directors of the Company were issued options to purchase Common Shares ("**Options**"), such Options entitling the holder to purchase one Common Share at an exercise price of $1.00 for a period of one year following the closing of the RTO on December 5, 2016. All 75,000 Options have been exercised.

(6) 938,493 Warrants includes outstanding Warrants previously issued by CRHC, which are convertible into Common Shares following the RTO. Each Warrant entitles the holder to purchase one Common Share at an exercise price of $1.50. The 938,493 Warrants include 500,000 Warrants issued on June 7, 2016 with an expiry date of December 7, 2017, 282,500 Warrants issued on July 15, 2016 with an expiry date of January 15, 2018 and 155,993 Warrants issued on July 28, 2016 with an expiry date of January 28, 2018.

(7) 3,588,493 Warrants includes the 150,000 Warrants that may be issuable by the Company upon the exercise of the Compensation Warrants given to the Underwriters under the Offering.

(8) All RSUs 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, with the exception of 10,000 RSUs granted on November 1, 2016, and 10,000 RSUs granted on December 1, 2016, to a former employee of the Company, which vested in their entirety upon the employee's resignation in January 2017.

(9) 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.

(10) Pursuant to the Company's agreement with Dreamcatcher Labs and GreenRock Botanicals dated October 24, 2016, the Company is obliged to issue an additional 2,000,000 Common Shares to Dreamcatcher Labs shareholders upon the satisfaction of certain performance-based conditions precedent to be met by Dreamcatcher Labs, which conditions precedent have not yet been met to date. Pursuant to the Company's agreement with Zenabis Limited Partnership ("**Zenabis**") dated November 7, 2016, Zenabis has paid $500,000 to the Company to subscribe for 243,902 Common Shares, which Common Shares have not been issued to date.

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 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
Acquisition Financing	$10,000,000
Development of Existing Holdings[(1)]	$2,500,000
General Corporate and Working Capital Purposes	$1,350,000
Total	**$13,850,000**

Note:

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

During the fiscal year ended December 31, 2015 and the nine-month period ended September 30, 2016, 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.

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

General

In accordance with the Underwriting Agreement, the Company has agreed to issue and sell an aggregate of 5,000,000 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 Company has applied to list the Unit Shares and Warrant Shares, including those Unit Shares 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.

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 February 8, 2017, or such other date as may be agreed to between the Corporation and the Lead Underwriter, acting reasonably. The Underwriters have waived their rights with respect to clause (e). 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 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; (ii) the exercise of outstanding warrants; (iii) obligations of the Company in respect of existing agreements; or (iv) 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 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 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 February 15, 2017, 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. 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.

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.

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 $4.50 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 February 7, 2017, 36,031,956 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 $4.50 on or before 5:00 p.m. (Toronto time) on the date that is 24 months 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 $6.00 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 of the Warrants by way of a press release, and in such case, the Warrants will expire on the 21st day after the occurrence of the Acceleration Trigger.

The Warrants will be governed by a warrant indenture to be entered into on the Closing Date (the "**Warrant Indenture**") between the Company and TSX Trust Company (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 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 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
December 5, 2016	31,641,653 Common Shares[(1)]	N/A (issued on amalgamation)
December 5, 2016	2,502,000 Common Shares[(2)]	N/A (issued on amalgamation)
December 5, 2016	82,574 Common Shares[(3)]	$0.75
December 5, 2016	120,000 Common Shares[(4)]	$0.75
December 9, 2016	25,000 Common Shares[(5)]	$1.00
December 13, 2016	25,000 Common Shares[(5)]	$1.00
January 17, 2017	25,000 Common Shares[(5)]	$1.00

Notes:

(1) Issued to former holders of CRHC common shares pursuant to the RTO.

(2) Issued pursuant to the conversion of subscription receipts in connection with the RTO, which were originally sold on October 4, 2016 at a price of $2.00 per subscription receipt, each such subscription receipt ultimately entitling the holder to one Common Share.

(3) Issued pursuant to the settlement of related party debt in satisfaction of a condition of the RTO, as agreed pursuant to the definitive agreement dated June 30, 2016 between Bonanza Blue Corp. (the Company's predecessor) and Cannabis Royalties & Holdings Corp.

(4) Issued pursuant to a non-brokered private placement in satisfaction of a condition of the RTO, as agreed pursuant to the definitive agreement dated June 30, 2016 between Bonanza Blue Corp. (the Company's predecessor) and Cannabis Royalties & Holdings Corp.

(5) Issued pursuant to option exercise. The options were agreed to be issued pursuant to the definitive agreement dated June 30, 2016 between Bonanza Blue Corp. (the Company's predecessor) and Cannabis Royalties & Holdings Corp

Date of Issuance	Number of Warrants Issued	Issue/Exercise Price
December 5, 2016	175,140 warrants[(1)]	$2.00

Notes:

(1) Issued pursuant to the RTO. The underlying warrants were issued as compensation warrants in connection with the aforementioned subscription receipt financing completed on October 4, 2016.

Date of Issuance	Number of RSUs Issued	Issue/Exercise Price
December 2016	70,000 RSUs [(1)]	N/A
January 2017	275,000 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.

Month[(1)]	CSE Price Range		Total Volume
	High	Low	
December 8 – 31, 2016	$5.00	$2.50	10,281,761
January 3 – 31, 2017	$3.40	$2.81	2,143,100
February 1 – 7, 2017	$3.90	$2.85	311,600

Notes:

(1) The Common Shares began trading on the CSE on December 8, 2016.

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 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 as 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; or (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. Such Holders should consult their own tax advisors with respect to an investment in Units.

Additional considerations, not discussed herein, may be applicable to a Holder 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 tax advisors with respect to the consequences of acquiring 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 Warrant to determine the cost of each to the Holder for purposes of the Tax Act.

For its purposes, the Company intends to allocate $2.999 of the Offering Price of each Unit as consideration for the issue of each Unit Share and $0.001 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 Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant 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 Resident Holders whose Common 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. Resident Holders 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 . 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 a $38^{1/3}$% tax under Part IV of the Tax Act (refundable in certain circumstances) on dividends received or deemed to be received on the Common 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, as applicable, net of any reasonable costs of disposition, are greater (or are less) than

the adjusted cost base of such security, as applicable, 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 tax (refundable in certain circumstances) of $10^{2/3}$% 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. 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 Income 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 and in the Listing Statement, 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 Statements", 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:

Laws and Regulations Affecting Our Industry Are Constantly Changing

The activities of CannaRoyalty's Business Units are, and will continue to be, subject to evolving regulation by governmental authorities. The Business Units are directly or indirectly engaged in the medical and recreational cannabis industry in Canada and the United States where local state law permits such activities. The legality of the production, extraction, distribution and use of cannabis differs among North American jurisdictions, and there re is a growing movement in the United States supporting the legalization of cannabis for medical, as well as non-medical purposes.

CannaRoyalty's investments have been focused in states that have legalized the recreational use of cannabis. Currently, the states of California, Nevada, Massachusetts, Maine, Washington, Oregon, Colorado and Alaska, and the District of Columbia, have legalized recreational use of cannabis. In California, Nevada, Massachusetts and Maine, all of which passed legalization pursuant to ballot measures on November 8, 2016, no recreational cannabis commercial operations have begun yet. 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. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the United States federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the U.S. Controlled Substance Act of 1970. While the United States federal government has stated its present intention not to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law, there can be no assurance that it will not enforce such laws in the future. This risk is further compounded due to the recent election of Donald Trump to the U.S. presidency, and his nomination of Sen. Jeff Sessions to the post of Attorney General. Mr. Trump's positions regarding cannabis are difficult to discern; however, Sen. Sessions has been a consistent opponent of cannabis legalization efforts throughout his political career. It remains unclear what stance the new administration's Department of Justice might take toward legalization efforts in U.S. states. The federal government of the United States has specifically reserved the right to enforce federal law in regards to the sale and disbursement of medical or adult-use use cannabis even if state law sanctioned such sale and disbursement.

Further, 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 will 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 cannabis industry or a substantial repeal of cannabis related legislation could adversely affect the Company, its business and its investments.

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

Cannabis-related Practices or Activities are Illegal Under U.S. Federal Laws

The concepts of "medical cannabis" and "retail cannabis" do not exist under U.S. federal law. The Federal Controlled Substances Act classifies "marihuana" as a Schedule I drug. Under U.S. 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 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 are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. 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.

Completion of Potential Acquisitions

Any potential acquisitions, if the Company proceeds, will be subject to conditions, which may include, without limitation, satisfactory completion of the Company's due diligence, negotiation and finalization of formal legal documents, debt financing and approval from the Board of Directors. As a result, there can be no assurance that the Company will complete any acquisitions. If the Company does not complete such acquisitions, it may be subject to a number of risks, including: (i) the price of its securities may decline to the extent that the current market price reflects a market assumption that these acquisitions will be completed; (ii) certain costs related to each such acquisition, such as legal, accounting and consulting fees, must be paid even if an acquisition is not completed; and (iii) there is no assurance that such suitable opportunities will be available to the Company in the future or at all.

Timing Estimates

The section titled "Description of the Business – Operational Updates and Outlook" in this Prospectus contains forward-looking information regarding the commercial launch of certain Business Units or their products, and the Company's expected areas of expenditure in connection with such Business Units. The achievement and timing of these future events are dependent on a number of factors, including receipt of all required licenses, permits and approvals (as to which there can be no assurance with respect to timing of receipt), market acceptance of products, successful manufacture and distribution of products, and other events that impact cost and production levels. Such factors are not in the Company's control. It is not unusual in the cannabis industry for new cannabis operations to experience challenges or delays and unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated. Given the inherent risks and uncertainties associated with the operations of the Company's various investees, there can be no assurance that the contemplated timelines for operations disclosed in this Prospectus will continue in accordance with current expectations or at all.

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.

No Current Market for Warrants

There is currently no market through which the Warrants may be sold and purchasers may not be able to resell such Warrants.

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

A Positive Return in an Investment in the Units is Not Guaranteed

There is no guarantee that an investment in the Units will earn any positive return in the short term or long term. A purchase under the Offering involves a high degree of risk and should be undertaken only by purchasers

whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Units is appropriate only for purchasers who have the capacity to absorb a loss of some or all of their investment.

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, 2015 and the nine-month period ended September 30, 2016, 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.

Limited Operating History

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

The Company has not generated significant profits of 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 nominal revenues from its investments during the three months ended March 31, 2017, 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.

Passive Foreign Investment Company

There is a risk that the Company is 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. Therefore, whether the Company is a PFIC is unclear, and the Company believes there is a significant risk that the Company will be considered a PFIC currently or in the future. The Company has not yet made a determination as to whether the Company is a PFIC, and even if the Company were to make determinations of its PFIC status, there can be no assurances that the U.S. Internal Revenue Service will agree with such determinations. 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.

Enforceability of Judgments Against Foreign Subsidiaries

Certain material subsidiaries of the Company are organized under the laws of Delaware, Nevada, and California. All of the assets of such material subsidiaries are located outside of Canada and certain of the experts retained by the Company or its affiliates are residents of countries other than Canada. As a result, it may be difficult or impossible for shareholders to effect service within Canada upon such persons, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws or otherwise. There is some doubt as to the enforceability in the United States by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws or otherwise. A court in the United States may refuse to hear a claim based on a violation of Canadian provincial securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in the United States agrees to hear a claim, it may determine that the local law in the United States, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law in such circumstances.

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 corporations, partnerships, joint ventures, etc. 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 is a party 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 contract. 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 unfavorable to the Company.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

The following director of the Company resides outside of Canada. Such director named below has 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

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 Jackson & Company, Chartered Accountants, located at 800 – 1199 West Hastings Street, Vancouver, British Columbia V6E 3T5. Jackson & Company has advised that they are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

The transfer agent and registrar for the Company's Common Shares is TSX Trust Company at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1.

The Warrant Agent in respect of the Warrants is expected to be TSX Trust Company at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon by Cassels Brock & Blackwell LLP, 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, 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 0.48% of the outstanding Common Shares, and Marc Lustig owns or controls, directly or indirectly, 3,199,750 Common Shares, representing approximately 8.88% of the outstanding Common Shares, assuming no exercise of convertible securities held.

Marc Lustig holds 1,166,500 RSUs, of which 334,000 have vested. Assuming full exercise of the vested RSUs, Marc Lustig owns or controls, directly or indirectly, 3,533,750 Common Shares, representing approximately 9.72% of the outstanding Common Shares. 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.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES AND SANCTIONS

To the best of the knowledge of the Company, none of the directors or executive officers of the Company, nor any shareholder holding a sufficient number of securities to affect materially the control of the Company, is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that 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. For the purposes of this paragraph, ''order'' means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

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:

- received anything of value directly or indirectly from the Company or a subsidiary;
- sold or otherwise transferred any asset to the Company or a subsidiary within the last two years;
- 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 or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;

- 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;

- 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; or

- has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

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:

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

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

- Jackson & Company is the external auditor of the Company and reported on the Company's Interim Q2 Financial Statements; and

- Stern & Lovrics LLP was the external auditor of the Company and reported on the Company's 2015 Year End 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 securities or property of the Company or of an associate or affiliate of any of them, 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: February 8, 2017

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) *Greg Wilson*
Director

(Signed) *Rob Harris*
Director

CERTIFICATE OF THE PROMOTER

Dated: February 8, 2017

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: February 8, 2017

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*

CLARUS SECURITIES INC.

By: (Signed) *Robert Orviss*

MACKIE RESEARCH CAPITAL CORPORATION

By: (Signed) *Jeff Reymer*

BEACON SECURITIES LIMITED

By: (Signed) *Mario Maruzzo*

SPROTT PRIVATE WEALTH LP

By: (Signed) *Kristin McTaggart*

PI FINANCIAL CORP.

By: (Signed) *Blake Corbet*