QUARTERLY REPORT

For the three and nine months ended September 30, 2017 and September 30, 2016

(Expressed in Canadian Dollars)

The attached unaudited interim condensed consolidated financial statements have been prepared by Management of CannaRoyalty and approved by the Board of Directors on November 27, 2017.

CANNAROYALTY CORP.
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		**September 30, 2017**		December 31, 2016
ASSETS					
Current					
Cash and equivalents		**$**	**2,593,914**	$	2,945,895
Amounts receivable	5		**1,606,374**		556,170
Inventory	6		**788,561**		641,350
Prepaid and other assets			**267,628**		110,834
Loans receivable	7		**4,208,174**		2,943,161
			9,464,651		7,197,410
Convertible notes receivable	8		**866,999**		864,806
Derivative assets	8		**95,006**		114,505
Interest in equity accounted investees	9		**8,463,603**		3,541,281
Investments	10		**2,478,750**		2,228,750
Royalty investments	11		**9,018,596**		2,593,891
Warrants issued with secured credit facility	17		**1,853,931**		-
Property and equipment	12		**1,114,113**		1,393,112
Intangible assets and goodwill	13		**12,810,395**		14,264,183
			36,701,393		25,000,528
		$	**46,166,044**	$	32,197,938
LIABILITIES					
Current					
Amounts payable and accrued liabilities	14	**$**	**3,789,656**	$	1,886,189
Loan payable	15		**421,330**		451,618
			4,210,986		2,337,807
Convertible debt	16		**1,426,118**		1,414,414
Derivative liabilities	16		**507,453**		100,586
Deferred tax liability	23		**2,588,528**		3,001,766
		$	**8,733,085**	$	6,854,573
SHAREHOLDERS' EQUITY					
Share capital	20	**$**	**44,974,883**	$	30,636,253
Shares and contingent shares to be issued	20		**2,010,000**		4,520,000
Warrants reserve	20		**5,180,305**		628,623
Contributed surplus			**7,541,256**		3,154,582
Accumulated other comprehensive loss			**(963,381)**		(102,762)
Accumulated deficit			**(21,270,725)**		(13,490,327)
Non-controlling interest			**(39,379)**		(3,004)
			37,432,959		25,343,365
		$	**46,166,044**	$	32,197,938

Subsequent Events (note 28)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

On behalf of the Board

"Marc Lustig" Director "Peter Gundy" Director

CANNAROYALTY CORP.

Unaudited Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Note	Three months ended		Nine months ended	
		Sept 30, 2017	Sept 30, 2016	**Sept 30, 2017**	Sept 30, 2016
Revenue	25	**$ 744,302**	$ 127,707	**$ 2,005,570**	$ 140,125
Cost of sales	25	**(616,292)**	(36,438)	**(1,211,406)**	(48,422)
Gross margin		**128,010**	91,269	**794,164**	91,703
Operating expenses					
Sales and marketing		**422,362**	86,190	**1,068,443**	97,132
Research and development		**275,839**	168,498	**900,932**	848,153
General and administrative	26	**1,943,675**	1,670,264	**6,058,597**	3,409,395
Amortization of brands and technologies	13	**193,063**	-	**601,413**	-
Loss from operations		**(2,706,929)**	(1,833,683)	**(7,835,221)**	(4,262,977)
Other income (expenses)					
Gain (loss) on disposal of equipment	12	**3,000**	-	**91,674**	-
Profit (loss) from equity accounted investees, net of tax	9	**(137,093)**	2,023	**706,821**	2,023
Unrealized loss on embedded derivatives	16	**(369,036)**	-	**(369,036)**	-
Adjustment from non-completion of share swap transaction	20	**6,498**	-	**(214,555)**	-
Listing expense		-	-	**(38,193)**	-
Foreign exchange gain (loss)		**(79,631)**	5,098	**(266,911)**	(70,642)
Interest expense	16	**(85,935)**	(41,097)	**(122,054)**	(314,904)
Net loss before tax		**(3,369,126)**	(1,867,659)	**(8,047,475)**	(4,646,500)
Deferred tax recovery	23	**73,649**	-	**230,702**	-
Net loss for the period		**$ (3,295,477)**	$ (1,867,659)	**$ (7,816,773)**	$ (4,646,500)
Other comprehensive loss for the period					
Foreign currency translation differences		**(323,484)**	714	**(860,619)**	217
Total comprehensive loss for the period		**$ (3,618,961)**	$ (1,866,945)	**$ (8,677,392)**	$ (4,646,283)
Net loss per common share - basic and diluted	22	**$ (0.08)**	$ (0.07)	**$ (0.19)**	$ (0.24)
Total comprehensive loss per common share - basic and diluted	22	**$ (0.09)**	$ (0.07)	**$ (0.21)**	$ (0.24)
Weighted average number of common shares outstanding - basic and diluted	22	**42,156,344**	25,814,087	**40,961,436**	19,247,759
Total comprehensive loss for the period attributable to:					
Owners of the company		**$ (3,610,203)**	$ (1,866,945)	**$ (8,641,017)**	$ (4,646,283)
Attributable to non-controlling interest		**(8,758)**	-	**(36,375)**	-
		$ (3,618,961)	$ (1,866,945)	**$ (8,677,392)**	$ (4,646,283)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

CANNAROYALTY CORP.

Unaudited Condensed Interim Consolidated Statement of Changes in Shareholder's Equity

(Expressed in Canadian Dollars)

	Number of shares (note 20)	Share capital (note 20)	Shares to be issued (note 20)	Warrants Reserve (note 20)	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Non-Controlling Interest	Total Shareholders ' Equity
Balance at January 1, 2016	**13,020,010**	**$2,608,390**	**$ 684,486**	**$ -**	**$ -**	**$ -**	**$(1,439,687)**	**$ -**	**$ 1,853,189**
Comprehensive loss for the period	-	-	-	-	-	-	(4,646,283)	-	(4,646,283)
Shares and warrants issued for cash - private placement	8,071,068	6,053,303	(684,486)	1,184,434	-	-	-	-	6,553,251
Share issuance costs - cash	-	(110,322)	-	-	-	-	-	-	(110,322)
Shares issued in connection with services rendered	1,300,000	975,000	-	-	-	-	-	-	975,000
Share issued for exercise of share units	100,200	75,150	-	-	(75,150)	-	-	-	-
Shares issued in acquisition of interests from Vida	3,500,000	2,625,000	-	-	-	-	-	-	2,625,000
Shares issued in connection with a convertible loan	220,000	165,000	-	-	-	-	-	-	165,000
Share issued for exercise of warrants at $1.50	750,000	1,125,000	-	(375,000)	375,000	-	-	-	1,125,000
Share issued to Aphria at $2.00	250,000	500,000	-	-	-	-	-	-	500,000
Share based compensation (note 21)	-	-	-	-	671,651	-	-	-	671,651
Balance at September 30, 2016	27,211,278	$14,016,521	$ -	$ 809,434	$ 971,501	$ -	$(6,085,970)	$ -	$ 9,711,486
Balance at January 1, 2017	**36,006,956**	**$30,636,253**	**$ 4,520,000**	**$ 628,623**	**$ 3,154,582**	**$ (102,762)**	**$ (13,490,327)**	**$ (3,004)**	**$ 25,343,365**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(8,641,017)**	**-**	**(8,641,017)**
Change in accumulated other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(860,619)**	**860,619**	**-**	**-**
Shares and warrants issued in bought deal financing	**5,000,000**	**12,213,000**	**-**	**2,787,000**	**-**	**-**	**-**	**-**	**15,000,000**
Share issuance costs - cash	**-**	**(1,254,757)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,254,757)**
Shares issued for exercise of restricted share units	**86,788**	**167,099**	**-**	**-**	**(167,099)**	**-**	**-**	**-**	**-**
Withholding taxes on exercise of restricted share units	**-**	**-**	**-**	**-**	**(84,887)**	**-**	**-**	**-**	**(84,887)**
Stock based compensation (note 21)	**-**	**-**	**-**	**-**	**2,499,356**	**-**	**-**	**-**	**2,499,356**
Shares issued in acquisitions of equity interests	**689,568**	**2,021,222**	**-**	**-**	**-**	**-**	**-**	**-**	**2,021,222**
Shares issued for exercise of warrants	**238,421**	**404,592**	**-**	**(157,718)**	**157,718**	**-**	**-**	**-**	**404,592**
Share options exercised	**25,000**	**53,414**	**-**	**-**	**(28,414)**	**-**	**-**	**-**	**25,000**
Warrants issued with credit facility	**-**	**-**	**-**	**1,922,400**	**-**	**-**	**-**	**-**	**1,922,400**
Shares issued for consulting services	**11,765**	**30,000**	**-**	**-**	**-**	**-**	**-**	**-**	**30,000**
Shares issued for previously subscribed shares	**243,902**	**500,000**	**(500,000)**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued for adjustment to share swap transaction	**89,500**	**204,060**	**-**	**-**	**-**	**-**	**-**	**-**	**204,060**
Contingent shares recorded on acquisition	**-**	**-**	**(2,010,000)**	**-**	**2,010,000**	**-**	**-**	**-**	**-**
Minority Interest of Achelois LLC	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(36,375)**	**(36,375)**
Balance at September 30, 2017	**42,391,900**	**$44,974,883**	**$ 2,010,000**	**$ 5,180,305**	**$ 7,541,256**	**$ (963,381)**	**$(21,270,725)**	**$ (39,379)**	**$ 37,432,959**

See accompanying notes to the unaudited condensed interim consolidated financial statements.

CANNAROYALTY CORP.
Unaudited Condensed Interim Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	Sept 30, 2017	Sept 30, 2016	**Sept 30, 2017**	Sept 30, 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Total comprehensive loss for the period	**$ (3,618,961)**	$ (1,866,845)	**$ (8,677,392)**	$ (4,646,283)
Items not affecting cash:				
Bad debts expense (recovery)	**5,951**	94,363	**(7,268)**	94,363
(Income) loss from equity accounted investees (note 9)	**137,093**	(2,023)	**(706,821)**	(2,023)
Amortization of property and equipment (note 12)	**46,532**	36,438	**137,730**	48,422
Amortization of intangibles (note 13)	**193,063**	-	**601,413**	-
Amortization of royalties (note 11)	**245,753**	-	**411,145**	-
Amortization of warrants issued for credit facility (note 17)	**68,469**	-	**68,469**	-
Share based compensation (note 21)	**695,144**	582,266	**2,499,356**	671,651
Consulting fees paid via issuance of shares (note 20)	**30,000**	-	**30,000**	-
Transaction adjustment paid via issuance of shares (note 20)	**204,060**	-	**204,060**	-
Deferred tax recovery (note 23)	**(73,649)**	-	**(230,702)**	-
Loss related to change in fair value of embedded derivatives (note 16)	**369,036**	-	**369,036**	-
Gain on disposal of equipment (note 12)	**(3,000)**	-	**(91,674)**	-
Foreign currency translation differences	**323,484**	(714)	**860,619**	(217)
	(1,377,025)	(1,156,515)	**(4,532,029)**	(3,834,087)
Changes in non-cash items relating to operations:				
Increase in amounts receivable	**(317,148)**	(304,060)	**(1,064,247)**	(316,560)
Increase in inventory	**(74,703)**	-	**(147,211)**	-
Decrease (increase) in prepaid and other assets	**(60,774)**	5,829	**(156,794)**	(57,832)
Increase (decrease) in accounts payable and accruals	**(227,632)**	874,823	**(1,021,754)**	1,756,979
	(2,057,282)	(579,923)	**(6,922,035)**	(2,451,500)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Purchase of property and equipment (note 12)	**(19,847)**	(14,620)	**(151,861)**	(155,234)
Increase in share subscription receivable	-	-	-	(2,500)
Purchase of equity investments	**(316,666)**	(827,250)	**(1,917,884)**	(1,511,010)
Royalty financing arrangements	**(1,211,500)**	12,222	**(3,962,131)**	(181,966)
Purchase of Intangible assets	-	(51,776)	-	(68,838)
Loans advanced to debtors, net of repayment	**(347,218)**	(1,283,148)	**(1,488,018)**	(2,084,605)
Convertible loans advanced to debtors, net of repayment	-	(638,592)	-	(934,861)
	(1,895,231)	(2,803,164)	**(7,519,894)**	(4,939,014)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Proceeds from shares in private placements, net of issuance costs (Note 20)	-	2,126,261	-	7,627,414
Proceeds from shares in bought deal financing, net of issuance costs (Note 20)	-	-	**10,958,243**	-
Proceeds from issuance of warrants, including broker warrants (Note 20)	-	1,125,000	**2,787,000**	1,125,000
Proceeds from exercise of warrants (Note 20)	**112,500**	-	**404,592**	-
Proceeds from issuance of stock options (Note 20)	-	-	**25,000**	-
Net advances / (repayment to) lenders	-	131,826	-	(426,412)
Tax withholding paid on exercise of restricted share units	**(7,376)**	-	**(84,887)**	-
Decrease in share subscriptions payable	-	-	-	(684,486)
	105,124	3,383,087	**14,089,948**	7,641,516
INCREASE (DECREASE) IN CASH	**(3,847,389)**	-	**(351,981)**	251,002
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**6,441,303**	309,925	**2,945,895**	58,923
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 2,593,914**	$ 309,925	**$ 2,593,914**	$ 309,925

See accompanying notes to the unaudited condensed interim consolidated financial statements.

1. Nature of Operations

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

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

CannaRoyalty is a reporting issuer listed for trading on the Canadian Securities Exchange in the Province of Ontario under the trading symbol "CRZ". During February 2017, CannaRoyalty was listed for trading on the OTCQB markets in the U.S. under the trading symbol "CNNRF". On April 26, 2017, the Company was upgraded to the OTCQX market. 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." ("Bonanza Blue") on August 16, 2000. The Company further changed its name to "CannaRoyalty Corp." on December 5, 2016, prior to the completion of a reverse takeover transaction ("RTO") between Bonanza Blue Corp. and Cannabis Royalties and Holdings Corp. ("CRHC"). CannaRoyalty's head office is located at 333 Preston Street, Preston Square Tower 1, Suite 610, Ottawa, Ontario K1S 5N4.

On March 11, 2016, the Company incorporated Cannroy Delaware Inc. ("Cannroy Delaware"). On May 3, 2016, the Company incorporated Cannroy Distribution LLC ("Cannroy Distribution"), a wholly owned subsidiary of Cannroy Delaware. On September 22, 2016, the Company dissolved Desert Growers Association LLC, an inactive company which had no impact on the Company's consolidated financial statements. In October and November 2016, the Company purchased full or controlling interests in Electric Medialand Inc. ("EML"), Dreamcatcher Labs, Inc. ("Dreamcatcher"), and Achelois LLC ("Achelois"). In June 2017, the company created CR Advisory Services Inc.

2. Going Concern Uncertainty

In the past 12 months, CannaRoyalty has continued to implement its strategy of raising equity financing, significantly growing its portfolio of business holdings and completing a going public transaction. CannaRoyalty's holdings are generally in the early stages of development or commercialization and some operate in the U.S. cannabis sector, a sector that has been legalized by certain U.S. states but remains federally illegal and is subject to legislative uncertainty.

CannaRoyalty has incurred net losses of $7,816,773 for the nine months ended September 30, 2017. As of September 30, 2017, the Company has cash of $2,593,914 and working capital of $5,253,665 which will be used for acquisitions, investment in current holdings and for operational needs. If sufficient revenue cannot be generated from its early stage investees, the Company's ability to fully meet operational needs may be dependent on its ability to obtain financing. While the Company has been successful in raising equity and debt financing in the past, including a recent agreement for a secured credit facility (the "Facility") of $12.0M (note 17), there is no assurance that it will be able to obtain additional financing or that such financing will be available on reasonable terms.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, no adjustments to the carrying values of the assets and liabilities have been made in these audited financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis which may differ materially from the going concern basis.

3. Basis of Preparation

These interim condensed consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, they do not include all of the information and footnotes required under IFRS for complete financial statements. In the opinion of management, these interim condensed consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the Company's financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year. All intercompany accounts and transactions have been eliminated.

The Company's independent auditor has not performed an audit or review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants.

Convertible debt and derivative liabilities are presented as non-current liabilities for the period ended September 30, 2017. This accounting treatment is in accordance with IAS 1, paragraph 69(d), which states that terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. Since the debt is repayable in more than 12 months, it is classified as a non-current liability. The convertible debt and derivative liabilities balances as at December 31, 2016 of $1,414,414 and $100,586, respectively, have been reclassified to non-current liabilities to comply with the presentation adopted in the current year. The reclassification has no impact on the consolidated statements of loss and comprehensive loss, shareholders' equity, cash flows or notes to the consolidated financial statements.

Net changes in accumulated other comprehensive loss for the three and nine-month periods ended September 30, 2017 have been included in other comprehensive loss on the unaudited interim consolidated statement of loss and comprehensive loss. In the three-month period ended March 31, 2017, and the six-month period ended June 30, 2017, the Company did not reflect the change in accumulated other comprehensive loss in the unaudited interim consolidated statement of loss and comprehensive loss. For those periods, the net comprehensive loss should have been reported as follows:

(Expressed in Canadian Dollars)

		Three months ended March 31, 2017		Six months ended June 30, 2017
Net loss for the period	$	(2,053,785)	$	(4,521,296)
Other comprehensive loss for the period				
Foreign currency translation differences		(87,180)		(537,135)
Total comprehensive loss for the period	$	(2,140,965)	$	(5,058,431)

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors (the "Board") on November 27, 2017.

4. Significant Accounting Policies and New Standards

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended December 31, 2016.

Effective January 1, 2017, the Company has adopted the amended disclosure requirements for IAS 7 – Statement of Cash Flow. This results in additional disclosures for liabilities arising from financing activities. Since the amendments were issued one year before the effective date, comparative information is not necessary in the first year of application. These updated disclosures are reflected in note 15 and note 16 of these statements.

Accounting standards and amendments issued but not yet applied

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended September 30, 2017 and have not been applied in preparing these consolidated financial statements.

IFRS 2 – Share-based Payment, effective January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of share-based payment transactions.

IFRS 9 – Financial Instruments: This standard applies to classification and measurement of financial assets and liabilities as defined in IAS 39. This amendment is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is assessing the impact of the standard on its equity investments where it holds less than significant influence and on its impairment testing for financial assets.

Equity investments that are less than significant investments are currently recorded at cost as these are private companies that lack readily available information. Upon implementation of IFRS 9, these investments will need to be recorded at fair value and the Company is currently assessing available information and practicable methods to determine their fair value.

(Expressed in Canadian Dollars)

IFRS 9 introduces a new single expected credit loss ("ECL") impairment model for all financial assets and certain off-balance sheet loan commitments and guarantees. The new ECL model will result in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event. This could have an impact on the Company's loans and advances receivable. The expected credit loss model requires the recognition of credit losses based on 12 months of expected losses for performing loans and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination.

The determination of a significant increase in credit risk takes into account many different factors and will vary by investment. The main factors considered in making this determination are relative changes in probability of default since origination, the Company's credit mitigation processes and certain aging criteria. IFRS 9 requires consideration of past events, current market conditions and reasonable supportable information about future economic conditions, in determining whether there has been a significant increase in credit risk, and in calculating the amount of expected losses.

As a result of the forward-looking nature of the standard, it is expected that the provision for credit losses will become more responsive to changes in the economic environment. We are in the process of developing the analysis required under IFRS 9 and we have not yet quantified the impact on our collective allowance; however, it is possible that there will be an increase in the allowance for credit losses on adoption, which will be recorded in retained earnings.

IFRS 15 – Revenue from Contracts with Customers: This standard establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaces existing revenue guidance including IAS 18 *Revenue.* IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has assessed the impact of the standard and determined there will be no significant impact on current contracts and on revenues recorded prior to the implementation date.

IFRS 16 – Lease: This standard specifies the recognition, measurement, presentation and disclosure of leases. This standard is effective for annual periods beginning on or after January 1, 2019. The Company currently has a long-term lease agreement for office space in Ottawa and manufacturing space in California. Under IFRS 16 these leases would result in an additional right of use asset and lease liability being recorded on the Company's balance sheet.

5. Amounts receivable

	September 30, 2017	December 31, 2016
Trade accounts receivable	**$ 348,131**	$ 163,289
Royalties receivable	**1,205,075**	351,113
HST and sales tax receivable	**-**	17,708
Other receivables	**53,168**	24,060
Total Amounts Receivable	**$ 1,606,374**	$ 556,170

The Company generally does not hold any collateral as security for trade receivables; however, it minimizes its credit risk associated with its trade receivables by requiring customer deposits or prepayments in some cases and performing credit evaluation, approval and monitoring processes. As of September 30, 2017, the allowance for doubtful trade accounts was $13,930 (December 31, 2016 – $nil). In the three and nine-month periods ended September 30, 2017, the Company wrote off balances totalling $2,139 and $8,740 (September 30, 2016 - $nil and $nil).

The aging of trade receivables at the reporting date was:

	September 30, 2017	December 31, 2016

Current	$	**159,999**	$	64,067
Past due: Less than 30 days		**16,912**		-
31 - 60		**7,215**		59,831
61 - 90		**31,912**		21,164
Greater than 90 days		**132,093**		18,227
Total trade accounts receivable	**$**	**348,131**	$	163,289

At September 30, 2017, three customers accounted for 57% of total trade receivables (December 31, 2016 – three customers, 91%). Since September 30, 2017 and through November 20, 2017, the Company has collected $57,714. Management does not believe that any significant trade receivables not provided for are not collectible.

At September 30, the Royalties Receivable were comprised primarily of Cascadia Holdings LLC (“Cascadia”) ($910 thousand) and River ($293 thousand). The Company has yet to collect on its receivable from Cascadia although it expects to fully recover the balance within the next 12 months.

6. Inventory

		September 30, 2017		December 31, 2016
Finished goods	**$**	**237,360**	$	165,558
Work in process		**10,632**		-
Raw materials		**540,569**		475,792
Total Inventory	**$**	**788,561**	$	641,350

For the three and nine months ended September 30, 2017, certain inventory was consumed or written off as part of our product research and development activities, including for testing purposes.

The amount of inventory that was included in cost of sales was $158,044 and $464,460 for the three and nine months ended September 30, 2017. Prior to September 30, 2016, there were no sales of product, and accordingly no costs of sales.

7. Loans receivable

		September 30, 2017		December 31, 2016
Stokes Confections (1)	**$**	**63,334**	$	68,255
Rich Extracts (2)		**3,429,800**		2,428,672
Wagner Dimas (3)		**311,965**		-
Cascadia (4)		**337,177**		364,463
CannaCraft (5)		**65,898**		71,018
Other advances (6)		**-**		10,753
Total Loans Receivable	**$**	**4,208,174**	$	2,943,161

(1) On May 15, 2016, the Company entered into a letter of intent with Progressive Marketing Partners LLC ("Stokes Confections"), which is based in California and produces low dose, cannabis infused edibles. An advance of $63,334 ($50,000 USD) was made as an up-front fee but was to be refunded in full with annual interest of 2.5% if a definitive agreement was not finalized by December 31, 2016. At September 30, 2017, the total receivable includes $974 of accrued interest (December 31, 2016 – $1,050). The advance is unsecured and due on demand. The Company expects to complete a definitive agreement with Stokes Confections in 2018.

(2) On February 9, 2017, CannaRoyalty entered into a binding term sheet regarding a royalty financing arrangement with Rich Extracts LLC (“Rich Extracts”) whereby CannaRoyalty had the right to convert prior advances of $2,681,480 ($2,150,000 USD) into a 30% royalty on Rich Extracts’ gross revenues in perpetuity. As of September 30, 2017, the Company had provided additional advances of $748,320 ($600,000 USD) that will need to be repaid to CannaRoyalty. There are no set repayment terms or interest on these advances. These advances are secured by a general security agreement, whereby the Company has rights to all of Rich Extract’s present and after-acquired personal property. The Company is currently in the process of calling this debt and has not recorded any impairment on any of these advances (see note 28).

(3) On July 5, 2017, $187,080 ($150,000 USD) of unsecured debt was advanced to Wagner Dimas, an equity investee of the Company (note 9). Subsequent to a term sheet entered on September 22, 2017, Wagner Dimas granted CannaRoyalty an option to convert the debt into (i) a Canadian License Grant for a term of 15 years from the date of conversion and (ii) three pre-roll machines. The Canadian License Grant means the grant to CannaRoyalty of an exclusive and assignable license solely for the territory of Canada, including but not limited to, the rights to license its products, processes, brands, machinery and intellectual property. The Canadian License Grant would be subject to a 5% royalty on gross revenue payable from CannaRoyalty to Wagner Dimas. The option to convert is for an indefinite period and the debt is due on demand.

The option to settle payments with the grant of a licence represents an embedded derivative in the form of an option to the Company. There is still significant uncertainty as to when or whether the products and technology that would be granted to CannaRoyalty will be permissible within Canada. Due to this uncertainty the Company has not assigned any value to this embedded derivative at inception.

On September 26, 2017, a promissory note of $124,720 ($100,000 USD) was advanced to Wagner Dimas. This note has interest of 12% per annum and is to be repaid within 3 months of the advance date. As of September 30, 2017, accrued interest of $165 ($132 USD), has been recorded on the note. After the end of the third quarter, a further $124,720 ($100,000 USD) was advanced to Wagner with similar terms as above.

(4) CannaRoyalty has advanced a total of $337,177 ($270,347 USD) to provide Cascadia Holdings LLC (“Cascadia”) additional working capital. Cascadia is one of the Company’s royalty investments. These advances are non-interest bearing, unsecured and have no set terms for repayment.

(5) The Company advanced funds of $311,800 ($250,000 USD) to CannaCraft, Inc. (“CannaCraft”) on May 16, 2016. This advance has been partially offset by the purchase of equipment and product from CannaCraft valued at $245,902 ($197,163 USD). The balance of the advance at September 30, 2017, is $65,898 ($52,837 USD). This advance is not part of the joint venture agreement between the two companies. This advance is non-interest bearing, unsecured and has no set terms for repayment.

(6) An advance of $10,753 ($8,000 USD) was forfeited resulting from the non-completion of a term sheet.

Provision Recovery

During fiscal 2017 the Company received a payment proposal from Santa Barbara Patients Collective and Healing Center (“SBPHC”) in which the debtor would repay the principal portion of a loan of $124,720 ($100,000 USD). A full allowance had been provided against this loan at December 31, 2016. Payments of $32,797 ($25,000 USD) have been received in the first three quarters of fiscal 2017, and bad debt recoveries of the same amount have been recorded within general and administrative expenses for the three and nine months ending September 30, 2017.

(Expressed in Canadian Dollars)

8. Convertible notes receivable

	Notes Receivable		Derivative Assets	
	September 30, 2017	December 31, 2016	**September 30, 2017**	December 31, 2016
Eureka (1)	**$ 466,735**	$ 461,691	**$ 91,477**	$ 102,092
BAS (2)	**400,264**	403,115	**3,529**	12,413
Total	**$ 866,999**	$ 864,806	**$ 95,006**	$ 114,505

(1) During February 2016, the Company entered into a loan agreement with Eureka Management Services Inc. ("Eureka"), a California corporation that managed Magnolia Wellness ("Magnolia"), a medical cannabis dispensary in Oakland, California. The loan was provided to assist Eureka in expanding Magnolia's operations. The loan was made in exchange for a convertible promissory note receivable with a face value of $249,440 ($200,000 USD). During August 2016, the Company advanced a further $249,440 ($200,000 USD) to Eureka as part of a second convertible promissory note. Eureka has a registered security interest in the assets of Magnolia.

Commencing on the third anniversary of the loans (February 2019 and August 2019 respectively), the Company has the option to convert all or part of the principal and accrued interest into a 5% equity interest for each loan for an aggregate stake of up to 10% in Eureka. If the conversion options are not exercised, commencing on the third anniversary date, principal shall be paid monthly in arrears on the last day of each month in equal monthly instalments of $4,167 USD for each loan until paid in full at maturity. Interest accrues at 10% per annum. If the conversion options are not exercised, the accrued interest shall be paid monthly in arrears on the last day of each month in equal monthly instalments. Principal and accrued interest can be repaid in advance without penalty. These notes are pari passu to all other unsecured notes that were part of these financings.

The option to settle payments in common shares represents an embedded derivative in the form of a call option to the Company. This derivative asset is initially recognized by comparing a similar instrument without the conversion option and discounting the fair value of the host contract with the non-convertible instrument interest rate. The fair value of the derivative assets related to both convertible loans total is $91,477 at September 30, 2017 (December 31, 2016 - $102,092).

As at September 30, 2017, the notes receivable totalled $466,735 (December 31, 2016 - $461,691), which includes $57,084 of interest accrued and receivable (December 31, 2016 - $26,143).

(2) During July 2016, CannaRoyalty advanced $394,160 ($300,000 USD) to BAS Research ("BAS") in two separate tranches of $187,080 ($150,000 USD). BAS is a fully licensed and compliant lab and manufacturing and processing facility located in Berkeley, California. Two senior convertible promissory notes were received in exchange.

The loans mature in January 2018 after an eighteen-month term. The notes accrue interest at an annual rate of 7% and can only be prepaid at the option of CannaRoyalty. Upon maturity or at any time after the maturity date, in lieu of demanding payment, CannaRoyalty may at its option and sole discretion, elect to convert all or part of the outstanding principal amount plus any accrued and unpaid interest into a number of shares of BAS common stock or shares of the authorized class of series of preferred stock most recently issued by BAS. If CannaRoyalty elects to convert the notes receivable into common or preferred shares, the potential stake would not result in CannaRoyalty having significant influence over BAS.

(Expressed in Canadian Dollars)

The option to settle payments in common shares represents an embedded derivative in the form of a call option to the Company. This derivative asset is initially recognized by comparing a similar instrument without the conversion option and discounting the fair value of the host contract with the non-convertible instrument interest rate. The fair value of this derivative asset is $3,529 at September 30, 2017 (December 31, 2016 - $12,413).

As at September 30, 2017, the note receivable totalled $400,264 (December 31, 2016 - $403,115) which includes $31,882 of interest accrued and receivable (December 31, 2016 - $12,298).

9. Interest in equity accounted investees

	September 30, 2017	December 31, 2016
Associated Companies		
Resolve (1)	$ **3,262,318**	$ 2,589,202
Wagner Dimas (2)	**984,174**	759,539
Anandia (3)	**4,024,571**	-
	8,271,063	3,348,741
Joint Ventures		
Mobile Medicine (4)	**192,540**	192,540
Total Equity accounted investments	$ **8,463,603**	$ 3,541,281

Associated Companies

(1) On November 16, 2015, a letter of intent was signed between CannaRoyalty, Vida Cannabis Corp. ("Vida"), and Resolve Digital Health Inc. ("Resolve"), whereby CannaRoyalty invested $750,000 in Resolve in return for an 11% equity interest. On April 1, 2016, the Company purchased Vida's rights and obligations to acquire an additional 24% of the common shares of Resolve for consideration of $1,695,000 in CannaRoyalty common shares and cash. Since CannaRoyalty is deemed to have significant influence over Resolve due to its equity interest and its right to appoint a director to Resolve's board, this investment became valued under the equity method. In December 2016, Resolve entered into a subscription agreement with an independent investor which reduced CannaRoyalty's equity interest to 33.3%. In accordance with the equity accounting method this represented a deemed disposal and the Company recorded a gain of $238,050.

On March 28, 2017, CannaRoyalty made an additional equity investment of $80,000 in Resolve. This investment was part of a $5,000,000 financing round at $0.50 per unit. As a result of this financing round, CannaRoyalty's total equity interest was reduced to 27.2% of the non-diluted shares of Resolve. In accordance with the equity accounting method this represented a deemed disposal, and the Company recorded a gain of $1,132,107 which has been included in the profit from equity accounted interests on the statement of operations for the nine months ending September 30, 2017. Based on the share price in this financing, the Resolve shares held by CannaRoyalty had an implied value of approximately $7.1M.

As of September 30, 2017, CannaRoyalty held a 27.2% equity interest in Resolve.

(2) On May 25, 2016, CannaRoyalty acquired a 20% equity interest in Wagner Dimas, Inc. ("Wagner

(Expressed in Canadian Dollars)

Dimas"), a Nevada corporation which has an innovative process for creating highly-scalable machine rolled cannabis cigarettes. The Company purchased 2,000,000 shares of Wagner Dimas for $818,125 ($625,000 USD). On September 22, 2017, a term sheet was concluded committing CannaRoyalty to purchase an additional 2% equity interest in Wagner Dimas from an existing shareholder for $246,780 ($200,000 USD) which was paid on October 6, 2017.

Further to the September 22, 2017 term sheet CannaRoyalty was granted a right of first refusal for a period of two years with respect to any equity, debt or other financing proposed to be completed by the Investee.

As of September 30, 2017, CannaRoyalty held a 22% equity interest in Wagner Dimas.

(3) On February 17, 2017, CannaRoyalty agreed to acquire a 20% fully diluted equity stake 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 agreed to provide aggregate consideration of $4,042,439 in exchange for the 20% equity interest which was satisfied through a combination of $500,000 in equipment and services to be provided by CannaRoyalty later in fiscal 2017, $1,521,218 in cash, and 689,568 CannaRoyalty shares.

CannaRoyalty received 5,079,441 shares of Anandia and an additional 716,941 shares of Anandia are to be issued to CannaRoyalty on delivery of the equipment and related services valued at $500,000. On July 25, 2017, the Company received 487,520 shares of Anandia on, subsequent to the delivery of equipment. This distribution is based on an agreed value of $340,000 for the equipment delivered to Anandia and a share price consistent with the initial agreement. A further 229,421 shares, representing a value of $160,000, will be delivered when the Company provides installation and training services.

As of September 30, 2017, CannaRoyalty held 21.1% of the outstanding shares of Anandia.

The following tables summarize, in aggregate, the financial information of CannaRoyalty's associates as included in their own financial statements, adjusted for fair value at acquisition. The table also reconciles the summarized financial information to the carrying amount of CannaRoyalty's interest at September 30, 2017 and December 31, 2016.

	September 30, 2017	December 31, 2016
Current assets	**$ 8,590,527**	$ 1,158,000
Non-current assets	**28,093,039**	10,466,345
Current liabilities	**(427,260)**	(56,097)
Non-current liabilities	**(746,449)**	-
Net assets	**35,509,857**	11,568,248
Carrying amount of interest in associate	**$ 8,271,063**	$ 3,348,741

	Three Months Ending		**Nine Months Ending**	
	Sept 30, 2017	Sept 30, 2016	**Sept 30, 2017**	Sept 30, 2016
Selected financial results of equity accounted investees				
Revenue	**$ 980,257**	$ 65,000	**$ 2,830,705**	$ 65,000
Loss from operations and total comprehensive loss	**(417,077)**	(72,000)	**(1,182,279)**	(72,000)
Share of profit (loss) from equity accounted investees				
Share of loss and total comprehensive loss	**(130,335)**	(24,852)	**(418,528)**	(24,852)

(Expressed in Canadian Dollars)

Add - gain on deemed disposal after dilution	**-**	-	**1,132,107**	-
CannaRoyalty's profit from equity accounted investees	**$ (130,335)**	$ (24,852)	**$ 713,579**	$ (24,852)

(i) CannaRoyalty's share of profit is based solely on the period from which the company gained significant influence.

Joint Venture

(4) On July 22, 2016, the Company entered into a joint venture with CannaCraft, a California corporation that supplies equipment and cannabis-based medicines. The joint venture is conducted under the name Mobile Medicine, whose purpose is to manufacture and lease mobile gelatin encapsulation machines. CannaCraft will contribute one third of the funds required and will be responsible for the design and manufacturing of the machines. CannaCraft will also manage and operate the machines. CannaRoyalty will contribute two thirds of the funding required for a 50% equity interest, of which $192,540 ($150,000 USD) has been advanced at September 30, 2017 (December 31, 2016 - $192,540).

As of September 30, 2017, the joint venture has incurred capital spending of $215,949 ($166,576 USD), and has yet to begin commercial activity and has not incurred any operating income.

10. Investments

The following table summarizes the Company's investments recorded at cost:

	September 30, 2017	December 31, 2016
AltMed (1)	**$ 1,850,070**	$ 1,850,070
Bodhi (2)	**250,000**	250,000
Eureka (3)	**128,680**	128,680
Farmacopeia (4)	**250,000**	-
Total Investments	**$ 2,478,750**	$ 2,228,750

(1) The Company purchased 1,500 Class A units in Alternative Medical Enterprises, LLC ("AltMed"), a Florida limited liability company focused on medical cannabis. AltMed owns 100% of NuTrae LLC ("NuTrae"), a company developing drug delivery systems and products such as the transdermal patch, a meter-dosing inhaler and aerosolizer, creams, lotions and balms under the MüV brand, an award-winning science focused cannabis consumer brand that is one of the most recognized in North America. In August 2017, AltMed completed a transaction to form AltMed Florida, a company for which it has a 40% equity interest. AltMed also has an interest in a licensed cultivation operation in Arizona, and an interest in a company with real estate and agriculture holdings focused on the cannabis sector in Colorado. The units purchased for $1,850,070 ($1,500,000 USD) represent an 8.3% equity interest which is accounted for at cost. In addition, CannaRoyalty has the exclusive right to license certain of NuTrae LLC's ("NuTrae") award-winning line of MüV cannabis-derived medical products, the MüV Transdermal Patch and MüV Metered Dose Inhaler, in Canada, Puerto Rico, Massachusetts, Washington, Oregon, Nevada and California.

(2) On April 7, 2016, the Company entered into an agreement to purchase a 10% equity interest in Bodhi Research Inc. ("Bodhi") for $250,000. The investee is an Ontario corporation that is conducting research trials for exploring the use of cannabis in the treatment of concussions and post–concussive syndrome.

(3) On May 5, 2016, the Company acquired a 6% equity interest in Eureka. The consideration given was $128,680 ($100,000 USD) for 350,000 common shares in Eureka.

(Expressed in Canadian Dollars)

(4) During July 2017, the Company advanced $250,000 to Farmacopeia Inc. ("Farmacopeia"), a corporation based in the province of Ontario that is under review for a Producer's License from Health Canada under the Access to Cannabis for Medical Purposes Regulations. The advance of $250,000 has been converted into 250,000 shares which represents a 2.1% equity interest in Farmacopeia.

11. Royalty investments

The following is a summary of the CannaRoyalty's royalty investments with related terms and accounting basis:

	Term	**Accounting Basis**	**September 30, 2017**	December 31, 2016
Cascadia (1)	Perpetuity	Cost	**$ 1,047,297**	$ 1,027,866
NuTrae (2)	10 years	Amortized Cost	**1,045,367**	1,130,000
Three Leaf (3)	2 years	Amortized Cost	**100,000**	100,000
Natural Ventures (4)	10 years	Amortized Cost	**336,025**	336,025
River (5)	7 Years	Amortized Cost	**6,489,907**	-
Total			**$ 9,018,596**	$ 2,593,891

The following is a summary of the change in cost and accumulated amortization for the nine months ending September 30, 2017.

Cost	December 31, 2016	Additions	Disposals	**September 30, 2017**
Cascadia (1)	$ 1,027,866	$ 19,431	$ -	**$ 1,047,297**
NuTrae (2)	1,130,000	-	-	**1,130,000**
Three Leaf (3)	100,000	-	-	**100,000**
Natural Ventures (4)	336,025	-	-	**336,025**
River (5)	-	6,828,000	-	**6,828,000**
Rich Extracts (6)	-	2,812,200	(2,812,200)	**-**
Total	$ 2,593,891	$ 9,659,631	$ (2,812,200)	**$ 9,441,322**

Accumulated Amortization	December 31, 2016	Amortization	Fx on Translation	**September 30, 2017**
Cascadia (1)	$ -	$ -		**$ -**
NuTrae (2)	-	(86,356)	1,723	**(84,633)**
Three Leaf (3)	-	-		**-**
Natural Ventures (4)	-	-		**-**
River (5)	-	(324,789)	(13,304)	**(338,093)**
Rich Extracts (6)	-	-	-	**-**
Total	$ -	$ (411,145)	$ (11,581)	**$ (422,726)**
Net Book Value	$ 2,593,891			**$ 9,018,596**

There were no additions to royalty investment for the three months ending September 30, 2017. Amortization for the three months ending September 30, 2017 was $247,782. Amortization had not commenced on any royalties as of September 30, 2016.

(1) During July 2016, CannaRoyalty finalized a royalty agreement with Cascadia. As part of this agreement the Company has provided cash advances totaling $1,047,297 ($806,786 USD), and provided the use of its equipment in consideration for a thirty percent royalty stream on Cascadia's gross revenues in perpetuity. During the first quarter of fiscal 2017 the Company provided advances of $19,431.

Cascadia is incorporated in the state of Washington and is in the business of leasing turnkey built-out solutions to licensed companies that produce and process cannabis products.

This royalty investment has an indefinite life, and in accordance with the Company's accounting policy, is measured at acquisition cost and is reviewed for impairment at each reporting period. Subsequent to September 30, 2017, the Company has engaged a valuator and is currently assessing multiple alternatives for this investment, including and not limited to retaining the current royalty stream or potentially selling all or part of the asset. The Company believes this investment is not impaired.

(2) Pursuant to an agreement dated April 1, 2016 between CannaRoyalty and Vida, the Company purchased the following interests:
- 3.5 % royalty on the net revenue of NuTrae for a period of 10 years, commencing January 1, 2016; and
- Vida's rights and obligations to acquire 50,531 common shares of Resolve (note 9)

The total consideration for this purchase was $2,825,000, of which $1,130,000 was allocated to the NuTrae royalty stream. NuTrae, a wholly owned subsidiary of AltMed (note 9) develops drug delivery systems and products including MüV branded products.

This royalty investment stream is for a definite period and it is recorded at amortized cost. NuTrae has demonstrated commercial operations that earned revenue in February 2017, and accordingly amortization commenced in the three months ending March 31, 2017 and is included within cost of sales on the Consolidated Statement of Loss and Comprehensive Loss.

(3) In accordance with a private placement on March 17, 2016, in which Three Leaf Holdings Corporation ("Three Leaf") subscribed to 666,666 common shares in CannaRoyalty for $500,000, the Company agreed to make an investment in Three Leaf of $100,000. This investment provides the Company a 1.5% royalty on total Three Leaf revenue for a period of two years after March 12, 2016, plus a 2% fee on the gross value of all Three Leaf's referrals for one-year after March 12, 2016.

As this royalty investment stream is for a definite period it is recorded at amortized cost. Three Leaf has yet to demonstrate commercial operations which would result in royalty revenue and therefore this investment has not been amortized.

On April 10, 2017, CannaRoyalty amended its royalty financing arrangement with Three Leaf such that the end of the 2% referral fee period was extended from May 12, 2017 until May 12, 2018. Furthermore, this amendment contained a guarantee whereby if the total royalties earned from the arrangement were less than $100,000 total, Three Leaf would pay the difference to CannaRoyalty. Due to this guarantee and uncertainty whether future royalty revenues will exceed $100,000, the Company will apply future royalty payments against the royalty investment. If royalty payments exceed $100,000 they will then be recorded as royalty revenue.

(4) On December 20, 2016, CannaRoyalty entered into a binding term sheet with Natural Ventures PR, LLC ("Natural Ventures") regarding a royalty financing arrangement of $336,025 ($250,000 USD). Pursuant to the arrangement, Natural Ventures agreed to grant CannaRoyalty a 2.5% royalty on Natural Ventures' net income, and a further 10% referral royalty on revenue generated from products licensed by Natural Ventures from CannaRoyalty for the Puerto Rican market over a 10-year period.

The 10-year period to earn revenue and to record amortization, will begin in the first quarter after Natural Ventures has generated net income, which has yet to occur as of September 30, 2017.

On September 20, 2017, Natural Ventures' Puerto Rican facility sustained damage resulting from Hurricane Maria. The impact of the hurricane on the facility, and on the Puerto Rican economy will likely delay the timing of profitability realization for Natural Ventures.

(5) On May 15, 2017, the Company completed an agreement regarding a strategic financing and other related arrangements with River. River is the first medical cannabis distributor to receive

(Expressed in Canadian Dollars)

local permits for medical cannabis wholesale logistics, distribution and transportation in California.

The agreement included the following components:

- Promissory note financing of $6,828,000 ($5,000,000 USD) to River over fiscal 2017. CannaRoyalty advanced $2,731,200 ($2,000,000 USD) on the execution date to River pursuant to a secured promissory note, which provides first place security, and would advance a further $4,096,800 ($3,000,000) USD during 2017, subject to the satisfaction of certain financial conditions. The repayment of principal and 15% annual interest commences in January 2018.

- A consulting services arrangement which includes the provision of services by CannaRoyalty such as product launch, marketing and development and other services tailored to the California market's demands/needs during the term of the agreement. The compensation payable to CannaRoyalty for consulting services is based on a formula net of any other payments made to CannaRoyalty under the arrangement. This ensures total compensation from River within this arrangement being equal to 2.25% of River's net sales revenues until repayment of the $5,000,000 USD invested, and 1.75% thereafter until December 31, 2024.

- A preferred product distribution arrangement which provides a significant channel for CannaRoyalty's products to access the California market. The arrangement entitles CannaRoyalty to preferential rates on River's distribution services and commits River to acquire $20,000,000 USD of CannaRoyalty branded products over the term of the agreement subject to certain conditions.

As this agreement will result in CannaRoyalty receiving a prescribed benefit based on the revenue earned by River, the components of this agreement combine to make up a royalty investment.

River's payments obligations to CannaRoyalty are not due until January 2018 in accordance with the terms of the agreement.

The purchase price of this royalty investment of $6,828,000 ($5,000,000 USD) is based on the historical exchange rate at the date of the investment. The Company has recorded a liability for the future funding obligations (note 14) as it has purchased an asset.

(6) On February 9, 2017, the Company entered a binding term sheet whereby the company had the right to convert advances of $2,812,200 ($2,150,000 USD) into a 30% revenue royalty with Rich Extracts. Due to recent events the Company has initiated legal action (note 28) and given the Company's ability to recall the debt the balance has been re-classified as a loan receivable (note 7).

12. Property and equipment

The following is a summary of the activity for the nine months ending September 30, 2017:

Cost	December 31, 2016	Additions	Disposals	Impact of f/x	**June 30, 2017**
Extractors	$ 367,826	$ -	$ (196,802)	$ -	**$ 171,024**
Filling machines and labeling system	766,306	-	-	(44,805)	**721,501**
Chillers, condensers, and ovens	97,212	-	(79,478)	-	**17,734**
Lighting equipment	125,344	-	-	-	**125,344**
Furniture, fixtures and leaseholds	56,004	127,010	-	(4,868)	**178,146**
Computers and related equipment	18,431	24,851	-	(86)	**43,196**
Other processing equipment	73,320	-	(16,777)	(2,504)	**54,039**
Total cost	$ 1,504,443	$ 151,861	$ (293,057)	$ (52,263)	**$ 1,310,984**

(Expressed in Canadian Dollars)

Accumulated Amortization	December 31, 2016	Amortization	Disposals	Impact of f/x	**June 30, 2017**
Extractors	$ (42,342)	$ (22,660)	$ 22,390	$ -	**$ (42,612)**
Filling machines and labeling system	(11,684)	(56,094)	-	2,699	**(65,079)**
Chillers, condensers, and ovens	(28,354)	(4,711)	23,181	-	**(9,884)**
Lighting equipment	(14,623)	(16,608)	-	-	**(31,231)**
Furniture, fixtures and leaseholds	(3,191)	(20,295)	-	713	**(22,773)**
Computers and related equipment	(135)	(9,111)	-	-	**(9,246)**
Other processing equipment	(11,002)	(8,251)	3,000	207	**(16,046)**
Total accumulated amortization	$ (111,331)	$ (137,730)	$ 48,571	$ 3,619	**$ (196,871)**
Net Book Value	$ 1,393,112				**$ 1,114,113**

(Expressed in Canadian Dollars)

The amortization for tangible property and equipment has been recorded within the statement of loss and comprehensive loss as follows:

	3 months ending Sept. 30, 2017	3 months ending Sept. 30, 2016	**9 months ending Sept. 30, 2017**	9 months ending Sept. 30, 2016
Cost of sales	**$ 16,563**	$ 36,438	**$ 49,689**	$ 48,422
General and administration	**29,969**	-	**88,041**	-
Total Amortization	**$ 46,532**	$ 36,438	**$ 137,730**	$ 48,422

The Company started to amortize equipment in June 2016 when the equipment became operational. There were no disposals during the three months ending September 30, 2016. As certain equipment is being used by a royalty investee to generate additional revenues some amortization has been included in cost of sales.

As a result of an equity transaction with Anandia Laboratories Inc. ("Anandia") (note 9), equipment with a value of $340,000 was delivered to Anandia in the third quarter of fiscal 2017. This was settled via the issuance of 487,520 Anandia shares to CannaRoyalty on July 25, 2017. These shares were valued at the same cost as the shares acquired on February 25, 2017, as the Company believes that this is the best estimate of their value at July 25, 2017. A net gain of $91,674 was recorded on the disposal of this equipment, which represents the proceeds of $340,000, net of the carrying value of the equipment of $244,486 as well as disposal costs of $3,840.

13. Intangible assets and goodwill

The following is a summary of the intangible balance at September 30, 2017:

	Amortization Period	**Cost**	**Accumulated Amortization**	**Balance at September 30, 2017**
Acquired brands	10 years	$ 2,199,088	$ (201,583)	**$ 1,997,505**
Acquired technology	10 years	4,630,318	(424,446)	**4,205,872**
Employment agreement	5 years	280,645	(51,452)	**229,193**
Product formulations	10 years	315,864	(21,058)	**294,806**
Goodwill	n/a	6,083,019	-	**6,083,019**
Total Intangibles and goodwill		$ 13,508,934	$ (698,539)	**$ 12,810,395**

There have been no additions to intangible assets and goodwill for the three and nine-month periods ended September 30, 2017.

During the three and nine months ended September 30, 2017 amortization expense has been charged as follows:

	Three months ending September 30, 2017	**Nine months ending September 30, 2017**
Acquired brands	**$ 55,258**	**$ 173,483**
Acquired technology	**116,350**	**365,280**
Employment agreement	**14,032**	**42,097**
Product formulations	**7,423**	**20,553**
Total amortization expense	**$ 193,063**	**$ 601,413**

(Expressed in Canadian Dollars)

There were no intangible assets as of September 30, 2016, and accordingly no amortization for the three and nine months ended September 30, 2016.

Intangible assets and goodwill will be tested for annual impairment during the fourth quarter of fiscal 2017.

The amortization of the intangible assets is classified as a separate line within operating expense.

14. Amounts payable and accrued liabilities

Amounts payable and accrued liabilities consist of the following:

		September 30, 2017		December 31, 2016
Trade accounts payable	**$**	**146,819**	$	1,148,036
River investment obligations (1)		**2,494,400**		-
Purchase of Wagner Dimas equity (2)		**249,440**		-
Purchase consideration payable (3)		**66,667**		133,333
Management bonus payable (4)		-		165,427
Other accrued liabilities		**792,789**		437,008
Other payables		**39,541**		2,385
Total amounts payable	**$**	**3,789,656**	$	1,886,189

(1) As discussed in note 12, the Company entered into a royalty based arrangement with River during the second quarter of fiscal 2017. As part of this arrangement, the Company is still required to make $2,494,400 ($2,000,000 USD) of payments to River which will be paid by December 31, 2017.

(2) On September 22, 2017, the Company committed $249,440 ($200,000 USD) to purchase an additional 2% equity interest in Wagner Dimas (note 9) from an existing shareholder. This was paid subsequent to the end of the quarter.

(3) The purchase consideration payable pertains to cash owing to the former shareholders of EML.

(4) The management bonus payable pertains to a bonus owing to an executive officer for services rendered to EML prior to its acquisition date. This liability was fully paid in the first quarter of fiscal 2017.

15. Loan payable

On November 30, 2016, in connection to CannaRoyalty's acquisition of a 70% membership interest in Achelois LLC ("Achelois"), a promissory note for $419,059 ($336,000 USD) was issued by Achelois to its founding shareholder. The note bears interest at 0.66% per annum and is fully repayable by November 30, 2017. The loan payable balance is $421,330 at September 30, 2017 which includes accrued interest of $2,389 (December 31, 2016 - $nil).

(Expressed in Canadian Dollars)

The following is a reconciliation of the loan payable activity for the nine months ended September 30, 2017.

Balance at January 1, 2017	**$**	**451,618**
Accrued interest		2,389
Impact of foreign exchange		(32,677)
Balance at September 30, 2017	**$**	**421,330**

16. Convertible debt

On October 19, 2016, the Company issued and sold a secured convertible debenture to Aphria Inc. ("Aphria"), a publicly traded, licensed medical marijuana producer in Ontario, for $1,500,000. The debenture matures on October 19, 2019, is secured by the assets of the Company and bears interest at 5% per annum payable annually. It is convertible by Aphria, in whole or in part, into common shares of the Company at a conversion rate of $2.00 per share at any time prior to maturity.

The option to settle payments in common shares represents an embedded derivative in the form of a put option to the Company and was valued at $138,417 at inception. The derivative liability was valued at $507,453 as at September 30, 2017 (December 31, 2016 - $100,586). At September 30, 2017, the convertible loan payable totalled $1,426,118 and included $64,535 of accrued interest (December 31, 2016 - $1,414,414 including $15,000 accrued interest).

The following is a reconciliation of the convertible debt for the nine months ended September 30, 2017.

Balance at January 1, 2017	**$**	**1,414,414**
Accrued interest		49,535
Reversal of change related to derivative		(37,831)
Balance at September 30, 2017	**$**	**1,426,118**

The change in the value of the derivative for the nine months ended September 30, 2017 was $369,036 (period ended September 30, 2016 – nil) and is included in other income on the consolidated statement of loss and comprehensive loss.

17. Secured Credit Facility

On August 23, 2017, the Company executed an agreement with Sprott to complete a $12.0M financing. The financing is comprised of a revolving $12.0M secured credit facility ("the Facility") with a three-year term. The Facility will bear interest at an annual rate of 10%, payable quarterly in cash or CannaRoyalty shares. If the interest is repaid in CannaRoyalty shares, the share price will be determined based on a 10% discount of the volume weighted average price in the five trading days immediately prior to the second last business day of the quarter.

The Facility has general security agreement executed by the Company in favour of the Lender, pursuant to which the Company grants to and in favour of the Lender a first priority security interest over all of its present and after-acquired personal property, subject only to permitted encumbrances;

The agreement contains general business maintenance and procedural covenants, including the following significant items:

- On a consolidated basis, the company must maintain Working Capital more than $2,000,000 at all times

- No proceeds from the Facility shall be transferred to the United States or a US person, commingled with funds relating primarily to transactions in the United States or with a US person, or otherwise used for business or any other purpose in the United States or with a US person

As of September 30, 2017, the Company had yet to draw any funds from this Facility.

On November 23, 2017, the Company received its first draw of $3,000,000 from the Facility and intends to use the funds for general corporate purposes.

Issuance of Warrants

In connection with the Facility, CannaRoyalty issued Sprott 1,800,000 non-transferable common share purchase warrants which were valued at $1,922,400. The warrants are exercisable for $2.05 per warrant, in whole or in part for a 36-month period following the date of issuance. These warrants were valued using the Black Scholes model with the following key assumptions; a grant price of $2.05, exercise price of $2.05, volatility of 80% based on comparable industry benchmarks, life of 3 years, and a risk-free interest rate of 1.27%.

When debt is issued under the Facility, this balance will be applied against the liability for the amount drawn. The initial value of these warrants will be amortized into interest expense over the three-year life of the Facility. In the third quarter of fiscal 2017, amortization was $68,469.

The current value of the warrants of $1,853,931, which represents the original value of $1,922,400 net of amortization of $68,469.

18. Lease Commitment

During the third quarter, the Company entered a sublease in Santa Rosa, California for its CR Brands Division. The sub lease which started on September 21, 2017 is for a 36-month term with monthly base rent of $21,809 ($17,500 USD); rent will increase annually based on a CPI index. The Company has the option to extend the lease for two additional 36-month periods. This is accounted for as an operating lease under IAS-16.

(Expressed in Canadian Dollars)

19. Related party transactions

The following is a summary of the related party balances payable and receivable as of September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Purchase consideration owing to key management (note 14)	**$ 66,667**	$ 133,333
Travel reimbursements owing to key management	**1,367**	7,136
Travel reimbursements owing to directors of the Company	**4,640**	13,969
Management bonus assumed on EML acquisition (note 14)	**-**	165,427
Total	**$ 72,674**	$ 319,865

The following is a summary of the related party transactions for the three and nine months ending September 30, 2017 and September 30, 2016:

	Three months ending September 30, 2017	Three months ending September 30, 2016	**Nine months ending September 30, 2017**	Nine months ending September 30, 2016
Consulting fees (1)	**$ -**	$ 98,318	**$ -**	$ 681,443
Professional fees (1)	**-**	39,833	**-**	140,048
Rent and occupancy costs (2)	**11,268**	-	**33,785**	-
Total	**$ 11,268**	$ 138,151	**$ 33,785**	$ 821,491

(1) The consulting and professional fees were paid to third party companies owned by the CEO and CFO.
(2) Rent and occupancy costs pertain to charges paid by a subsidiary for office space owned by an executive officer of the company.

20. Share capital

Authorized:

Unlimited number of common shares

Issued:

42,391,900 common shares.

The following table lists all share issuances for the three and nine months ended September 30, 2016 and September 30, 2017.

(Expressed in Canadian Dollars)

	Number	Amount
Balance as at January 1, 2016	**13,020,010**	**$ 2,608,390**
Shares issued in connection with private placement for $0.75 per share – March 17, 2016 (net of share issuance costs of $51,968)	3,333,333	2,448,032
Balance as at March 31, 2016	**16,353,343**	**$ 5,056,422**
Shares issued in connection with services rendered (1) – April 12, 2016	1,300,000	975,000
Shares issued in connection with private placement for $0.75 per share (2) – June 7, 2016 (net of share issuance costs of $21,879)	3,000,000	2,228,122
Shares issued in connection with the exercise of vested share units (3) – June 28, 2016	100,200	75,150
Balance as at June 30, 2016	**20,753,543**	**$ 8,334,694**
Shares issued in connection with the purchase of interests from Vida (4) – July 4, 2016 for $0.75 per share	3,500,000	2,625,000
Shares issued in connection with private placement for $0.75 per share (2) – July 15, 2016 (net of share issuance costs of $11,996)	665,000	486,754
Shares issued in connection with private placement for $0.75 per share (2) – July 28, 2016 (net of share issuance costs of $24,479)	1,072,735	780,073
Shares issued in connection with a convertible loan from shareholder - August 18, 2016	220,000	165,000
Shares issued in connection with the exercise of warrants at $1.50 (5)– August 24, 2016	750,000	1,125,000
Shares issued to Aphria at $2.00– September 28, 2016	250,000	500,000
Balance as at September 30, 2016	**27,211,278**	**$ 14,016,521**

(1) On April 12, 2016, the Company issued 1,300,000 common shares valued at $975,000 to certain Company officers and consultants in consideration for services rendered.

(2) On June 7, 2016, the Company closed a private placement, issuing 3,000,000 units of the Company valued at $1.00 per unit for gross proceeds of $3,000,000. On July 15, 2016, the Company closed financing at $1.00 per unit issuing 665,000 units of the Company for gross proceeds of $665,000. On July 28, 2016, the Company closed a financing at $1.00 per unit issuing 1,072,735 units of the Company for gross proceeds of $1,072,735.

Each unit above was comprised of one common share of the Company and one half of one share purchase warrant. Each whole share purchase warrant is exercisable for one common share of the Company at a price of $1.50 and will expire 18 months subsequent to the issuance of the $1.00 unit.

(3) On June 28, 2016, the Company issued 83,500 common shares in the Company to the CEO and 16,700 common shares in the Company to a former CFO under the Company's share unit plan (note 19).

(4) Pursuant to a binding letter agreement dated April 1, 2016 with Vida, the Company purchased certain interests from Vida. In consideration for these interests, the Company issued 3,500,000 of its common shares to Vida valued at $2,625,000 ($0.75 per share) on July 4, 2016.

(5) On August 24, 2016, Aphria exercised 750,000 common share purchase warrants for $1.50

(Expressed in Canadian Dollars)

per warrant for gross proceeds of $1,125,000.

	Number	Amount
Balance as at January 1, 2017	**36,006,956**	**$ 30,636,253**
Shares issued in connection with the exercise of share options at $1.00 per share - January 17, 2017	25,000	53,414
Shares issued in connection with a bought deal financing at $2.52 per share - February 15, 2017 (6) (net of share issuance costs of $1,249,951 and value of broker warrants of $387,000)	5,000,000	10,963,049
Shares issued in connection with Anandia purchase at $2.93 per share (7) - February 17, 2017	689,568	2,021,222
Shares issued in connection with exercise of warrants - February 24, 2017	19,500	29,250
Shares issued in connection with exercise of RSUs - March 24. 2017	15,400	30,800
Balance as at March 31, 2017	**41,756,424**	**$ 43,733,988**
Further issuance costs from February financing	-	(4,806)
Shares issued in connection with exercise of $1.50 and $2.00 warrants	143,921	262,842
Shares issued in connection with exercise of RSUs - June 30. 2017	48,150	75,488
Balance as at June 30, 2017	**41,948,495**	**$ 44,067,512**
Shares issued for consulting services - July 10, 2017 at $2.55 per share	11,765	30,000
Shares issued in connection with exercise of $1.50 warrants - July 2017	75,000	112,500
Shares issued in connection with prior share subscription (8) - August 24, 2017 - subscribed at $2.05 per share	243,902	500,000
Shares issued after share swap transaction adjustment (9) - August 24, 2017	89,500	204,060
Shares issued in connection with exercise of RSUs - September 2017	23,238	60,811
Balance as at September 30, 2017	**42,391,900**	**$ 44,974,883**

(6) On February 15, 2017, CannaRoyalty closed an equity financing offering of an aggregate of 5,000,000 units at a price of $3.00 per Unit, for aggregate gross proceeds to CannaRoyalty of $15,000,000. Each unit was comprised of one CannaRoyalty share and half of one CannaRoyalty share purchase warrant. Each half share purchase warrant was valued at $0.48, leaving a value of $2.52 for each common share. Furthermore, as part of this financing 300,000 broker warrants with a value of $1.29 per warrant or $387,000 total were issued.

(7) On February 17, 2017, CannaRoyalty closed a 20% equity interest purchase agreement with Anandia (see note 9) which included share consideration of $2,021,222. As per the agreement, 682,097 common shares were issued to Anandia at a price of $2.93.

The share price was based on the volume weighted average price of the shares in the ten days prior to closing. A further 7,471 common shares were issued at closing to maintain the Company's 20% equity interest. These shares were valued at $2.84 based on the prior day closing price.

(8) In connection with a letter of intent with Zenabis Limited Partnership ("Zenabis"), Zenabis paid $500,000 to CannaRoyalty during November 2016. This payment was made to subscribe to 243,902 shares. These shares were issued on August 24, 2017.

(Expressed in Canadian Dollars)

(9) On August 24, 2017 CannaRoyalty issued 89,500 shares as an adjustment to the consideration for not completing a share swap that was contemplated in the letter of intent. These shares were valued based on the prior day closing share price and $204,060 has been recorded in the consolidated statement of loss and comprehensive loss as penalties from non-completion of transactions.

Issued and Outstanding Share Purchase Warrants

As of September 30, 2017, the outstanding share purchase and broker warrants could potentially be exercised for a total of 5,475,212 common shares (December 31, 2016 – 1,113,633). These outstanding warrants are classified as a warranty reserve totalling $5,180,306 (December 31, 2016 - $628,623).

The following tables summarize the movement of warrants for the nine-month periods ended September 30, 2016 and September 30, 2017:

	Number of warrants	Grant date value	Weighted average exercise price
Outstanding and exercisable at January 1, 2016	**-**	**$ -**	**$ -**
Grants	2,368,868	0.50	1.50
Exercises	(750,000)	0.50	1.50
Outstanding and exercisable at September 30, 2016	**1,618,868**	**$ 0.50**	**$ 1.50**

	Number of warrants	Grant date value	Weighted average exercise price
Outstanding and exercisable at January 1, 2017	**1,113,633**	**$ 0.56**	**$ 1.58**
Grants	4,600,000	1.02	3.44
Exercises	(238,421)	0.66	1.70
Outstanding and exercisable at September 30, 2017	**5,475,212**	**$ 0.95**	**$ 3.14**

No share purchase warrants were issued in the three-month period ended September 30, 2017. (September 30, 2016 – 868,868) During the three months ended September 30, 2017, 75,000 warrants were exercised (September 30, 2016 – 750,000).

The warrants reserve of $5,180,305 at September 30, 2017 (December 31, 2016 - $628,623), is based on the number of outstanding warrants and their weighted average grant date value.

In connection with the equity financing completed on February 15, 2017, an aggregate of 5,000,000 units at a price of $3.00 per unit were issued. Each unit was comprised of one CannaRoyalty common share and half of one CannaRoyalty share purchase warrant. Each full share purchase warrant is exercisable to acquire one common share for a period of two years following the closing date of the offering, at an exercise price of $4.50. Each half share purchase warrant was valued at $0.48, and accordingly the 2,500,000 full share purchase warrants were valued at $0.96 each. These warrants were valued using the Black Scholes model with the following key assumptions; a grant price of $2.95 based on the average closing price the five days before the offering was completed, volatility of 82% based on comparable industry benchmarks, and a risk-free interest rate of 0.73%.

An additional 300,000 broker warrants were issued as part of the equity financing completed on February 15, 2017. These broker warrants can be exercised for $3.00 per share and will expire within 2 years, or February 15, 2019. The value of these warrants was $1.29 per share, or $387,000 total, which was valued using the Black Scholes model with the following key assumptions; a grant price of $2.95 based on the average closing price the five days before the offering was completed, volatility of 82% based on comparable industry benchmarks, and a risk-free interest rate of 0.73%.

(Expressed in Canadian Dollars)

As disclosed in note 17 to these consolidated financial statements, 1,800,000 share purchase warrants were issued to Sprott as part of a secured credit facility arrangement. These warrants were valued at $1,922,400 in aggregate, or at $1.07 per warrant using the Black Scholes model. These shares expire on June 19, 2019 and are not exercisable until August 23, 2017 which is the date the Facility became available to CannaRoyalty.

The following is a summary of the expiry dates of outstanding warrants as at September 30, 2017. On average, the warrants will expire in 1.65 years.

Expiry date	Warrants outstanding and exercisable		Exercise price
December 7, 2017	400,000	$	1.50
January 15, 2018	257,500		1.50
January 28, 2018	136,493		1.50
October 4, 2018	81,219		2.00
February 15, 2019	300,000		3.00
February 15, 2019	2,500,000		4.50
June 19, 2020	1,800,000		2.05
Total	5,475,212	$	3.12

Subsequent to September 30, 2017, proceeds of $221,250 have been received for the exercise of 147,500 warrants.

Shares to be Issued and Contingent Shares

In connection with a letter of intent with Zenabis, Zenabis paid $500,000 to CannaRoyalty during November 2016. This payment was made to subscribe to 243,902 shares. These shares were issued on August 24, 2017.

In connection with the acquisition of Dreamcatcher on October 24, 2016, CannaRoyalty potentially needed to issue an additional 2,000,000 common shares to the former shareholders of Dreamcatcher. These issuances were contingent on Dreamcatcher meeting specific targets six months after the acquisition date and twelve months after the acquisition date. At the acquisition date, the contingent consideration was deemed to be an equity instrument and was valued at $4,020,000. As a result of the April 24, 2017 targets not being met, 1,000,000 shares will not be issued and $2,010,000 was transferred to contributed surplus in the quarter ending June 30, 2017. The remaining balance of $2,010,000 remains in contingent shares at September 30, 2017. The twelve-month target date was October 24, 2017 and the Company has determined that the targets were not met and will not be issuing 1,000,000 shares. Accordingly, $2,010,000 will be transferred to contributed surplus in the fourth quarter of fiscal 2017.

21. Share unit plan and share option plan

On April 29, 2016, the Company established a share unit plan to provide directors, officers, consultants, or employees involved in the Company, the opportunity to acquire share units to allow them to participate in the long-term success of CannaRoyalty.

The share unit plan provides for a maximum number of common shares issuable. The ceiling is set at a rolling maximum of 10% of the Company’s issued and outstanding shares. At September 30, 2017, a total of 1,124,940 Restricted Stock Units (“RSUs”) were available for grant.

(Expressed in Canadian Dollars)

The number of share units granted, and any applicable vesting conditions are determined at the discretion of the CannaRoyalty Board or a compensation committee of the Board. The termination provisions under the share unit plan provide for automatic vesting of any unvested RSUs in the event of retirement, death, disability, termination without cause (except for RSUs with performance conditions), and change in control.

Summary of Activity

The following table provides a summary of the movement in RSUs during the three and nine months ended September 30, 2017 and September 30, 2016:

	Three Months Ending Sept 30, 2017		Three Months Ending Sept 30, 2016		**Nine Months Ending Sept 30, 2017**		Nine Months Ending Sept 30, 2016	
	Amount	**Value**	Amount	Value	**Amount**	**Value**	Amount	Value
Outstanding, Beginning of Period	**$ 3,053,028**	**$ 1.93**	$ 199,800	$ 0.75	**$ 2,774,800**	**$1.73**	-	$ -
Granted	**79,760**	**2.44**	1,000,000	1.50	**539,638**	**2.98**	1,300,000	1.33
Settled in common shares	**(23,238)**	**2.62**	-	-	**(86,789)**	**1.93**	(100,200)	0.75
RSU's withheld as tax on exercise	**(3,067)**	**2.71**	-	-	**(34,500)**	**2.06**	-	-
Forfeitures	**(13,333)**	**2.71**	-	-	**(99,999)**	**2.09**	-	-
Outstanding, End of Period	**$ 3,093,150**	**$ 1.93**	$ 1,199,800	$ 1.44	**$ 3,093,150**	**$1.93**	$ 1,199,800	$ 1.44

(1) Value is defined as the weighted average fair value of the RSU's at the Grant Date

Of the outstanding RSUs at September 30, 2017, 1,546,920 have vested and have not been exercised. The 1,546,230 unvested RSUs will vest in an average of 0.76 years.

As of September 30, 2017, the Company has committed to issue RSUs with a total value of $52,750 to two consultants. The RSUs will only be issued if the consultants continue to provide services between the agreement start date and a specified date, ranging from December 5, 2017 to April 30, 2018. The number of RSUs issued will be determined by the volume weighted average trading price of CannaRoyalty shares for the five proceeding days. Since the value of the RSUs is fixed, this is considered an equity instrument under IFRS 2, and the value of these shares has been amortized from the service start date to the specified receiving date. As of September 30, 2017, the Company has recorded an RSU expense of $21,230 related to these RSUs.

The following is a summary of the RSU expense by function for each accounting period:

	Three Months Ending September 30		**Nine Months Ending September30**	
	2017	2016	**2017**	2016
General and administrative	**$ 618,244**	$ 582,266	**$ 2,239,692**	$ 671,651
Sales and marketing	**64,743**	-	**$ 211,345**	-
Research and Development	**12,157**	-	**$ 48,319**	-
Outstanding, End of Period	**$ 695,144**	$ 582,266	**$ 2,499,356**	$ 671,651

Stock Options

At the completion of the RTO transaction the Company adopted, on the same terms, a stock option plan. This plan provides for a maximum number of common shares issuable with the ceiling set at a rolling maximum of 10% of the Company’s issued and outstanding shares. At September 30, 2017, a total of 4,239,190, stock options were available for grant.

As of September 30, 2017.there are no stock options outstanding, Subsequent to September 30, 2017 the Company issued 50,000 stock options to a consultant.

(Expressed in Canadian Dollars)

During the first quarter of this year, 25,000 stock options were exercised by a director of Bonanza Blue. These options were issued as part of the RTO transaction completed in fiscal 2016.

22. Net loss and Comprehensive loss per share

	Three months ended		Nine months ended	
	Sept. 30, 2017	Sept 30, 2016	**Sept. 30, 2017**	Sept 30, 2016
Numerator for basic and diluted loss per share:				
Net loss for the period	**$ (3,295,477)**	$ (1,867,659)	**$ (7,816,773)**	$(4,646,500)
Total comprehensive loss for the period	**(3,618,961)**	(1,866,945)	**(8,677,392)**	(4,646,283)
Denominator for basic loss per share:				
Weighted average number of common shares outstanding	**42,156,344**	25,814,087	**40,961,436**	19,247,759
Effect of potential dilutive securities (1)	**-**	-	**-**	-
Adjusted denominator for diluted loss per share	**42,156,344**	25,814,087	**40,961,436**	19,247,759
Basic and diluted net loss per share	**$ (0.08)**	$ (0.07)	**$ (0.19)**	$ (0.24)
Basic and diluted total comprehensive loss per share	**$ (0.09)**	$ (0.07)	**$ (0.21)**	$ (0.24)

(1) Excluded from the calculation of diluted net loss per share for the three and nine months ended September 30, 2017 were the securities from convertible debt (note 17), exercisable warrants (note 20), vested RSU's (note 21) and subscribed and contingent shares (note 20). Excluded from the calculation of diluted net loss per share for three and nine months ended September 30, 2016 was the securities from exercisable warrants (note 20) and vested RSU's (note 21). These items were excluded as they were anti-dilutive.

23. Income taxes

The Company has a deferred tax liability of $2,588,528 (December 31, 2016 - $3,001,766) related to the acquisition of various intangible assets which are measured based on the tax rates in the respective jurisdictions at September 30, 2017.

For the three and nine months ended September 30, 2017, the Company recognized a deferred tax recovery related to the amortization of these intangible assets of $73,649 and $230,702, respectively (September 30, 2016 - $nil and $nil).

24. Fair value of financial instruments

The following table sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below. Unless otherwise noted, carrying values approximate fair values for each financial instrument:

	September 30, 2017	December 31, 2016
Fair value through profit or loss assets (liabilities):		
Cash	**$ 2,593,914**	$ 2,945,895
Derivative assets	**95,006**	114,505
Derivative liabilities	**507,453**	100,586
Loans and receivables:		
Loans receivable	**4,208,174**	2,943,161

(Expressed in Canadian Dollars)

Amounts receivable	**1,606,374**	556,170
Convertible notes receivable	**866,999**	864,806
Available for sale financial assets:		
Investments (1)	**2,478,750**	2,228,750
Financial liabilities at amortized cost:		
Amounts payable	**253,027**	1,449,181
Loans payable	**421,330**	451,618

(1) certain investments are recorded at cost (note 10)

Determination of fair value

The estimated fair values of cash, trade and amounts receivable, loans receivable, loans payable, and trade and amounts payable approximate their carrying values due to the relatively short-term nature of the instruments.

Fair value measurements recognized in the consolidated statements of financial position must be categorized in accordance with the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments carried at fair value consist of cash (Level 1) and derivative assets and liability (Level 2). The embedded derivatives are valued using observable market inputs such as prime rate of borrowing and the Company's stock price. Valuation techniques using non-observable market inputs (Level 3) were not used as at September 30, 2017 or December 31, 2016. The Company has not transferred any financial instruments between Level 1, 2 or 3 of the fair value hierarchy during the three months ended September 30, 2017.

25. Segmented information

CannaRoyalty operates under one reporting segment.

During the three and nine months ended September 30, 2017 and 2016 the Company has generated the following types of revenues:

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

(Expressed in Canadian Dollars)

Two parties generated 70% of the total revenue for the three months ended September 30, 2017, (September 30, 2016 – one party, 90%) the largest accounting for 42%. Three parties generated 67% of the total revenue for the nine months ended September 30, 2017 (September 30, 2016 – one party, 87%), the largest accounting for 31%.

Interest income is recorded in revenue since providing capital to potential developing companies in the cannabis industry is part of CannaRoyalty's business mandate.

The cost of sales related to each type of revenue is as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Cost of product sales	**$ 327,986**	$ -	**$ 688,917**	$ -
Cost of services	**23,961**	-	**61,656**	-
Cost of royalties	**264,345**	36,438	**460,833**	48,422
Total	**$ 616,292**	$ 36,438	**$ 1,211,406**	$ 48,422

Revenues by Operating Division

The Company has three main operating Divisions consisting of CR Brands, CR Advisory Services and CR Holdings.

The following table is a summary of revenues by operating verticals for three and months ended September 30, 2017 and 2016:

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

Geographic segments

The following table is a summary of revenues by geographic segments for three and nine months ended September 30, 2017 and 2016:

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Canada	$ 8,040	$ -	$ 25,867	$ -
United States of America	736,262	127,707	1,979,703	140,125
Total	$ 744,302	$ 127,707	$ 2,005,570	$ 140,125

The geographic segment is based on the location of the purchased of goods or services or the head office of the royalty issuer.

The Company's corporate and administrative offices are in Canada. As of September 30, 2017, $221,930 of the Company's property and equipment is in Canada (December 31, 2016 – $27,607). The remainder of the property and equipment is in the United States.

(Expressed in Canadian Dollars)

26. General and administrative Expense

	Three months ended September 30, 2017	Three months ended September 30, 2016	**Nine months ended September 30, 2017**	Nine months ended September 30, 2016
Accounting & audit fees	**$ 110,906**	$ 102,974	**$ 341,076**	$ 212,656
Bad debt	**5,951**	65,585	**(7,268)**	65,585
Advisory & consulting fees	**85,612**	343,231	**418,310**	1,555,171
Legal fees	**123,911**	481,555	**355,719**	653,096
Office & administration costs	**254,110**	39,594	**566,760**	83,370
Salary-based compensation	**629,230**	-	**1,759,276**	-
Stock-based compensation	**618,244**	582,266	**2,267,535**	671,651
Depreciation	**6,593**	-	**24,257**	-
Travel	**109,118**	55,059	**332,932**	167,866
Total	**$ 1,943,675**	$ 1,670,264	**$ 6,058,597**	$ 3,409,395

27. Capital management

The Company's capital is composed of its shareholders' equity. The Company's objective in managing its capital is to ensure financial stability and sufficient liquidity to increase shareholder value through organic growth and active support of its current interests, future acquisitions and royalty financing arrangements, and investment in marketing and product development. The Company's senior management is responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and investments to support its growth strategy. The Board is responsible for overseeing this process. To maintain or adjust its capital structure, the Company could issue new shares, repurchase shares, approve special dividends or issue debt.

28. Subsequent Events

During August 2017, a claim was filed against Rich Extracts by CURA, a raw materials supplier for payment of debts owing by Rich Extracts. The claim also included CannaRoyalty and a subsidiary with respect to any royalty payments made by Rich Extracts to CannaRoyalty. CannaRoyalty did not have any exposure under this claim as it had not received any royalty payments. CannaRoyalty successfully negotiated a settlement agreement between the two parties, but Rich Extracts was subsequently unable to successfully deliver on the terms of the settlement.

On November 8, 2017, Rich Wilkinson, the principal of Rich Extracts, was arrested in Nebraska for possession of marijuana with intent to distribute. On November 15, 2017, the Oregon Liquor Control Commission ("OLCC") suspended the Recreational Marijuana processor license of Rich Extracts based on allegations of several violations. Wilkinson is currently prohibited from allowing the sale, delivery to or from, or receipt of marijuana items at Rich Extracts until further notice from the OLCC. The licensed premises and all marijuana products located therein have been secured by law enforcement authorities.

These developments have accelerated the Company's efforts to enforce on its security interest in Rich Extracts. CannaRoyalty, through local counsel, has been in contact with the OLCC and local law enforcement. As the license has been suspended but not revoked, CannaRoyalty intends to work with the OLCC and relevant state authorities to take all available legal action to realize its security over the license and the Rich Extracts extraction facility.

CannaRoyalty believes the underlying asset is sound in terms of licensed capability and investment and that the securitized value of this asset, in particular its commercial cannabis producing license, may have significant value. Mr. Wilkinson's status may facilitate the Company's ability to realize on its security interest. If the Company is successful in enforcing its security over the licensed facility, the recovery value may exceed the value of CannaRoyalty's current advances to Rich Extracts of $3,429,800 ($2,750,000 USD) which are disclosed in note 7 of these financial statements. As management is currently assessing the situation and its impact on recoverable values, no impairment has been recorded as of September 30, 2017.