

CannaRoyalty Corp.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

Dated: April 12, 2017

This CannaRoyalty Corp. (the "Company" or "CannaRoyalty") Management's Discussion and Analysis ("MD&A") is dated April 12, 2017. The MD&A should be read in conjunction with the Company's audited consolidated financial statements (the "Financial Statements") for the nine months ended December 31, 2016, including the accompanying notes.

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars, except share amounts. The Company prepared this MD&A of the Financial Condition and Results of Operations with reference to National Instrument 52-109 – Continuous Disclosure Obligations of the Canadian Securities Administrators ("NI 52-109"). This MD&A provides information for the nine months ended December 31, 2016 and up to and including April 12, 2017.

The Financial Statements and this MD&A have been approved by the Company's Board of Directors.

The accompanying Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and include the accounts of the Company and its wholly-owned subsidiaries or controlling equity interests including Electric Medialand Inc. ("EML") located in Canada, and Cannroy Delaware Inc. ("Cannroy Delaware"), Cannroy Distribution LLC ("Cannroy Distribution"), Dreamcatcher Labs Inc. ("Dreamcatcher"), Green Rock Botanicals Inc. ("GreenRock"), and Achelois LLC ("Achelois") located in the United States of America. All inter-company balances and transactions have been eliminated on consolidation.

Additional information filed by us with the Canadian Securities Administrators is available on-line at www.sedar.com and also on the Company's website at www.cannaroyalty.com.

HIGHLIGHTS FOR NINE MONTHS ENDING DECEMBER 31, 2016

- Revenues were \$642,277 for the nine months ending December 31, 2016, compared to \$nil for the for the year ended March 31, 2016.
- Cash and cash equivalents were \$2,945,895 at December 31, 2016, as compared to \$6,157 at March 31, 2016.
- Net loss of \$10,314,475 and a net loss per share of \$0.41 for the nine months ended December 31, 2016, as compared to a loss of \$3,032,938 and net loss per share of \$0.26 for the year ended March 31, 2016.
- Current assets of \$7,197,410 at December 31, 2016, as compared to \$223,772 at March 31, 2016.
- Adjusted EBITDA loss for the nine months ended December 31, 2016, was \$6,132,014 as compared to \$2,830,402 for the year ending March 31, 2016.

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RECENT DEVELOPMENTS

Acquisition of 20% Equity Interest in Anandia Laboratories Inc.

On February 17, 2017, CannaRoyalty closed the acquisition of a 20% equity stake in Anandia Laboratories Inc. ("Anandia"). The Company provided aggregate consideration of \$4,042,439 in exchange for this through a combination of \$500,000 in equipment and services to be provided in the second quarter of fiscal 2017, \$1,521,218 in cash, and 689,568 CannaRoyalty shares. CannaRoyalty has received 5,079,441 shares of Anandia and a further 716,941 shares of Anandia will be issued to CannaRoyalty on the delivery of the \$500,000 of equipment and services, which delivery is expected to occur in Q2 2017.

Anandia is a biotechnology company with a focus on providing leading analytical testing services and developing cannabis strains for safe and effective medical applications.

Anandia is the only independent Canadian testing facility specializing exclusively in cannabis. Together with a significant intellectual property position that includes cannabinoid pathway patents and proprietary genetics, Anandia possesses a Health Canada Dealers License. The dealers license permits Anandia to undertake research and development, and to develop products beyond those currently permitted for licensed producers under Health Canada's Access to Cannabis for Medical Purposes Regulations (ACMPR).

Royalty Financing Arrangement with Rich Extracts LLC

On February 9, 2017, CannaRoyalty entered into a binding term sheet regarding a royalty financing arrangement with Rich Extracts LLC ("Rich Extracts") whereby the Company will receive a 30% royalty on Rich Extracts' gross revenues in perpetuity. The term sheet replaced the Company's existing term sheet with Rich Extracts which would have constituted a joint venture agreement if it had become fully binding. In exchange for the royalties, Rich Extracts will receive financing of up to \$2,889,815 (\$2,150,000 USD). To date the Company has provided the maximum level of funding to Rich Extracts. Additional advances of \$155,765 (\$115,888 USD) will need to be repaid to CannaRoyalty.

In June 2016, Rich Extracts was granted its medical processing license (MMPS#281970) by the Oregon Health Authority (OHA) for processing of cannabis products in accordance with the Oregon Medical Marijuana Program (OMMP). In anticipation of the new standards that were to be enacted by the Oregon Liquor Control Commission (OLCC), in August 2016 Rich Extracts began a significant development and expansion of its operations in order to meet the expected OLCC guidelines.

Rich Extracts has constructed a 30,000-square foot facility in Oregon to produce cannabis extract products using a variety of extraction processes. The facility houses equipment including extractors capable of processing up to 60,000 grams per month and short path distillation units that can process up to 4,000 grams per week. Commercial operations will commence, and are subject to, the facility obtaining the necessary permits from the OLCC, which are expected to be received during the first half of 2017.

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Bought Deal Financing of \$15,000,000

On February 15, 2017, CannaRoyalty closed its offering of an aggregate of 5,000,000 units (the "Units") at a price of \$3.00 per Unit, for aggregate gross proceeds to the Company of \$15,000,000 (the "Offering"). The Offering was closed with a syndicate of underwriters, led by Canaccord Genuity Corp. (the "Underwriters"), pursuant to which the Underwriters agreed to purchase, on a bought deal basis pursuant to a short form prospectus the above noted Units. Each Unit was comprised of one CannaRoyalty Share and half of one CannaRoyalty Share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant will be exercisable to acquire one common share (a "Warrant Share") for a period of two years following the closing date of the offering, at an exercise price of \$4.50 per Warrant Share. The Warrants will be subject to a 21-day forced exercise provision if CannaRoyalty's daily volume weighted average share price is greater than \$6.00 for 15 consecutive trading days following the closing date.

The proceeds from this offering are in large part for acquisitions and investment in growth opportunities in addition to continued funding of existing holdings working capital purposes.

Inclusion on the OTCQB Venture Market

On February 21, 2017, CannaRoyalty received approval for trading on the OTCQB Venture Market. The Company commenced trading under the symbol "CNNRF" as markets opened on February 21. This approval provides U.S. based investors better access to invest in CannaRoyalty.

Royalty Financing Arrangement and Distribution Agreement with River Wellness Inc.

On March 1, 2017, CannaRoyalty entered into a binding term sheet with River Wellness Inc. ("River") whereby CannaRoyalty would invest a total of \$5,000,000 USD, in two tranches, in exchange for a royalty equal to 2.25% of the net sales of River until the \$5,000,000 USD advance is repaid, and then 1.75% of net sales for the balance of the royalty term ending December 31, 2024. Pursuant to the term sheet, CannaRoyalty will advance an initial tranche of \$3,500,000 USD to River on the date of closing and a second tranche of \$1,500,000 USD prior to December 31, 2017.

River will also support the launch and expansion of CannaRoyalty's brands and products by agreeing to a preferred distribution arrangement of such products by way of a distribution agreement. The arrangement includes a commitment from River to acquire \$15,000,000 USD of CannaRoyalty brand products over the term of the agreement.

River was the first company in California to receive a permit for medical cannabis wholesale logistics, distribution and transportation. River has built a leadership position whereby it represents over 20 leading cannabis brands, supporting over 100 cannabis farmers and manufacturers, and has relationships with over 400 retail collectives throughout California.

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River serves the medical cannabis community in California and provides safe storage and transport of medical cannabis products throughout California. The company maintains a qualified sales force to grow revenue for each of its brand partners and ensures the safety and quality of the product to their retail partners by way of product testing with third party cannabis testing laboratories.

Distribution is a key strategic component of most cannabis sales verticals, and accordingly, is a critical segment of the cannabis market. River has quickly become a leading cannabis distributor due in large part to its focus on compliance and best practices.

Letter of Intent with Zenabis Limited Partnership

On April 3, 2017, the Company entered into a binding letter of intent with Zenabis Limited Partnership ("Zenabis"). This binding of letter of intent supersedes prior letters of intent with Zenabis which were dated November 1, 2016 and December 31, 2016. Furthermore, this letter of intent supersedes any penalty provisions contained in any prior documents.

The letter of intent includes a share purchase, a share exchange and other commercial arrangements. If certain conditions are not met or waived or if the transaction is not completed by May 31, 2017, CannaRoyalty would incur a penalty payment of \$183,475 to Zenabis, which could be satisfied via cash or via the issuance of 179,000 CannaRoyalty shares.

In connection with the prior letters of intent Zenabis paid \$500,000 to CannaRoyalty during November 2016. In return they subscribed to 243,902 shares that have yet to be issued.

Zenabis is a biopharmaceutical company with a focus on medical marijuana research and development. Zenabis has 25 years of low cost, large-scale production experience with a diverse team who bring facility management, pharmaceuticals, cultivation and sustainability experience under one roof.

Zenabis has a state of the art licensed facility for the production of distribution of pharmaceutical-grade marijuana located in New Brunswick. The facility is located on a 20 acre site and is scalable as demand grows.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" and forward-looking information within the meaning of Canadian securities laws, including such statements relating to:

- assumptions and expectations described in the Company's critical accounting policies and estimates;
- the Company's expectations regarding the adoption and impact of certain accounting pronouncements;

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- the Company's expectations regarding legislation, regulations and licensing related to the cultivation, production and sale of cannabis products by the company's wholly-owned subsidiaries;
- the expected number of users of medical marijuana or the size of the medical marijuana market in Canada and the United States;
- the potential time frame for the introduction of legislation to legalize recreational marijuana use in Canada and the United States, and the potential form that this legislation will take;
- the potential size of the recreational marijuana market in Canada and the United States, should recreational use be legalized;
- the ability to enter and participate in international market opportunities;
- the Company's expectations with respect to the company's future financial and operating performance;
- product sales expectations; and
- the Company's ability to achieve profitability without further equity financing.

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

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DESCRIPTION OF THE BUSINESS

OVERVIEW OF CANNAROYALTY

CannaRoyalty is a public corporation, incorporated in Canada, with its head office located at the 333 Preston St., Suite 610, Ottawa, Ontario, K1S 5N4.

CannaRoyalty is a fully integrated, active investor and operator in the legal cannabis sector. Specifically, CannaRoyalty provides strategic capital and functional expertise to accelerate the commercialization of its diversified portfolio of holdings. Currently, the Company has twenty-four holdings focused on three high-value segments of the cannabis market, including research/intellectual property; brands; and infrastructure, with operations in four U.S. States, Canada and Puerto Rico. CannaRoyalty invests its capital via royalties, equity, licenses and convertible debt.

On December 6, 2016, the Company completed a three-cornered amalgamation with Cannabis Royalties & Holdings Corp. ("CRHC"), resulting in the reverse-takeover ("RTO") of CannaRoyalty by CRHC. Pursuant to the RTO, the issued and outstanding securities of CRHC were exchanged for equivalent securities of CannaRoyalty on a one-for-one basis. Prior to the RTO, CannaRoyalty changed its name from Bonanza Blue Corp. ("Bonanza Blue") to CannaRoyalty and completed a 5 for 1 share consolidation.

Prior to the RTO, Bonanza Blue had no active business operations. Upon effecting the RTO, CannaRoyalty continued operating the business of CRHC. On December 8, 2016, CannaRoyalty commenced trading on the CSE under the symbol "CRZ".

CannaRoyalty intends to build on its existing relationships by developing operating plans and providing oversight, strategy and management of the business units' growth and integration. Further, CannaRoyalty plans to continue expanding its reach by building new partnerships with vertical market partners and end-user products companies as well as exploring opportunities with successful cultivators and processors. Through its expansion efforts, CannaRoyalty intends to utilize online sales and marketing platforms, participate in relevant trade shows, and develop various advertising materials to communicate its approach to its intended audience and target market. CannaRoyalty is also well-positioned to participate in the large and growing legal cannabis market for enhanced downstream cannabis products and new products with various consumer and medical applications.

CannaRoyalty's business plan is targeted at the growth of its business units and expanding their reach to end-users and partners. Although the business units will be primarily responsible for developing and operating their respective businesses, CannaRoyalty will be available to provide functional expertise, oversight and a framework of disciplined planning to the operations of the business units when needed.

CannaRoyalty's short-term objective is to create a sustainable business in the key states of California, Washington, Arizona, Oregon and Colorado by integrating its holdings to create synergies and true end-to-end solutions geared to the needs of patients and consumers. CannaRoyalty has positioned itself for commercial growth by focusing its expanded resource based on finding and partnering with the best and

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most innovative companies, projects, assets and overall business frameworks in the legal cannabis sector in the aforementioned key states.

To achieve its objective, the Company will continue making specific and deliberate investments, including acquisitions, to:

1. increase the diversity and quality of the Company's product offerings across different market segments; and
2. increase the strength and segmentation of the Company's diversified portfolio of product brands.

In addition, management believes that a significant opportunity exists today and will develop further in the future, to leverage the Company's expertise, financial strength and business model in legal cannabis markets around the world. CannaRoyalty intends on pursuing opportunities in a number of jurisdictions where medical cannabis use is legal, and/or where governments are actively pursuing legalization.

Subject to legislative and regulatory compliance, strategic business opportunities pursued by the Company could include:

1. providing advisory services to third-parties that are interested in establishing licensed cannabis cultivation, processing and sales operations;
2. entering into strategic relationships that create value by sharing expertise and industry knowledge;
3. providing capital in the form of debt, royalties, or equity to new business units; and
4. entering into licensing agreements to generate revenue, create strategic partnerships, or other business opportunities.

The Company engaged its first full time employees effective November 1, 2016, and as at December 31, 2016, the Company had 9 full-time employees.

CANNABIS REGULATORY FRAMEWORK IN THE UNITED STATES

In the United States, more than twenty-eight states and Washington D.C. have legalized medical cannabis, while eight states and Washington, D.C. have legalized recreational cannabis use. Although cannabis currently remains a Schedule I drug under federal law, the U.S. Department of Justice issued a memorandum (the "Cole Memorandum") in 2013 to the U.S. Attorneys offices (Federal Prosecutors) directing that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs should not be prosecuted for violations of federal law. This federal policy was reinforced by the passage of a 2014 federal budget bill that prohibits the use of federal funds to interfere in the implementation of state laws legalizing cannabis and state medical marijuana laws. This bill is targeted at the Department of Justice, which

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encompasses the Drug Enforcement Agency (DEA). This bill evidenced the development of bi-partisan support in the U.S. Congress for legalizing the use of cannabis. It is anticipated that the federal government will eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco.

Political and regulatory risks also exist due to the recent election of Donald Trump to the U.S. presidency, and his nomination of Sen. Jeff Sessions to the post of Attorney General. Mr. Trump's positions regarding marijuana are difficult to discern; however, Sen. Sessions has been a consistent opponent of marijuana legalization efforts throughout his political career. It remains unclear what stance the Department of Justice under the new administration might take toward legalization efforts in U.S. states, but federal enforcement of the Controlled Substances Act and other applicable laws is possible.

Despite the legal, regulatory, and political obstacles the marijuana industry currently faces, the industry has continued to grow.

BANKING REGULATORY FRAMEWORK IN CANADA AND THE UNITED STATES

Under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Treasury Department issued a memorandum in February of 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal law. Under these guidelines, financial institutions must submit a "suspicious activity report" (SAR) as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated. In the U.S., a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all. In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes to help reduce these challenges would eliminate these challenges for companies in the cannabis space, and would improve the efficiency of both significant and minor financial transactions.

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MARIJUANA REGULATORY FRAMEWORK IN CANADA

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

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

On April 20, 2016, the Canadian Federal Government announced its intention to introduce, by the spring of calendar 2017, legislation to legalize the recreational use of cannabis in Canada. This position is promising given that legalization at a federal level will open the door to investment, innovation, and more opportunities. It will also relax restrictive tax policies and allow banks to deal with the cannabis industry more similarly to other industries.

MARIJUANA USE IN THE UNITED STATES AND CANADA

In the United States, sales of legal cannabis flowers and cannabis-infused derivative and edible products totalled \$5.7 billion in 2015 and are expected to reach \$7.1 billion in 2016 with approximately 70% of sales for medical use and 30% for full adult use. According to ArcView, Industry sales are forecasted to grow to \$21.8 billion by 2020, and Cowen & Co. forecast the market in the U.S. will reach \$50 billion by 2026. The California market alone is expected to grow from \$2.7 billion in 2015 to \$6.6 billion in 2020, and could reach \$18 billion or higher in a full adult use market.

Health Canada estimates that close to 70,000 patients in Canada used doctor prescribed medical cannabis in 2015, establishing a market worth in excess of \$100 million. By 2024, Health Canada estimates that the number of patients using medical cannabis will grow to 450,000, creating a market worth an estimated \$1.3 billion. CIBC World Markets reports estimates of the potential value of the recreational cannabis market in Canada range from \$5 billion to \$10 billion per year.

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INTERNATIONAL DEVELOPMENT

Medical marijuana opportunities are becoming increasingly available as new jurisdictions move towards establishing new or improved medical marijuana systems. As Canada has developed an enviable regulatory model, companies acting within that framework have expertise, knowledge and potentially product to share with the global community.

BUSINESS UNITS AND HOLDINGS

CannaRoyalty has built a platform of holdings via controlling and non-controlling equity interest, royalty agreements, convertible and non-convertible debt, and licensing agreements in various businesses in Canada, the U.S. and Puerto Rico (“business units” or “holdings”). At December 31, 2016, CannaRoyalty has a total of twenty-four holdings in its portfolio of investments. The tables below summarize the holdings by type and highlight the carrying value at December 31, 2016, as compared to March 31, 2016.

SUMMARY OF HOLDINGS

Acquisitions of Controlling Equity Interests

During the final quarter of the nine months ending December 31, 2016, CannaRoyalty completed three acquisitions of companies that became subsidiaries of CannaRoyalty. The following is a summary of the assets that were acquired by CannaRoyalty on the acquisition of these companies:

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	Dreamcatcher		Electric Medialand		Achelois (1)		TOTAL
Purchase consideration							
Cash	\$	-	\$	200,000	\$	13	\$ 200,013
Issued shares		6,000,000		1,500,000		-	7,500,000
Contingent shares		4,020,000		-		-	4,020,000
Note payable		-		-		448,661	448,661
Total Purchase Price	\$	10,020,000	\$	1,700,000	\$	448,674	\$ 12,168,674
Identified tangible net assets							
Cash	\$	74,446	\$	36,510	\$	-	\$ 110,956
Amounts receivable		22,183		209,573		-	231,756
Prepaid expenses		22,387		3,221		-	25,608
Inventory		122,937		-		502,691	625,628
Property and equipment		809,168		9,493		5,341	824,002
Amounts payable		(220,936)		(267,734)		-	(488,670)
Identified Intangible Items							
Employment agreement		-		280,645		-	280,645
Acquired brands		2,342,614		-		-	2,342,614
Acquired technologies		4,932,521		-		-	4,932,521
Deferred tax liability		(2,964,618)		(74,371)		-	(3,038,989)
Goodwill		4,879,298		1,502,663		-	6,381,961
Bargain purchase		-		-		(59,358)	(59,358)
Total Allocated	\$	10,020,000	\$	1,700,000	\$	448,674	\$ 12,168,674

Dreamcatcher Labs, Inc.

On October 24, 2016, the Company entered into a definitive share purchase agreement with Dreamcatcher and GreenRock to purchase all of the issued and outstanding shares of Dreamcatcher and the controlling governing membership interest in GreenRock. On the same day, Dreamcatcher (now a wholly-owned subsidiary of CannaRoyalty) entered into a definitive asset purchase agreement with Rock Vapor Technologies, Inc. ("Rock Vapor") for the purchase of certain assets and intellectual property of Rock Vapor which was financed by further shares issued by CannaRoyalty.

CannaRoyalty issued 3,000,000 common shares on the acquisition date based on the following components of consideration that were delivered to the shareholders of Dreamcatcher:

- 2,624,620 common shares of CannaRoyalty;
- 380 common shares relating to the GreenRock controlling governing membership interest; and
- CannaRoyalty delivered 375,000 of its shares to Rock Vapor in order for Dreamcatcher to purchase certain equipment and intellectual property from Rock Vapor.

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These shares were valued at \$6,000,000 based on a valuation of \$2.00 per common share.

In addition to the 3,000,000 common shares issued on the acquisition date, up to 2,000,000 common shares in CannaRoyalty may be issued to the Dreamcatcher shareholders upon the satisfaction of certain performance-based conditions precedent, namely, the ability of Dreamcatcher to obtain new customers, increase sales revenue and launch new products to the market. At the purchase date, management assessed that the conditions to earn these shares were more likely to be met than not and a share value of \$4,020,000 was included within equity.

Rock Vapor supplies e-cigarettes and vaporizers for the tobacco market while Dreamcatcher is an industrial filling and packaging system. The firm has designed and manufactured a proprietary cartridge for the cannabis sector. Through the use of large scale filling machines Dreamcatcher produces safe, sealed and high quality extract cartridges for vape pens to meet large-scale mass-market demand. The cartridge delivery system provides users an experience that is unique and very creative. The product ensures that users have an ability to access a vast array of extracts and oil and can enjoy diverse types of strains and experiences.

A unique cannabis cartridge and battery unit have made GreenRock's E-Vaporizer an industry favourite. These E-Vaporizers are manufactured and produced by Dreamcatcher. This product is easy-to-use, requires no charging of batteries, no changing of cartridges, and causes no smoke or smell. Vaping is one of the fastest growing segments of the cannabis market as it provides a smoke free experience for potential new users of cannabis products. This product is being distributed in California and white label agreements are in place in California and Arizona.

Electric Medialand Inc.

On November 1, 2016 CannaRoyalty acquired all of the issued and outstanding shares in EML. The purchase of EML was \$200,000 cash and 750,000 common shares of CannaRoyalty valued at \$2.00 per share. The \$200,000 cash portion of the purchase price will be paid in three equal installments on the closing date of this transaction, six months from closing, and the balance, twelve months from closing. As a result of the transaction, the founder and owner of EML became the Chief Marketing Officer of the Company.

EML adds expertise in sales, marketing and product commercialization to support CannaRoyalty's current and future brand portfolio to generate increased revenues.

Achelois LLC

On November 30, 2016, CannaRoyalty subscribed for a 70% membership interest in Achelois for nominal consideration of \$13 (\$10 USD). Concurrent with the closing of the subscription agreement, a note payable of \$451,618 (\$336,000 USD) was issued from Achelois to the former shareholder. This note will mature in November 2017. The Company also agreed to provide funding commitments and services as necessary to Achelois to grow its operations and retained the former owner of Achelois as an integral consultant to the

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Company.

Achelois operates in the State of California and develops and manufactures a line of DermaLeaf skincare products, which are cannabis infused skin lotions with fibroblast technology for healing and pain relief. DermaLeaf products target a growing market for topical, cannabis-infused skincare and health and beauty products. DermaLeaf’s formula combines fibroblast cells with certain cannabinoids extracted from cannabis. Fibroblasts are a type of cell found in the connective tissue of the body’s organs, where they produce proteins such as collagen. Dermal fibroblasts exist within the dermis layer of skin which are responsible for generating connective tissue and allowing the skin to recover from injury.

In addition to providing the capital required to commercialize DermaLeaf products, initially in California and ultimately across a number of U.S. states and globally, CannaRoyalty is also providing a range of strategic and functional expertise, including branding, marketing and distribution.

Royalty Investments

	December 31, 2016		March 31, 2016
Cascadia Holdings LLC (1)	1,027,866	\$	891,772
NuTrae LLC (2)	1,130,000		-
Three Leaf Holdings Corporation (3)	100,000		-
Natural Ventures Puerto Rico LLC (4)	336,025		-
Total Royalty investments	\$ 2,593,891	\$	891,772

(1) Cascadia Holdings LLC (“Cascadia”): In July 2016, the Company finalized a royalty agreement with Cascadia, a subsidiary of AltoTerra Capital Partners Ltd. (“AltoTerra”), in which the Company provided funding and the use of property and equipment in consideration for a perpetual 30% royalty stream on Cascadia’s gross revenues. As of December 31, 2016, the Company has provided Cascadia with royalty financing of \$1,027,866.

Cascadia is incorporated in the State of Washington and is in the business of leasing turnkey built-out solutions to companies that produce and process cannabis products pursuant to a license issued by the Washington State Liquor and Cannabis Board (WSLCB).

(2) NuTrae LLC (“NuTrae”): Pursuant to an agreement dated April 1, 2016 between CannaRoyalty and Vida Cannabis Corp. (“Vida”), the Company purchased a 3.5 % royalty on the net revenue of NuTrae for a period of 10 years, commencing January 1, 2016. In return for this royalty stream the Company provided a combination of shares and cash which were valued at \$1,130,000.

NuTrae is a Colorado based company developing drug delivery systems and products. This firm has a broad portfolio that includes a host of projects and assets which include transdermal patches, oral dissolvable film, creams, lotions and balms, intimacy oil, a meter dosing inhaler and aerosolizer, disposable and rechargeable vape pens, and wax and shatter. CannaRoyalty began to earn royalty revenues from NuTrae in February 2017.

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NuTrae is a subsidiary of AltMed and launched the MüV product line in Q3, 2016 exclusively in the Arizona medical market where it's affiliate operates a world-class state-of-the-art 30,000 square foot cultivation and processing facility. Since then MüV has won multiple "Best of Arizona" medical cannabis awards, including two 1st prizes for MüV's proprietary ethanol extractions. CannaRoyalty has an exclusive right to license the MüV Transdermal Patch and MüV Metered Dose Inhaler, in Canada, Puerto Rico, Massachusetts, Washington, Oregon, Nevada and California.

- (3) Three Leaf Holdings Corporation ("Three Leaf"):** In accordance with a private placement on March 17, 2016, CannaRoyalty agreed to enter in a royalty arrangement with Three Leaf. In return for a \$100,000 investment, the arrangement provides CannaRoyalty with a 1.5% royalty on total Three Leaf revenue for a period of two years subsequent to March 12, 2016, plus a 2% fee on the gross value of all Three Leaf's referrals for one year subsequent to March 12, 2016.

CannaRoyalty amended its royalty financing arrangement with Three Leaf to extend the end of the period for the 2% referral fees from March 12, 2017 to March 12, 2018. Furthermore, this amendment guarantees the full recovery of CannaRoyalty's investment in the event that the royalties earned from the arrangement do not attain \$100,000.

Three Leaf is a logistics and fulfillment company focused exclusively on the cannabis sector. The firm ensures the highest levels of security clearance and boasts proprietary tracking and fulfillment capabilities. Three Leaf is a sister company of JP Logistics, which is a global logistics company with operations in North America, Europe and Asia, and whose clients include Amazon, Costco and the Home Shopping Network.

- (4) Natural Ventures PR, LLC ("Natural Ventures"):** On December 20, 2016, CannaRoyalty entered into a binding term sheet with 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% license fee on revenue that Natural Ventures generates from CannaRoyalty's branded product portfolio in the Puerto Rican market over a 10-year period.

Located in San Juan, Natural Ventures is one of Puerto Rico's first and largest licensed cultivation and manufacturing medical cannabis companies, featuring a 100,000-square foot indoor cultivation facility. Natural Ventures is also one of two companies in Puerto Rico that has received a manufacturer's license for its 30,000-square foot manufacturing facility. The Puerto Rican

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company has successfully harvested its first crop and has begun selling cannabis products to licensed medical dispensaries.

In Q1 2017, Natural Ventures intends to sell its newly produced CO2 oil in CannaRoyalty's proprietary Dreamcatcher Labs vape cartridges and expand its commercial portfolio of products to include CannaRoyalty's skin care related brand, DermaLeaf.

The U.S. island territory of Puerto Rico legalized medical cannabis for qualifying health conditions in 2015 and permits the use of medical cannabis derivatives only (e.g. capsules, extractions, lotions, patches, edibles, suppositories, flower and oils). Puerto Rico's population is estimated at 3.6 million and receives 2 million tourists annually

Aphria Inc.

On October 19, 2016, the Company issued and sold a secured convertible debenture to Aphria Inc., a publicly traded, licensed medical marijuana producer in Ontario ("Aphria") for \$1,500,000. The debenture matures on October 19, 2019 and 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. Aphria also has the option to redeem the principal and accrued interest at any time prior to maturity.

Aphria is a publicly traded, Health Canada licensed producer of medical cannabis products who focus on quality medical cannabis that is 100% greenhouse grown. The Company is focused on producing and selling medical marijuana through a two-pronged growth strategy, including both retail sales and wholesale channels.

Associated Companies and Joint Ventures

Associated companies are those for which CannaRoyalty owns 20% to 50% of the equity of the company and demonstrates other factors of significant influence.

	December 31, 2016		March 31, 2016	
<i>Associated Companies</i>				
Resolve (1)	\$	2,589,202	\$	-
Wagner Dimas (2)		759,539		-
<i>Joint Ventures</i>				
Mobile Medicine (3)		192,540		-
Total Equity accounted investments	\$	3,541,281	\$	-

(1) Resolve Digital Health Inc. ("Resolve"): On November 16, 2015, a letter of intent was signed between CannaRoyalty, Vida, and 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

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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%. 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 Series A financing round at \$0.50/unit which reduced the overall equity holding to 27%. Based on the financing price in this Series A round the total shares owned by CannaRoyalty have an implied value of approximately \$7.1 million.

Resolve is an integrated digital health platform designed for symptom relief. Resolve's 'Breeze' product is a patent-pending dosage control smart inhaler. The Breeze product has been created with proprietary tracking and analytics software.

The Breeze "Smart Pods" are pre-measured, hygienically packed individual dose of very high pharmaceutical grade cannabis with no need to handle or measure product. The pods are geared towards users' specific symptoms and custom formulated by cannabis experts focusing on improving control, sleep, energy and appetite while suppressing stress, anxiety and inflammation.

The Resolve Digital Dosing & Tracking System monitors doses, dose effectiveness, symptoms, medicine, reporting, lifestyle, retail, supply chain management, and support. Users can connect to the app via Bluetooth on their smart phones to get information on genetics, place of origin, testing reports and expiration date. The Breeze product also includes LCD and Touch Screen Displays that provide messages and security to users. The firm's quality assurance includes over twenty steps to ensure the highest quality standards from genetics and cultivation to packaging.

- (2) Wagner Dimas, Inc. ("Wagner Dimas"):** On May 25, 2016, CannaRoyalty acquired a 20% equity interest in Wagner Dimas for \$818,125 (\$625,000 USD). CannaRoyalty also has a representative on the Wagner Dimas board.

Wagner Dimas is a Nevada registered corporation operating primarily in California that has developed a highly-scalable innovative process for creating machine rolled cannabis products. The innovative process creates all-natural uniform and perfectly packaged cigarettes made only from the finest 100% cannabis flowers. Wagner Dimas has entered into several co-packing agreements and has developed and commercialized its own Lucy's brand of pre-rolls that are sold through its California mutual benefit corporation.

- (3) Mobile Medicine:** On July 22, 2016, the Company entered into a joint venture with CannaCraft Inc. ("CannaCraft"), a California based cannabis company. The joint venture is conducted under the name Mobile Medicine, whose purpose is to manufacture and lease mobile gelatin encapsulation machines. In the initial phase of the project, CannaCraft contributes one third of the funds required, and is responsible for the design and manufacturing of the machines.

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CannaRoyalty contributed two thirds of the funding required for a 50% equity interest, of which \$192,540 (\$150,000 USD) has been advanced as at December 31, 2016.

At December 31, 2016, the Mobile Medicine joint venture is not commercially operational and has not conducted any activities.

Convertible notes receivable (including embedded derivatives)

	December 31, 2016		March 31, 2016	
Eureka (1)	\$	563,783	\$	133,115
BAS Research (2)		415,528		-
Total Convertible notes receivable	\$	979,311	\$	133,115

(1) Eureka Management Services Inc. (“Eureka”): During February and April 2016, the Company entered into two loan agreements totalling \$537,640 (\$400,000 USD) with Eureka. These agreements provide CannaRoyalty with two options, each option with a 5% equity stake in lieu of repayment. Interest on these loans accrue at 10% per annum; accrued interest is \$26,143 as at December 31, 2016.

Eureka operates the Magnolia Wellness Dispensary in Oakland, California which has a fully integrated license for cultivation, extraction and dispensing cannabis and cannabis related products.

In addition to the investment, CannaRoyalty has secured a preferred a supplier agreement that includes shelf space for brand testing.

(2) BAS Research (“BAS”): During July 2016, the Company entered into a loan agreement totalling \$403,230 (\$300,000 USD) with BAS. This agreement provides CannaRoyalty with an option to receive an equity stake in lieu of repayment. Interest on the loan accrues at 7% per annum, and accrued interest is \$12,298 as at December 31, 2016.

BAS is a fully licensed and compliant lab and manufacturing and processing facility located in Berkeley, California. This firm carries out research and genetics work. BAS is a leading group of PhDs and chemists who have undertaken R&D work regarding advanced tissue culture and genetics. The research work and studies are to determine ailment-specific strains as well as extraction and post-processing. The firm can tailor products to clients’ specific needs.

In addition to its investment in BAS, CannaRoyalty has secured a supplier relationship that includes buying processed cannabis oil at preferred rates, and tailoring the product to specific requirements.

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Other portfolio investments

The following is a summary of investment for which CannaRoyalty holds less than a 20% equity interest and does not exert significant influence. These investments are all recorded at cost.

	December 31, 2016		March 31, 2016	
Alternative Medical Enterprise, LLC (1)	\$	1,850,070	\$	1,850,070
Resolve (2)		-		281,250
Bodhi Research and Development Inc. (3)		250,000		-
Eureka Management Services Inc (4)		128,680		-
Total Investments	\$	2,228,750	\$	2,131,320

(1) Alternative Medical Enterprises, LLC (“AltMed”): CannaRoyalty owns an 8.2% equity interest in AltMed, a Florida based company focused on medical cannabis.

AltMed was founded by one of the principals of MedImmune (which was acquired by Astra Zeneca in 2007 for over \$15 billion). AltMed has three wholly owned subsidiaries:

- NuTrae is developing a number of cannabis-based products including a transdermal patch, a metered dose inhaler, and a line of creams, lotions and balms;
- AltMed North America LLC which has a 75% interest in a 34,000-square foot licensed indoor cultivation, extraction and post-processing facility in Arizona and a 10% interest in a company with real estate and agriculture holdings focused on the cannabis sector in Colorado; and
- AltMed LLC which has plans for operations in Florida consisting of cultivation, dispensary, laboratory, and extraction as well as a 50% ownership interest in Vida Pets LLC (“Vida Pets”). Vida Pets is at the very early stage of designing a clinical trial on a colony of aged beagles to determine the effectiveness of pure CBD derived from hemp on joint mobility and anxiety in animals.

(2) Resolve – The Company’s equity interest in Resolve rose from 11% at March 31, 2016, to 33% at December 31, 2016, and as such became an associated company treated under the equity method.

(3) Bodhi Research Inc. (“Bodhi”): On April 7, 2016, the Company entered into an agreement to purchase a 10% equity interest in Bodhi for \$250,000.

Bodhi is an Ontario corporation that is conducting research trials for exploring the use of cannabis in the treatment of concussions and post-concussive syndrome.

The collaboration is with foremost experts in concussion and pain management that includes: (a) Dr. Neilank Jha (Neurosurgeon and Founder of Konkussion – the largest network of concussion

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clinics in North America); and (b) Dr. Mark Ware (MD, Professor of Medicine McGill University, Director of Clinical Research and Pain Management Unit McGill University Health Centre).

(4) **Eureka:** On May 5, 2016, the Company acquired a 6% equity interest in Eureka for \$128,630 (\$100,000 USD).

RESULTS OF OPERATIONS

The following table sets forth consolidated statements of operations data for the indicated periods as well as certain balance sheet data as at March 31, 2016 and the period ended March 31, 2015.

	Nine months ended December 31, 2016	Year ended March 31, 2016	October 3, 2014 to March 31, 2015
Consolidated Statements of Comprehensive Loss			
Revenue	\$ 642,277	\$ -	\$ -
Gross margin	328,490	-	-
Operating expenses	7,013,726	2,681,670	142,914
Loss from operations	(6,685,236)	(2,681,670)	(142,914)
Net and comprehensive loss	(10,314,475)	(3,032,938)	(142,914)
Net loss per common share - basic and diluted	(0.41)	(0.26)	(0.14)
Weighted average common shares - basic and diluted	25,237,273	11,873,717	988,837

REVENUE

The following is a summary of the CannaRoyalty's revenue by type:

	Nine months ended December 31, 2016	Year ended March 31, 2016	Year ended March 31, 2015
Product sales	\$ 228,081	\$ -	\$ -
Services	38,898	-	-
Royalties	348,820	-	-
Interest income	26,478	-	-
Total	\$ 642,277	\$ -	\$ -

	Nine months ended December 31, 2016	Year ended March 31, 2016	Year ended March 31, 2015
Research	\$ 12,218	\$ -	\$ -
Devices	229,124	-	-
Supporting assets	400,935	-	-
Total	\$ 642,277	\$ -	\$ -

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Revenue for the nine months ended December 31, 2016 was \$642,277 as compared to nil for the prior periods in this MD&A. CannaRoyalty began generating revenue during the current fiscal year, the majority of which came from royalty streams generated from Cascadia and product sales from the recently acquired Dreamcatcher subsidiary. The Company also generated marketing related service revenue from its recently acquired EML subsidiary and interest income for loans it has made to business units to fund their start-up operations.

The majority of the current revenue from the supporting assets segment is from the royalty income generated from Cascadia and the majority of the current revenue from the brands segment is from Dreamcatcher. The research revenue is generated from interest on our convertible note with BAS Research.

CannaRoyalty expects to progressively increase its revenues over the next 12 months from an increasing number of royalty agreements and business units coming on-line for the entire period and due to positive recent developments in the legalization of marijuana.

COST OF SALES AND GROSS MARGIN

	Nine months ended	Gross	Year ended	Year ended
	December 31, 2016	Margin %	March 31, 2016	March 31, 2015
Cost of product sales	\$ 190,505	16%	-	-
Cost of service	27,506	29%	-	-
Cost of royalties	95,776	73%	-	-
Total	\$ 313,787	51%	-	-

Cost of sales was \$313,787 for the nine months ended December 31, 2016, as compared to nil for the periods ending March 31, 2016 and March 31, 2015. The gross margin for the nine months ended was 51%.

The cost of product sales is related to sales of Dreamcatcher, the cost of services is related to sales of EML, and the cost of royalties pertains to the amortization of equipment which has been provided to Cascadia. Moving forward the cost of royalties will also include the amortization of financing arrangements with a fixed royalty stream. The amortization of these costs will commence once these business units begin to generate royalty revenue.

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OPERATING EXPENSES

	Nine months ended December 31, 2016	Year ended March 31, 2016	% Change	October 3, 2014 to March 31, 2015
Sales and marketing	\$ 573,469	\$ 22,990	2394%	\$ -
Research and development	744,762	984,993	-24%	-
General and administrative	5,564,274	1,673,687	232%	142,914
Amortization of intangibles	131,221	-	n/a	-
Total	\$ 7,013,726	\$ 2,681,670	162%	\$ 142,914

Total operating expenses have increased by 162% in the nine months ended December 31, 2016, as compared to the year ending March 31, 2016. This is largely due to the increased spending in general and administrative expenses and sales and marketing expenses to support our asset growth. Due to the Company's current stage of operations, operating expenses are not analyzed as a percentage of total revenues.

For the nine months ending December 31, 2016, sales and marketing (S&M) expenses were \$573,469 as compared to \$22,990 for the year ending March 31, 2016, which represents an increase of \$550,479 or 2394% period over period. The increased expenses include additional share based compensation of \$187,603, professional services incurred to provide expert marketing, packaging and promotion advice and services to CannaRoyalty's business units. These expenditures are consistent with the Company's view that early-mover advantage and strong brand recognition are essential to a successful ongoing acquisition strategy. These costs represent a strategic investment, which management believes will have a future benefit in the acquisition and retention of business units.

Research and development (R&D) expenses were \$744,762 for the nine months ending December 31, 2016 as compared to \$984,993 for the twelve months ending March 31, 2016. R&D costs have remained steady despite the increase in G&A due to CannaRoyalty's focus on acquisition of equity investments and royalty streams. The Company's development team is researching a variety of intellectual property and other related opportunities. The Company has been in discussion with several parties and has been working towards obtaining appropriate licensing that would allow research and development with respect to the extraction of cannabis oils and the development or licensing of potential delivery mechanisms. The Company has also incurred development costs related to creating products for its Soul Sugar Kitchen brand.

General and administrative (G&A) expenses increased by 232% to \$5,564,274 for the nine months ending December 31, 2016 as compared to \$1,673,687 for the year ending March 31, 2016. The increase in expenses period over period of \$3,890,587 is driven primarily by an increase in share based compensation of \$2,298,527, by professional and consulting services required for increased acquisition and financing activities, costs incurred in supporting business units, costs related to our merger transaction with Bonanza Blue and our going public transaction, and the cost of new employees hired on or after November

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1, 2016, to support our increased marketing, legal, finance, and other administrative and operational needs.

Expenses related to the amortization of brands and technologies were \$131,221 for the nine months ending December 31, 2016 as compared to nil for the year ending March 31, 2016. These expenses relate to the brands and technologies that were acquired from Dreamcatcher in October 2016.

Share-based compensation, a non-cash expense, was \$2,486,130 for the nine months ended December 31, 2016. Restricted share units ("RSUs") were first issued in April 2016 and for this reason there were no costs in prior periods. The expenses relate to shares issued under a share unit plan established in the current fiscal year, whereby the executive team, the board of directors and new employees were granted restricted share units that vest as service conditions are reached. For most RSU's one-third of the shares vest immediately upon issuance. Since these RSUs are typically issued at the start of employment, and the executive team and other management became employees in 2016, the expense incurred in the nine months ending December 31, 2016 may be higher than future periods. These costs have been fully classified as G&A in accordance with their corporate functions, with the exception of \$187,603 which has been included in sales and marketing. The shares are measured at fair value at the date of grant and expensed in the period the services were provided or over the service period in which they vest.

OTHER INCOME AND EXPENSES

	Nine months ended 31 December 2016	Year ended March 31, 2016	October 3, 2014 to March 31, 2015
Share of profit of equity accounted investees	\$ 63,401	\$ -	\$ -
Listing expense	(3,901,011)	-	-
Interest expense	(176,958)	(177,986)	-
Gain on investment from change to equity method	26,875	-	-
Bargain purchase	59,358	-	-
Interest income	-	17,585	-
Loss on sale of property and equipment	-	(42,135)	-
Foreign exchange gain (loss)	246,872	(148,732)	-
Total	\$ (3,681,463)	\$ (351,268)	\$ -

The share of profit from equity accounted investees was \$63,401 for the nine-month period ending December 31, 2016. This was made up of a gain of \$238,050 on the deemed disposition resulting from the dilution of CannaRoyalty's investment in Resolve from 35% to 33%, which was offset by a proportionate loss of \$174,649 from the two associate companies. The associated companies are in the start up phase of operations and it is expected that they will become profitable in the future.

Listing expense was \$3,901,011 for the nine-month period ending December 31, 2016. This expense includes a \$3,698,618 non-cash charge relating to the issuance of 1,813,574 shares to the former shareholders and directors of Bonanza Blue prior to the RTO transaction. These shares were valued at \$2.00 per share which was the fair value of the shares at the time of the completion of the RTO. When

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the binding RTO agreement was signed, CannaRoyalty shares were valued at \$0.75, which indicates that most this expense has been caused by the significant increase in the value of CannaRoyalty shares. The remaining expense relates to legal fees incurred with respect to the listing.

Interest expense was \$176,958 for the nine months ended December 31, 2016, as compared to \$177,986 for the year ended March 31, 2016. Most interest expense in the current and prior period relates to short term financing obtained from various shareholders. In the current period, there was an additional interest expense of \$15,000 related to the convertible debt with Aphria.

CannaRoyalty obtained significant influence over Resolve in July 2016 which necessitated a switch to equity accounting. As a result, CannaRoyalty's original share in Resolve needed to be restated which resulted in a \$26,875 gain recorded in other comprehensive income.

CannaRoyalty recognized a bargain purchase gain of \$59,358 related to the acquisition of Achelois as the fair value of tangible net assets assumed from Achelois exceeded the purchase consideration.

Interest Income for the nine months ending December 31, 2016 has been classified as revenue since providing working capital is one of the services that the Company provides to its business unit partners.

During the year ending March 31, 2016, the Company sold some equipment due to technological obsolescence to an entity owned by a director for proceeds of \$110,053. A loss of \$42,135 was recorded given the cost of the equipment sold was \$152,188.

DEFERRED TAX RECOVERY

The Company realized a deferred tax gain of \$52,224 during the nine months ended December 31, 2016, related to the deferred tax liability established on the acquisition of intangible assets from Dreamcatcher and EML. As the Company recognizes amortization on these intangible assets an offsetting deferred tax gain is established.

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

NET AND COMPREHENSIVE LOSS

The net and comprehensive loss for the nine months ended December 31, 2016, amounted to \$10,314,475 as compared to a loss of \$3,032,938 for the year ended March 31, 2016. Due to the current business stage of CannaRoyalty's holdings, losses are largely driven by the lack of sufficient revenues to fund operating expenses necessary for the company to achieve long term growth.

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ADJUSTED EBITDA

	Nine months ended December 31, 2016	Year ended March 31, 2016	October 3, 2014 to March 31, 2015
Net loss for the period	\$ (10,314,475)	\$ (3,032,938)	\$ (142,914)
<i>Add (Subtract)</i>			
Amortization of property and equipment	111,331	-	-
Amortization of intangible assets	131,221	-	-
Interest expense	176,958	177,986	-
Interest income	(26,478)	(17,585)	-
Deferred income tax recovery	(52,224)	-	-
EBITDA	(9,973,667)	(2,872,537)	(142,914)
Listing expense	3,901,011	-	-
Bargain purchase	(59,358)	-	-
Loss on sale of property and equipment	-	42,135	-
TOTAL ADJUSTED EBITDA	\$ (6,132,014)	\$ (2,830,402)	\$ (142,914)
Weighted average number of common shares outstanding - basic and diluted	25,237,273	11,873,717	988,837
Adjusted EBITDA per share - basic and diluted	\$ (0.24)	\$ (0.24)	\$ (0.14)

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

For the nine months ending December 31, 2016, CannaRoyalty incurred an Adjusted EBITDA loss of \$6,132,014 as compared to \$2,830,402 in the prior year. The increase of \$3,301,612 in the period over period Adjusted EBITDA loss, was primarily due to higher operating expenses and in particular the increase in share based compensation of \$2,486,130. The increased operating expense was partially offset by an increase of \$312,061 in gross margin as the company began to generate revenues.

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

- \$3,901,011 listing expense for the nine months ended December 31, 2016 which related to the completion of the RTO and the listing on the CSE. This amount includes a \$3,698,618 non-cash charge related to the 1,813,303 CannaRoyalty shares issued to the shareholders of Bonanza Blue as part of the

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RTO;

- \$59,358 bargain purchase gain realized in the nine months ending December 31, 2016 on the acquisition of Achelois related to the estimated fair value of the net tangible value assets received from Achelois exceeding the purchase consideration provided; and
- 42,135 loss on the sale of property and equipment during the year ended March 31, 2016.

FOURTH QUARTER REVIEW

The following is a summary of the results for the final quarter of the nine-month period ending December 31, 2016 as compared to the final quarter for the periods ending March 31, 2016 and March 31, 2015:

	3 months ended December 31, 2016	3 months ended March 31, 2016	3 months ended March 31, 2015
Consolidated Statements of Comprehensive Loss			
Revenue	\$ 502,152	\$ -	\$ -
Gross margin	236,787	-	-
Operating expenses	4,161,119	1,679,848	129,192
Loss from operations	(3,924,332)	(1,679,848)	(129,192)
Other Income (loss)	(3,480,025)	(186,997)	-
Net and comprehensive loss	(7,404,357)	(1,866,845)	(129,192)
Net loss per share - basic and diluted	\$ (0.24)	\$ (0.14)	\$ (0.07)
Weighted average shares - basic and diluted	31,475,058	13,532,830	1,966,767

- Revenues of \$502,152 in the quarter ending December 31, 2016 as compared to nil for the quarter ending March 31, 2016.
- Gross margin was \$236,787 or 47% for the quarter ending December 31, 2016. There was no revenue or cost of sales in the comparable period.
- Operating expenses increased by 148% or \$2,481,271 in the final quarter of the period ending December 31, 2016 as compared to final quarter of the period ending March 31, 2016. The increase in expenses is primarily related to additional G&A and S&M expenses which was driven by additional share based compensation of \$1,814,479, professional and consulting services required for increased acquisition and financing activities, costs incurred in supporting business units, costs related to our merger transaction with Bonanza Blue and our public listing transaction, and the cost of new employees hired on or after November 1, 2016, to support our increased marketing, legal, finance, and other administrative and operational needs.
- A reduction in operating expenses is expected in the first quarter of fiscal 2017 due to the elimination of certain non recurring charges.
- Other losses increased from a loss of \$186,997 for the final quarter of the period ending March 31, 2016, to \$3,477,021 for the final quarter of the period ending December 31, 2015. This

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increase is primarily related to listing expenses related to the RTO transaction.

- Comprehensive loss increased due to the additional operating expenses as well as the listing expense related to the RTO.
- Net loss per share increased to \$0.24 in the final quarter of the period ending December 31, 2016, as compared to a loss of \$0.14 per share in the final quarter of the period ending March 31, 2016. If the loss per share is adjusted for the one time listing expense related to the RTO of \$3,901,011, the loss per share for the quarter ending December 31, 2016 would have decreased from \$0.23 per share to \$0.11 per share.

SELECTED CONSOLIDATED QUARTERLY RESULTS

	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015	31-Mar 2016	30-Jun 2016	30-Sep 2016	31-Dec 2016
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,418	\$ 127,707	\$ 502,152
Gross margin	-	-	-	-	-	434	91,269	236,787
Operating expenses	129,192	328,752	354,850	318,219	1,679,848	927,655	1,924,952	4,161,119
Loss from operations	(129,192)	(328,752)	(354,850)	(318,219)	(1,679,848)	(927,221)	(1,833,683)	(3,924,332)
Net and comprehensive loss	(129,192)	(353,772)	(431,800)	(403,619)	(1,843,747)	(1,043,273)	(1,866,845)	(7,404,357)
Net loss per share - basic and diluted	\$ (0.07)	\$ (0.03)	\$ (0.04)	\$ (0.03)	\$ (0.14)	\$ (0.06)	\$ (0.07)	\$ (0.23)
Weighted average shares - basic and diluted	1,966,677	10,255,505	10,750,010	12,956,967	13,532,830	18,242,358	25,814,087	31,475,058

LIQUIDITY

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, acquisition and organic growth requirements. The Company monitors its liquidity based on total liquid assets and working capital.

The table below sets out relevant liquidity related financial information at December 31, 2016, March 31, 2016 and March 31, 2015:

	December 31, 2016	March 31, 2016	March 31, 2015
Cash and cash equivalents	\$ 2,945,895	\$ 6,157	\$ 487,017
Liquid assets (1)	3,502,065	8,657	487,017
Quick ratio (2)	0.91	0.00	11.33
Working capital (deficit)	3,344,603	(1,808,373)	475,798
Working capital ratio (3)	1.87	0.11	12.07
Long term and convertible debt	1,515,000	-	-

(1) Liquid assets include cash and amounts receivable

(2) Quick ratio is defined as liquid assets divided by current liabilities

(3) Working capital ratio is defined as current assets divided by current liabilities

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

As of December 31, 2016, the Company had liquid assets of \$3.5 million compared to \$8,657 at March 31, 2016. Over the same period the quick ratio has increased from 0.00 to 0.91. With a quick ratio of 0.91, the Company has enough liquidity to meet its short term operational needs without requiring short term financing. However, if the Company were to use its liquid assets to complete acquisitions or is unable to generate sufficient revenues, the level of liquid assets could decrease to the point where short-term financing may be required. The Company has been able to successfully obtain short-term financing in the past 9 months to meet its obligations. Furthermore, the recently completed bought deal financing of \$15.0 million should reduce the need for additional financing to meet operational needs for most of the next 12 months. While the Company has incurred cash losses to date, management anticipates eventual cash profitability of the business which will increase its liquid assets. However, there can be no assurance that the Company will gain adequate market acceptance for its products or be able to generate sufficient positive cash flow to reach sustained profitability.

CannaRoyalty monitors its level of working capital and working capital ratio in order to assess the ability to enter into strategic opportunities such as equity investments, royalty financing arrangements and providing start-up working capital to its existing and/or future business units. The level of working capital has increased from a deficit position of \$1.8 million at March 31, 2016 to a surplus position of \$3.3 million at December 31, 2016. While there has been an increase in working capital, the surplus at December 31, 2016 is not sufficient on its own for the Company to undertake the level of strategic opportunities it would like to pursue. The Company has been able to pursue several strategic opportunities in the current fiscal period despite its working capital position. This is largely due to proceeds of \$13.9 million from share and share purchase warrant issuances, the exercise of warrants and stock options, and the issuance of convertible debt between April 1, 2016 and December 31, 2016. The recently completed bought deal financing of \$15.0 million in February 2016 has helped the Company pursue two significant transactions in the first quarter of fiscal 2017, namely Anandia and River.

In the past nine months, the Company has been able to use the issuance of common shares instead of cash to complete certain acquisitions of equity, to complete royalty arrangements, and to settle some of the services provided by various contractors. However, there can be no assurance that the Company will be able to continue to finance its strategic opportunities via the issuance of shares.

As CannaRoyalty had a limited level of working capital at December 31, 2016, the Company relied on the completion of the \$15.0 million bought deal financing in February 2016 to continue to meet its strategic objectives and operational needs into fiscal 2017.

While CannaRoyalty will receive certain cash flows in the upcoming fiscal year, these may not be enough to fund current operations. Therefore, if the Company is unable to continue to find sources of equity financing or short or long-term debt, it may be unable to meet its strategic initiatives or be unable to meet

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its operating requirements. Please refer to note 2, "Going Concern Uncertainty" in the consolidated financial statements as of December 31, 2016.

The Company has lease commitments related to head office rent and subsidiary rent as follows:

2017	\$ 122,346
2018	91,771
2019	91,771
2020	91,771
2021 and beyond	93,991
Total	\$ 491,650

The chart below highlights the Company's cash flows during the nine months ended December 31, 2016 the year ended March 31, 2016 and the period from October 3, 2014 to March 31, 2015.

Net cash provided (used by)	Nine months ended December 31, 2016	Year ended March 31, 2016	October 3, 2014 to March 31, 2015
Operating activities	\$ (3,911,694)	\$ (1,485,082)	\$ (131,695)
Financing activities	13,618,806	4,883,421	618,712
Investing activities	(6,767,374)	(3,879,199)	-
Cash, beginning	6,157	487,017	-
Cash, end	\$ 2,945,895	\$ 6,157	\$ 487,017

CASH USED IN OPERATING ACTIVITIES

The cash used in operating activities during the nine months ended December 31, 2016 was \$3.9 million as compared to the cash used of \$1.5 million for the year ending March 31, 2016. The use of cash from operating activities is primarily due to cash based operating expenses which in the current business stage are only partially offset by revenues. The increase in cash used in the current period was driven by professional and consulting services required for increased acquisition and financing activities, costs incurred in supporting business units, costs related to our merger transaction with Bonanza Blue and our going public transaction, and the cost of new employees hired on or after November 1, 2016.

CASH FROM FINANCING ACTIVITIES

The cash provided by financing activities during the nine months ended December 31, 2016 was \$13.6 million. The largest source of financing has been the issuance of shares and share purchase warrants in private placements and a brokered offering which have generated cash of \$9.7 million, the exercise of warrants which has generated cash of \$2.1 million and the issuance of convertible debt to Aphria of \$1.5 million.

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For the year ended March 31, 2016, cash provided by financing activities was \$4.9 million. The largest source of financing was the issuance of shares in private placements which generated cash of \$4.5 million and net proceeds from short-term financing of \$0.45 million.

Shares were issued from \$0.50 to \$0.75 per share in the year ending March 31, 2016 as compared to an increasing range of \$0.75 to \$2.00 per share in the nine months ending December 31, 2016.

CASH USED IN INVESTING ACTIVITIES

The cash used in investing activities during the nine months ended December 31, 2016 was \$6.8 million. The most significant uses of cash were net cash outflows of \$2.9 million related to loans and advances to current or prospective business units, cash investments of \$1.9 million in equity interests of less than 50% (Resolve, Wagner Dimas, Bodhi and Eureka), and \$0.8 million related to the issuance of convertible debt. CannaRoyalty provides working capital to assist these interests in their early business stage to become commercially operational. These loans and advances are classified as investment activities as they are extended to businesses that are expected to become future revenue sources.

The cash used in investing activities for the year ended March 31, 2016 was \$3.9 million. The primary uses of cash were \$2.1 million spent on the acquisitions of equity in AME and Resolve, \$0.9 million of royalty financing to Cascadia, and \$0.7 million for purchase of property and equipment.

FINANCING AND CAPITAL RESOURCES

The Company is subject to risks including, but not limited to, its ability to raise additional funds through debt and/or equity financing to support the Company's development and continued operations and to meet the Company's liabilities and commitments as they come due. Specifically, as of December 31, 2016 the Company has a history of losses with an accumulated deficit of \$13,490,327, share capital of \$30,636,253 and working capital of \$3,344,263. This compares to an accumulated deficit of \$3,175,852, share capital of \$5,056,422 and working capital deficit of \$1,808,373 as at March 31, 2016. See the risk factors related to the ability to raise financing.

CAPITAL ACTIVITIES

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

The Company's principal capital needs are for funds to use towards its current projects, pipeline projects, upcoming products launches, and general working capital requirements to support growth including new

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opportunities. Since its formation, the Company has financed its cash requirements primarily through the issuance of capital stock.

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its investment growth strategy, and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed entirely of equity. The Company's primary uses of capital are to invest in research, brands and supporting assets in the cannabis industry. The Company also uses capital to finance operating losses, capital expenditures and increases in non-cash working capital. The Company currently funds these requirements from cash raised through share issuances and short-term debt as required. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity help build its investments into successful businesses and obtain returns on its investments.

The Company monitors its capital based on the adequacy of its cash resources to fund its business plan. To maximize flexibility to finance the Company's ongoing growth, CannaRoyalty does not currently pay a dividend to holders of its common shares. The Company did not institute any changes to its capital management strategy during the year.

The Company's authorized share capital is an unlimited number of common shares of which 36,006,956 common shares were issued and outstanding as at December 31, 2016 (March 31, 2016 – 16,353,343 common shares). The Company has issued 2,774,800 RSUs that have not been exercised as at December 31, 2016 including 1,065,637 that have vested (March 31, 2016 – Nil). As of December 31, 2016, there are share purchase warrants and broker warrants outstanding that can potentially be converted to 1,113,633 shares (March 31, 2016 – Nil).

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Refer to note 21 of the consolidated financial statements for the nine months ending December 31, 2016.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, in accordance with NI 52-109, have both certified that they have reviewed the financial report and this MD&A (the "Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the filings; and (b) the financial report together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings.

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Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost-effective basis, Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

ACCOUNTING MATTERS

Critical Accounting Estimates

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

- fair values recorded on acquisition of subsidiaries;
- valuation of assets, including intangibles, goodwill, and royalty investments with a perpetual royalty stream;
- recoverability of loans and advances; and
- estimates and assumptions used in applying IFRS 2 "Share Based Payment"

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

Adoption of New Accounting Policies

None of the new accounting standards adopted during the nine months ended December 31, 2016 (see Note 4 of the Financial Statements) resulted in a change in accounting policies.

Future Accounting Pronouncements

Refer to Note 4 of the Financial Statements for the nine months ended December 31, 2016.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Refer to Note 26 of the Financial Statements for the nine months ended December 31, 2016.

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RISKS AND UNCERTAINTIES

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

- The activities of the Company are subject to regulatory changes by governmental authorities in Canada and the U.S.;
- Third parties with which the Company does business may perceive that they are exposed to reputational risk because of the Company's cannabis business activities;
- The operation of the Company can be impacted by adverse changes or developments affecting the Company's subsidiaries and other interests;
- The Company's ability to recruit and retain management, skilled labour and suppliers is crucial to the Company's success;
- The Company and its subsidiaries and other interests have limited operating histories;
- The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability;
- Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company;
- There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;
- The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity;

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- The Company and its subsidiaries and other interests face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury;
- The products of the Company's subsidiaries and other interests could be subject to the recall or return of their products for a variety of reasons. If a product recall or return should happen, the Company could be required to incur unexpected expenses and divert management attention and could see harm caused to its image and product sales decline. In addition, as result of the product recall or return, the Company and its subsidiaries and other interests could face increased operational scrutiny by regulatory agencies, requiring further management attention and potential legal fees and other expenses;
- Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company;
- The Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada or the United States. A failure in the demand for its products to materialize because of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;
- The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls;
- The Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;
- The Company could fail to integrate subsidiaries and other interests into the business of the Company;
- Completed acquisitions, strategic transactions, or investments could fail to increase shareholder value;
- Certain of the Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies;
- The Company, its subsidiaries, or other interests may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- The market price for the common shares may be volatile and subject to wide fluctuations in

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response to numerous factors, many of which are beyond the Company's control;

- There can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Company;
- A substantial number of common shares are owned by a limited number of existing shareholders and as such these shareholders can exercise influence over matters requiring shareholder approval or cause delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders; and
- The Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.