

**Grenville Strategic Royalty Corp.**

Interim Condensed Consolidated Financial Statements

**For the three months ended March 31, 2017**

**(Unaudited)**

# Grenville Strategic Royalty Corp.

## Consolidated Statements of Financial Position

(Canadian dollars)

	Note	March 31, 2017	December 31, 2016
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	\$ 6,609,776	\$ 6,202,412
Income tax recoverable		447,577	362,905
Promissory note receivable – current portion	8	1,977,862	2,015,378
Royalty agreements acquired– current portion	8	5,880,165	1,580,247
Prepaid expense		128,111	98,477
<b>Total Current Assets</b>		<b>15,043,491</b>	<b>10,259,419</b>
<b>Non-Current Assets</b>			
Property and equipment		112,362	122,126
Deferred tax asset	10	6,441,520	5,078,039
Equity-accounted investment in joint venture	9	600	128
Royalty agreements acquired – non-current portion	8	24,705,960	33,966,754
<b>Total Non-Current Assets</b>		<b>31,260,440</b>	<b>39,167,047</b>
<b>Total Assets</b>		<b>\$ 46,303,933</b>	<b>\$ 49,426,466</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 750,317	\$ 255,531
Finance lease liability		3,384	3,189
<b>Total Current Liabilities</b>		<b>753,701</b>	<b>258,720</b>
<b>Non-Current Liabilities</b>			
Finance lease liability		5,706	7,698
Convertible debentures	11	16,031,520	15,943,173
<b>Total Non-Current Liabilities</b>		<b>16,037,226</b>	<b>15,950,871</b>
<b>Shareholders' Equity (Note 12)</b>			
Share capital		\$ 50,261,640	\$ 50,260,965
Contributed surplus		806,784	719,047
Equity component of convertible debentures	11	558,831	558,831
Accumulated deficit		(22,114,249)	(18,321,968)
<b>Total Shareholders' Equity</b>		<b>29,513,006</b>	<b>33,216,875</b>
<b>Total Liability and Shareholders' Equity</b>		<b>\$ 46,303,933</b>	<b>\$ 49,426,466</b>

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on May 10, 2017.

\_\_\_\_\_  
"Steve Parry"  
Steve Parry, Director

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"Peter Kampian"  
Peter Kampian, Director

**Grenville Strategic Royalty Corp.**  
**Consolidated Statements of Comprehensive Income (Loss)**

(Canadian dollars)

	Note	Three months ended March 31, 2017	Three months ended March 31, 2016
<b>Revenue</b>			
Royalty agreements acquired	13	\$ (3,422,216)	\$ (2,121,915)
Promissory notes receivable	13	(36,978)	(747,911)
Fee Income	13	813	-
Share of joint venture profit, net of tax	9	472	-
Other interest income	13	15,651	36,559
<b>Total Revenues</b>		<b>(3,442,258)</b>	<b>(2,833,267)</b>
<b>Operating Expenses</b>			
Salaries, benefits and other costs	14	358,171	477,265
Management and facilities fees		40,545	38,104
Share-based compensation	15	87,737	73,625
Professional fees		680,754	349,360
Office and general administration		84,166	119,880
<b>Total Operating expense</b>		<b>1,251,373</b>	<b>1,058,234</b>
<b>Operating Loss</b>		<b>\$ (4,693,631)</b>	<b>\$ (3,891,501)</b>
Financing expense	11	433,347	422,950
<b>Loss Before Income Taxes</b>		<b>(5,126,978)</b>	<b>(4,314,451)</b>
<b>Income Taxes</b>			
Current income tax expense	10	\$ 28,783	\$ 283,405
Deferred tax (recovery)	10	(1,363,480)	(1,407,083)
<b>Total Income Taxes (Recovery)</b>		<b>(1,334,697)</b>	<b>(1,123,678)</b>
<b>Loss and Total Comprehensive Loss</b>		<b>\$ (3,792,281)</b>	<b>\$ (3,190,773)</b>
<b>Earnings / (Loss) per share</b>			
	17		
Basic earnings/(loss) per share		\$ (0.0357)	\$ (0.0306)
Diluted earnings/(loss) per share		(0.0357)	(0.0306)

See accompanying notes to financial statements.

## Grenville Strategic Royalty Corp.

### Consolidated Statements of Changes in Equity

(Canadian dollars)

	Number of shares	Note	Share capital	Warrants	Contributed surplus	Equity component of the convertible debenture	Accumulated deficit	Total
<b>Balance, January 1, 2016</b>	<b>100,762,965</b>		<b>\$ 47,318,036</b>	<b>\$ 618,068</b>	<b>\$ 417,567</b>	<b>\$ 558,831</b>	<b>\$(2,994,743)</b>	<b>\$ 45,917,759</b>
Share issue cost	-		(6,885)	-	-	-	-	(6,885)
Share warrants exercised	5,443,456	12	2,904,475	(618,068)	-	-	-	2,286,407
Stock options exercised	56,857	12	36,050	-	(12,170)	-	-	23,880
Share-based compensation	-	15	-	-	73,625	-	-	73,625
Dividends paid and payable	-		-	-	-	-	(1,841,622)	(1,841,622)
Comprehensive loss for the period	-		-	-	-	-	(3,190,773)	(3,190,773)
<b>Balance, March 31, 2016</b>	<b>106,263,278</b>		<b>\$50,251,676</b>	<b>\$-</b>	<b>\$ 479,022</b>	<b>\$ 558,831</b>	<b>\$(8,027,138)</b>	<b>\$43,262,391</b>
<b>Balance, January 1, 2017</b>	<b>106,293,543</b>		<b>\$ 50,260,965</b>	<b>\$ -</b>	<b>\$ 719,047</b>	<b>\$ 558,831</b>	<b>\$(18,321,968)</b>	<b>\$ 33,216,875</b>
Stock options exercised	24,113	12	675	-	-	-	-	675
Share-based compensation	-	15	-	-	87,737	-	-	87,737
Comprehensive loss for the period	-		-	-	-	-	(3,792,281)	(3,792,281)
<b>Balance, March 31, 2017</b>	<b>106,317,656</b>		<b>\$ 50,261,640</b>	<b>\$-</b>	<b>\$806,784</b>	<b>\$ 558,831</b>	<b>\$(22,114,249)</b>	<b>\$29,513,006</b>

See accompanying notes to financial statements.

## Grenville Strategic Royalty Corp.

### Consolidated Statements of Cash Flows

(Canadian dollars)

	Notes	Three months ended March 31, 2017	Three months ended March 31, 2016
<b>Profit/(Loss) before income taxes</b>		\$ (5,126,978)	\$ (4,314,451)
Share-based compensation	15	87,737	73,625
Depreciation		9,765	10,368
Unrealized loss (gain) from change in fair value of royalty agreements acquired and promissory notes receivable		(1,036,298)	2,918,971
Realized loss from investments written-off	8	5,144,600	-
Unrealized foreign exchange loss	16	684,532	2,422,166
Financing expense	11	433,347	78,895
Income tax paid		(113,454)	(1,892,104)
Share of joint venture profit, net of tax		(472)	-
Royalty agreements acquired and promissory notes receivable – new investments	8	(98,130)	(5,373,594)
Royalty agreements acquired and promissory notes receivable – principal payments	8	-	(44,787)
Royalty agreements acquired and promissory notes receivable – redemption and contract buyout repayments	8	194,055	-
Changes in working capital items	19	229,781	(1,156,391)
<b>Net Cash flows generated from (used by) Operating Activities</b>		<b>408,485</b>	<b>(7,277,302)</b>
<b>Cash flows from financing activity</b>			
Exercise of share warrants and stock options	12	\$ 675	\$ 2,303,403
Finance lease payments		(1,796)	(1,722)
Dividends paid		-	(1,809,555)
<b>Net Cash flows from Financing Activities</b>		<b>(1,121)</b>	<b>492,126</b>
<b>Cash flows from investing activity</b>			
Purchase of property and equipment		\$ -	\$ (9,580)
<b>Net increase in cash during the period</b>		<b>407,364</b>	<b>(6,794,756)</b>
Cash and cash equivalents, beginning of period		6,202,412	16,897,331
<b>Cash and cash equivalents, end of period</b>	7	<b>\$ 6,609,776</b>	<b>\$ 10,102,575</b>

See accompanying notes to financial statements.

# Grenville Strategic Royalty Corp.

## Notes to the Interim Condensed Consolidated Financial Statements

In Canadian dollars, for the three months ended March 31, 2017

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### 1. Corporate information

Grenville Strategic Royalty Corp., an Ontario predecessor to Grenville Company ("Grenville Ontario"), was incorporated on July 29, 2013. On February 19, 2014, Grenville Strategic Royalty Corp. amalgamated with 2399579 Ontario Inc. to form Grenville Ontario. As a result of the amalgamation, Grenville Ontario became a wholly-owned subsidiary of Troon Ventures Ltd., a British Columbia Company, which was then renamed Grenville Strategic Royalty Corp. ("Company"). The registered office of the Company is located at 1400 – 400 Burrard Street, Vancouver, British Columbia V6C 2T6.

The Company has one wholly owned subsidiary, Grenville Ontario. The Company buys royalty interests in the revenue generated by small and medium sized businesses operating across a wide range of industry sectors.

### 2. Basis of presentation

The financial statements have been prepared on a historical cost basis, except for cash and cash equivalents, promissory notes receivable and royalty agreements acquired that have been measured at fair value. The functional and presentation currency is the Canadian dollar. Amounts are stated in and recorded to the nearest Canadian dollar except where otherwise indicated. The Company activities are managed and monitored by senior management as one operating and reportable segment.

#### Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared based on the principles of International Financial Reporting Standards (IFRS) and International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's 2016 audited annual consolidated financial statements and accompanying notes.

The financial statements were authorized for issue by the Board of Directors on May 10, 2017.

### 3. Significant accounting judgements, estimates, and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

#### Royalty agreements acquired – estimated cash flows

The royalty agreements entered into by the Company contain one or more of the following terms: (i) a right in favour of the investee company to buydown or buyout part or all of the Company's royalty in exchange for a principal payment that, when combined with royalty payments made to the date of the buydown or buyout, exceed the value of the Company's initial investment; and (ii) the payment of a minimum monthly royalty payment by the investee company, which provides the Company with certainty of payment over time. As a result, the Company has concluded that it is highly probable (which it defines as a probability equal to or exceeding 75%) that it will collect greater than 85% of its initial investment under each royalty agreement.

For the royalty agreements acquired, the term of the agreement is normally perpetual and the royalty amount received can be dependent on the revenues of the investee. The term of the royalty agreement can also be influenced by the termination of the royalty agreement subsequent to a contract buyout event. As a result, uncertainties exist as to how long the agreements will exist and the royalty payment income that will be received. The Company is focused on building a portfolio of investee companies that have carried on business for a number of years and have a demonstrable history of revenues. This enables the Company to use historical revenues as the starting bases for estimating expected cash flows from an investment. Those royalty agreements that contain a provision requiring an investee company to make a minimum monthly royalty payment provide the Company with a strong indication of what expected cash flows under the royalty agreement should be over time. In addition to historical revenues of investee companies, the Company also considers other factors, such as external market factors, future performance and industry performance, in estimating expected cash flows from an investment.

#### Royalty agreements acquired and promissory notes receivable and measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. The Company has established a control framework with respect to the measurement of fair values. This includes that all significant fair value measurements have been reviewed and approved by the Investment Committee of the Company. The Investment Committee reviews on a quarterly basis significant unobservable inputs and valuation adjustments used in the fair value measurement of royalty agreements acquired and promissory notes. Fair values are categorized into different levels of a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Further information about the assumptions made in measuring fair values for financial instruments are included in Note 5.

**Grenville Strategic Royalty Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**In Canadian dollars, for the three months ended March 31, 2017**

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**Fair value of stock options and warrants**

Determining the fair value of stock options and warrants requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

**Income taxes**

The recognition of deferred income tax assets and liabilities requires estimates and significant judgments about future events such as future taxable profits based on the information available at the reporting date. For each reporting period the income tax and deferred tax provision reflects our best estimate based on the information available at the reporting date. To the extent that our estimate of tax provisions or the realization of deferred tax assets or liabilities are not as expected, the provision for income taxes may increase or decrease in the future to reflect the actual experience.

**4. Standards issued but not yet effective**

At the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments, and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have a material impact on the Company's financial statements.

The IASB has and will issue a collection of amendments as part of its annual project "Improvements to IFRSs". The amendments address details of the recognition, measurement, and disclosure of business transactions and serve to standardize terminology. They consist mainly of editorial changes to existing standards. Except as otherwise specified, the amendments, which have not yet been endorsed, are to be applied for annual periods beginning on or after January 1, 2017. They will not have a material impact on the presentation of the Company's financial position or results of operations.

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which addresses the recognition of revenue. The new standard is not expected to be in scope as the Company revenues are generated solely from financial instruments. The new standard will be in scope for revenues generated under license agreements the Company closed during October 2016.

In January 2016, the IASB issued IFRS 16 *Leases*, which addresses the accounting, classification and measurement for all types of leases for both lessors and lessees. The application date of the new standard is January 1, 2019 and early adoption is possible. The Company has commenced the assessment of the impact of the new standard on the Company's lease agreements.

**5. Fair values**

**a) Valuation Technique**

The Company uses valuation techniques with the objective of determining a fair value measurement that reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of the royalty agreements acquired and promissory notes receivable by the Company are determined using discounted cash flow models with fair value estimated by applying a discount rate based on a weighted average cost of capital using variables from the industry in which each investee company operates as well as company specific variables. Future cash flows are weighted by the Company using a combination of a probability approach and a terminal value approach, as applicable, and the fair value for each investment is individually calculated. Some or all of the inputs used in the cash flow model may not be observable in the market and are generally derived from published sources that are commonly used by market participants.

As a result of the significant use of unobservable inputs a high degree of management judgement and estimation is required. Management judgement is required for the determination of the expected future cash flows on the financial instrument being measured, determination of the probability of the outcomes, adjustments to the discount rate for liquidity risk, model uncertainties and investee-specific risk factors. The extent of the adjustments to the discount rate is based on management's assessment that a third party market participant would take them into account in pricing the transaction.

**b) Fair value hierarchy – financial assets measured at fair value**

All financial assets are measured at fair value. All financial liabilities are measured at amortized cost.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**Grenville Strategic Royalty Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**In Canadian dollars, for the three months ended March 31, 2017**

The financial assets measured at fair value by hierarchy are shown in the table below. The amounts shown are based on the amounts recognized in the statement of financial position. All financial assets are classified as financial assets measured at fair value through profit and loss.

	Total	Level 1	Level 2	Level 3
<b>March 31, 2017</b>				
Cash and cash equivalents	\$ 6,609,776	\$ 6,609,776	\$ -	\$ -
Royalty agreements acquired	30,586,125	-	-	30,586,125
Promissory notes receivable	1,977,862	-	-	1,977,862
	<b>\$ 39,173,763</b>	<b>\$ 6,609,776</b>	<b>\$ -</b>	<b>\$ 32,563,987</b>
<b>December 31, 2016</b>				
Cash and cash equivalents	\$ 6,202,412	\$ 6,202,412	\$ -	\$ -
Royalty agreements acquired	35,547,001	-	-	35,547,001
Promissory notes receivable	2,015,378	-	-	2,015,378
	<b>\$ 43,764,791</b>	<b>\$ 6,202,412</b>	<b>\$ -</b>	<b>\$ 37,562,379</b>

There were no transfers between Level 1, Level 2 and Level 3 during both the three months ended March 31, 2017 and the year ended December 31, 2016.

The following table shows a reconciliation between the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	Balance at January 1, 2017	Total gains and (losses) recognized in profit or loss	Purchases	Sales	Maturities and repayment	Transfers in/(out) of Level 3	Balance at March 31, 2017
Royalty agreements acquired	\$35,547,001	\$(4,164,869)	\$98,130	-	\$(894,137)	-	\$30,586,125
Promissory notes receivable	2,015,378	(37,516)	-	-	-	-	1,977,862
<b>Total</b>	<b>\$37,562,379</b>	<b>\$(4,202,385)</b>	<b>\$98,130</b>	<b>-</b>	<b>\$(894,137)</b>	<b>-</b>	<b>\$32,563,987</b>

	Balance at January 1, 2016	Total gains and (losses) recognized in profit or loss	Purchases	Sales	Maturities and repayment	Transfers in/(out) of Level 3	Balance at December 31, 2016
Royalty agreements acquired	\$ 43,735,477	\$(13,887,027)	\$5,756,952	-	\$(58,401)	-	\$35,547,001
Promissory notes receivable	2,713,879	(950,934)	1,438,904	-	(1,186,471)	-	2,015,378
<b>Total</b>	<b>\$ 46,449,356</b>	<b>\$(14,837,961)</b>	<b>\$7,195,856</b>	<b>-</b>	<b>\$(1,244,872)</b>	<b>-</b>	<b>\$ 37,562,379</b>

The valuation technique used to determine the fair value of all Level 3 financial assets is a discounted cash flow model. The most significant unobservable inputs used in the valuation are the discount rate (range is between 13.3%-22.7%), growth rate of the revenues of the investee (range is between no growth and 25%) and the liquidity premium (range is between 0%-15%). The low and high input values represent the actual highest and lowest level of values used over the portfolio and represent the range on an individual investment basis. The input ranges will therefore vary from period to period based on the characteristic of the underlying investment at each statement of financial position date.

**c) Sensitivity of fair value measurement to changes in unobservable inputs**

For fair value measurements in Level 3, changing the most significant unobservable inputs by 1% would have the following impact on the fair value of the Level 3 financial assets as at March 31, 2017 and as at December 31, 2016 as follows:

March 31, 2017			December 31, 2016		
Discount rate	Revenue growth rate	Liquidity premium	Discount rate	Revenue growth rate	Liquidity premium
\$ 1,126,416	\$ 285,991	\$ 24,325	\$ 1,126,416	\$ 285,991	\$ 24,325

**d) Financial liabilities not measured at fair value**

All financial liabilities are measured at amortized cost. The table below is a comparison of the carrying amount and the fair value of the financial liabilities that are recognized in the statement of financial position:



**Grenville Strategic Royalty Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**In Canadian dollars, for the three months ended March 31, 2017**

	Carrying Amount March 31, 2017	Fair Value March 31, 2017	Carrying Amount December 31, 2016	Fair Value December 31, 2016
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	\$ 750,317	\$ 750,317	\$ 255,531	\$ 255,531
Convertible debentures	16,031,520	13,713,448	15,943,173	13,109,008
<b>Total Financial Liabilities</b>	<b>\$ 16,781,837</b>	<b>\$ 14,463,765</b>	<b>\$ 16,198,704</b>	<b>\$ 13,364,539</b>

The following methods and assumptions were used to estimate the fair values:

- Accounts payable and accrued liabilities, approximate their carrying amounts largely due to the short-term maturities of these instruments; and
- The fair value of the debt component of the convertible debentures for March 31, 2017 and December 31, 2016 was based on the listed price of the security at that date less a calculated price for the convertible option using a Black Scholes model.

## 6. Financial risk management objectives and policies

The Company's primary risk management objective is to protect the Company's assets and cash flow. The Company is exposed to market risks including interest rate, credit, foreign exchange and liquidity risks. The Company's management team oversees the management of these risks. It is the Company's policy that no trading for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees to policies for managing each of these risks, which are summarized below:

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, currency risk, commodity price risk, and other price risk, such as equity risk. The Company is not directly subject to commodity price risk and has limited exposure to equity price risk.

### Interest rate risk

The Company invests surplus cash in bank deposits which, due to their short term nature, do not expose the Company to any material interest rate risks. For royalty agreements acquired and promissory notes receivable, the income can vary on a monthly basis and is not a function of an underlying interest rate. The Company has no material interest rate exposure.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Starting in 2014, the Company has foreign currency exposures to receivables in United States dollars. The transaction exposure will be minimized by converting all foreign currency to Canadian dollars immediately. The Company continually monitors its translation exposure and its related impact on reported results. The foreign exchange exposure at March 31, 2017 was \$ 29,855,055 (December 31, 2016: 28,914,478) United States dollars and a 1% movement in the exchange rate has an impact of \$289,550 (December 31, 2016: \$289,145) on the Company's results.

### Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company enters into royalty arrangements with investees in which a purchase price is advanced in return for participation in the investees' revenue stream. This can take the form of a royalty or promissory note, without limitation. The carrying amount of cash, royalty agreements acquired and promissory note receivable represents the maximum exposure to credit risk. The maximum exposure at March 31, 2017 was \$32,238,333 (December 31, 2016: \$43,764,792). The cash is held by a Canadian bank which is rated A+ and the cash is invested in short term liquid investments.

In monitoring credit risk, the Company considers industry, sales volume and aging trends, maturity, and other relevant factors. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis and by continuously reviewing both actual and forecasted cash flows to ensure that the Company has appropriate capital capacity and liquidity.

The following table summarizes the amount of contractual undiscounted future cash flow requirements including all financial instruments as at March 31, 2017 and December 31, 2016 respectively:

<b>Contractual obligations</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 750,317	\$ -	\$ -	\$ -	\$ -	\$ 750,317
Finance lease liability	3,384	3,530	4,168	-	-	11,082
Convertible debenture	-	17,250,000	-	-	-	17,250,000
<b>Total</b>	<b>\$ 753,701</b>	<b>\$ 17,253,530</b>	<b>\$ 4,168</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,011,399</b>

**Grenville Strategic Royalty Corp.**  
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**In Canadian dollars, for the three months ended March 31, 2017**

<b>Contractual obligations</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 255,531	\$ -	\$ -	\$ -	\$ -	\$ 255,531
Finance lease liability	3,189	3,530	4,168	-	-	10,887
Convertible debenture	-	-	17,250,000	-	-	17,250,000
<b>Total</b>	<b>\$ 258,720</b>	<b>\$ 3,530</b>	<b>\$17,254,168</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,516,418</b>

**Capital management**

The Company manages its capital with the primary objective of safeguarding it while providing sufficient working capital to sustain day-to-day operations. For the year ended December 31, 2016, the Company raised additional capital of \$2,304,250 net of transactions costs through the exercise of share warrants and stock options. An important source of capital for the Company will be from royalty payment income and realized gains on Contract Buyouts.

The Company will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business. The capital requirements for the Company is not subject to any external regulatory guidelines.

**7. Cash and cash equivalents**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Cash held in bank accounts	\$ 1,055,868	\$ 648,504
Guaranteed investment certificates cashable at any time	5,553,908	5,553,908
	<b>\$ 6,609,776</b>	<b>\$ 6,202,412</b>

Included in the guaranteed investment certificates was \$170,109 (December 31, 2016: \$170,109) that was held as collateral for security purposes.

**8. Royalty agreements acquired and promissory notes receivable**

**a) Financial assets measured at fair value through profit and loss**

<b>Royalty agreements acquired</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Due within 1 year	\$ 5,880,165	\$ 1,580,247
Due after more than 1 year	24,705,960	33,966,754
<b>Total</b>	<b>\$ 30,586,125</b>	<b>\$ 35,547,001</b>

The term of the typical royalty agreement is normally perpetual and in certain cases the investee has a buyout and buydown option. On April 18, 2017, an investment was bought-out for \$5,000,000 and this amount was included under due within 1 year. Further details of the contract buyout are included in **Note 21**.

<b>Promissory notes receivable</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Due within 1 year	\$ 1,977,862	\$ 2,015,378
Due after more than 1 year	-	-
<b>Total</b>	<b>\$ 1,977,862</b>	<b>\$ 2,015,378</b>

<b>Total carrying amount of royalty agreements acquired and promissory notes receivable</b>	<b>\$ 32,563,987</b>	<b>\$ 37,562,379</b>
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For particular investments, the Company has in place a charge on the assets of the investees under General and Security Agreements. The carrying value of these investments with such security in place was at March 31, 2017, \$7,275,630 (December 31, 2016: \$7,818,819).

The Company has provided a 100% cash backed financial guarantee of up to \$110,000 (December 31, 2016: \$110,000) on behalf of an investee. The value of this financial guarantee recognized at March 31, 2017 was nil (December 31, 2016: nil).

**b) Movement during the period**

The changes in the carrying amount in royalty agreements acquired and promissory notes receivable during the reporting periods were:

	<b>Three months ended March 31, 2017</b>		<b>Year ended December 31, 2016</b>	
	<b>Royalty agreement acquired</b>	<b>Promissory notes receivable</b>	<b>Royalty agreement acquired</b>	<b>Promissory notes receivable</b>
<b>Starting balance</b>	<b>\$ 35,547,001</b>	<b>\$ 2,015,378</b>	<b>\$ 43,735,477</b>	<b>\$ 2,713,879</b>
New agreements acquired during the period	98,130	-	5,441,246	1,438,904
Principal payments	-	-	-	(89,530)
Redemption and contract buyout repayments	(194,055)	-	(1,317,000)	(50,000)

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Investments written-off	(3,465,000)	(869,635)	(1,840,936)	-
Promissory notes converted into royalty agreement	-	-	1,200,154	(1,200,154)
Royalty earned but payment not yet received, net	(149,112)	-	315,706	-
Royalty earned but written-off as payment not received	(809,965)	-	-	-
Royalty/interest earned added to the investment	-	-	58,445	153,214
Foreign exchange movements during the period	(580,702)	(64,351)	(1,398,846)	(104,610)
Change in fair value during the period	139,828	896,470	(10,647,245)	(846,325)
<b>Ending balance</b>	<b>\$ 30,586,125</b>	<b>\$ 1,977,862</b>	<b>\$ 35,547,001</b>	<b>\$ 2,015,378</b>

**c) Concentration**

Concentrations of credit risk arise from exposures to a single investee and groups of investees who have similar credit characteristics such as groups in the same economic and geographical regions. Concentration risk is managed by appropriately diversifying the portfolio through the use of concentration limits. There are limits set for individual investee exposure, geographical exposure and economic factors (cyclical, neutral and defensive).

The carrying amount for the royalty agreements acquired and promissory note receivable in each category by geographic location and economic factor were:

**i) Geographic**

	<b>March 31, 2017</b>	<b>%</b>	<b>December 31, 2016</b>	<b>%</b>
Canada	\$ 12,170,000	26.3	\$ 14,365,000	28.2
United States of America	34,079,979	73.7	36,640,784	71.8
<b>Total portfolio value</b>	<b>\$ 46,249,979</b>	<b>100</b>	<b>\$ 51,005,784</b>	<b>100</b>
Royalty agreements acquired – due within one year not included	880,165		1,580,247	
Cumulative change in foreign exchange	248,339		869,235	
Cumulative change in fair value	(12,816,454)		(14,088,900)	
Royalty payment/interest earned added to the investment	211,656		211,656	
Redemptions since inception	(2,209,698)		(2,015,643)	
<b>Carrying amount recognized in the statements of financial position</b>	<b>\$ 32,563,987</b>		<b>\$ 37,562,379</b>	

**ii) Economic**

	<b>March 31, 2017</b>	<b>%</b>	<b>December 31, 2016</b>	<b>%</b>
Cyclical	\$ 17,950,385	38.8	\$ 20,145,385	39.5
Neutral	17,556,500	37.9	17,652,425	34.6
Defensive	10,743,094	23.3	13,207,974	25.9
<b>Total portfolio value</b>	<b>\$ 46,249,979</b>	<b>100</b>	<b>\$ 51,005,784</b>	<b>100</b>
Royalty agreements acquired – due within one year not included	880,165		1,580,247	
Cumulative change in foreign exchange	248,339		869,235	
Cumulative change in fair value	(12,816,454)		(14,088,900)	
Royalty payment/interest earned added to the investment	211,656		211,656	
Redemptions since inception	(2,209,698)		(2,015,643)	
<b>Carrying amount recognized in the statements of financial position</b>	<b>\$ 32,563,987</b>		<b>\$ 37,562,379</b>	

**9. Equity-accounted investment in joint venture**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Interest in Foregrowth-Grenville Investments Inc.	\$ 600	\$ 128

On October 17, 2016, the Company signed with Foregrowth Holdco Inc. a wholly-owned subsidiary of Gravitas Ilium, a license and transaction management agreement and an unanimous shareholders agreement (together referred to as the "Agreements"). Under the Agreements, a joint venture legal entity was formed called Foregrowth-Grenville Investments Inc. ("FGII"), a company incorporated on October 6, 2016 and principal place of business in Toronto, Ontario. FGII has the right to co-invest in each new royalty investment made by the Company and has been granted, limited, non-exclusive, non-assignable, non-transferable right to use, with no right to sub-license, specified intellectual property of the Company. 15% of the shares of FGII are held by the Company and the Company is entitled to 15% of the cash distributions made by FGII. The Company nominates one of the two board members of FGII. Decisions made in FGII require unanimous consent by the directors and when required, the shareholders. The Company will manage the operational activities of FGII. Under the license agreement with FGII, the Company is entitled to a license fee based on 1% of the amount invested (payable at the date of the investment) and 1% on the total outstanding invested amount (payable monthly). The Company

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will not be liable to FGII or any other party for any losses incurred from co-investing in the royalty investments. Under the unanimous shareholders agreement, Foregrowth Holdco Inc. has contracted that (a) all investments made by FGII in royalty investments; and (b) all costs and expenses of FGII are to be financed by way of loans or revolving credit facilities arranged by them.

The following table summarizes the financial information of FGII as included in its own financial statements and reconciles the summarized financial information to the carrying amount of the Company's interest in FGII;

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Percentage ownership interest	15	15
Royalty agreements acquired	\$ 353,738	\$ 355,338
Current assets (including cash and cash equivalents of 2017: \$786,468 - 2016: \$177,180)	812,552	206,651
Current liabilities (excluding trade and other payables of 2017: \$333 - 2016: \$333)	(2,401)	(795)
Non-current liabilities (including notes payable of 2017: \$1,160,000 - 2016: \$560,000)	(1,159,885)	(560,339)
Net assets	<b>\$ 4,004</b>	<b>\$ 855</b>
<b>Company's share of net assets (15%) and carrying amount of interest</b>	<b>\$ 600</b>	<b>\$ 128</b>
Revenue	\$ 20,447	\$ 7,985
Operating expenses (including license fee paid to the Company of 2016: \$3,931 2015: -)	(2,029)	(4,195)
Interest expense	(14,137)	(2,626)
Income tax expense	(1,132)	(309)
Profit and total comprehensive income	<b>\$ 3,149</b>	<b>\$ 855</b>
<b>Company's share of profit and total comprehensive income (15%)</b>	<b>\$ 472</b>	<b>\$ 128</b>
<b>Dividends received by the Company</b>	<b>\$ -</b>	<b>\$ -</b>

## 10. Income taxes

### (a) Amounts recognized in statements of comprehensive income/(loss)

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
Current income tax expense – current year	\$ 28,783	\$ 283,405
Deferred tax - origination and reversal of temporary differences	(1,363,480)	(1,407,083)
<b>Total income taxes expense (recovery)</b>	<b>\$ (1,334,697)</b>	<b>\$ (1,123,678)</b>

### (b) Reconciliation of effective tax rate

	<b>Three months ended March 31, 2017</b>		<b>Three months ended March 31, 2016</b>	
<b>Loss before tax</b>		<b>\$ (5,126,978)</b>		<b>\$ (4,314,451)</b>
Tax at the combined Canadian federal and provincial statutory tax rate	26.50%	(1,358,647)	26.50%	(1,143,330)
Tax cost of non-deductible expenses	(0.69%)	23,950	(0.46%)	19,652
<b>Incomes taxes recognized in statements of comprehensive income (Loss) and effective tax rate</b>	<b>25.81%</b>	<b>\$ (1,334,697)</b>	<b>26.04%</b>	<b>\$ (1,123,678)</b>

### (c) Movement in deferred tax balances

The Company has established, based on the financial performance that it is probable that the Company will have future taxable income. The composition of the deferred tax asset at March 31, 2017 and December 31, 2016 was made up as follows:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Amounts recognized in statement of comprehensive income (loss)</b>		
Transaction costs on common shares issue and convertible debenture	\$ (318,813)	\$ (294,639)
Property and equipment	8,315	5,750
Tax losses carried forward	125,158	-
RTO expense	106,372	106,919
Unrealized gain on foreign exchange differences	(408,099)	(589,551)
Unrealized loss on changes in fair values	6,349,875	5,261,174
Other temporary differences	(2,458)	6,749
	<b>5,860,350</b>	<b>4,496,402</b>
<b>Amounts recognized in equity</b>		
Equity component of convertible debenture	(201,483)	(201,483)
Issuance cost for special warrants and common shares	782,653	783,120
	<b>581,170</b>	<b>581,637</b>
<b>Balance at March 31, 2017 and December 31, 2016</b>	<b>\$ 6,441,520</b>	<b>\$ 5,078,039</b>

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The effective tax rate used in determining the value of the deferred tax asset was 26.50%. There was no unrecognized deferred tax asset or liability at March 31, 2017 and December 31, 2016.

**11. Convertible debentures**

On July 10, 2014 and July 17, 2014, the Company closed an offering for convertible unsecured subordinated debentures (the "**Debentures**"), for an aggregate gross proceeds of \$17,250,000. The issue costs were \$1,343,425 resulting in net proceeds of \$15,906,575. The Debentures bear interest from the date of issue at 8% per annum, payable semi-annually in arrears on June 30 and December 31 in each year commencing December 31, 2014. The Debentures have a maturity date of December 31, 2019 (the "**Maturity Date**"). The Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Company for redemption of the Debentures into common shares at a conversion price of \$0.92 per common share, being a conversion rate of 1,086.9565 common shares for each \$1,000 principal amount of Debentures. The Debentures are listed for trading on the TSX Venture Exchange under the symbol GRC.DB.

For accounting purposes, the Debentures are separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was determined based on an estimated rate of 8.96% for the Debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the Debentures and the fair value of the liability component.

The Debentures are direct, unsecured obligations of the Company, subordinated to other indebtedness of the Company for borrowed money and ranking equally with all other unsecured subordinated indebtedness. The Debentures are not redeemable before December 31, 2017. On or after December 31, 2017, but prior to the Maturity Date, the Company may, at its option, redeem the Debentures, in whole or in part, at a price equal to the principal amount of the Debentures plus all accrued and unpaid interest up to but excluding the date of redemption.

The following table summarizes the outstanding balance and changes in the amounts recognized in the liability and equity during the period:

<b>Principal</b>	
Balance at March 31, 2017 and December 31, 2016	<b>\$ 17,250,000</b>
<b>Liability</b>	
Gross proceeds	\$ 17,250,000
Issue costs	(1,343,425)
Equity component less issue costs allocated	(760,314)
Liability component initially recognized	15,146,261
Accretion of finance expense for the period from July 10, 2014 to December 31, 2016	796,912
<b>Balance at December 31, 2016</b>	<b>15,943,173</b>
Accretion of finance expense for the three months ended March 31, 2017	88,347
<b>Balance at March 31, 2017</b>	<b>\$ 16,031,520</b>
<b>Equity</b>	
Equity component initially recognized	\$ 760,314
Deferred tax liability recognized	(201,483)
<b>Balance at March 31, 2017 and December 31, 2016</b>	<b>\$ 558,831</b>

The financing expense amounts that were recognized in the statement of comprehensive income (loss) was made up as follows:

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
Interest expense on convertible debentures	\$ 345,000	\$ 344,055
Accretion of finance expense for the period	88,347	78,895
<b>Total</b>	<b>\$ 433,347</b>	<b>\$ 422,950</b>

**12. Share capital and other components of equity**

**Common shares**

The authorized share capital of the Company consists of an unlimited number of voting common shares without par value. The issued and outstanding common shares at March 31, 2017 were 106,317,656 (December 31, 2016: 106,293,543).

During the three-month period ended March 31, 2017, 24,113 common shares were issued as a result of stock options been exercised. The proceeds received net of issuance costs was \$675. During the three-month period ended March 31, 2016, 12,170 was transferred from contributed surplus into share capital for options exercised during this period.

**Share warrants**

9,660,538 share warrants with an expiry date of February 19, 2016 were issued at an exercise price of \$0.42 per warrant with a fair value of \$1,044,074. From February 19, 2014 to the expiry date, 9,385,517 warrants were exercised and the Company received in total proceeds of \$3,941,917

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during that period. Between January 1, 2016 and the expiry date of the share warrants, 5,443,456 warrants were exercised and proceeds of \$2,286,407 after transaction costs were received from the common shares raised. As at March 31, 2017, there are no outstanding share warrants.

For the three-months period ended March 31, 2016, \$618,068 was transferred from the amount recognized for the fair value of the share warrants into share capital relating to the share warrants exercised during the period and the share warrants that were not exercised.

Each share warrant was convertible into one common share of the Company. The fair value of the share warrants at the date of issue was estimated at the date of issue using the Black-Scholes Option Pricing Model using the following assumptions:

Expected stock price volatility	35.45%
Expected life in years	2.00
Risk free interest rate	1.00%
Expected dividend yield	0.0%
Weighted average fair value per warrant granted	\$ 0.1081

**Stock options**

The purpose of the Company's stock option plan ("the "Plan") is to develop the interest of and provide an incentive to eligible employees, directors and consultants of the Company and its affiliates. The Plan provides for the issuance of a maximum of 10% of the issued and outstanding common shares. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option.

During the three months ended March 31, 2017, 24,113 stock options were exercised of which the Company received proceeds of \$675. No new options were granted during the period. The details of the options outstanding at March 31, 2017 (December 31, 2016: 10,422,788) were:

<b>Issue Date</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Remaining contractual life (years)</b>
February 19, 2014	297,667	297,667	\$0.58	June 13, 2017	0.2
February 19, 2014	68,955	68,955	\$0.51	March 13, 2018	0.95
February 19, 2014	177,053	177,053	\$0.028	August 1, 2018	1.33
April 3, 2014	1,457,500	1,183,750	\$0.50	April 3, 2019	2.01
May 26, 2014	200,000	150,000	\$0.52	May 26, 2019	2.15
May 25, 2015	787,500	277,500	\$0.88	May 25, 2020	3.15
July 10, 2015	1,500,000	375,000	\$0.87	July 10, 2020	3.27
September 21, 2015	300,000	75,000	\$0.64	September 21, 2020	3.47
June 3, 2016	1,975,000	100,000	\$0.44	June 3, 2021	4.18
November 18, 2016	2,325,000	150,000	\$0.165	November 18, 2021	4.64
<b>Total</b>	<b>9,088,675</b>	<b>2,874,925</b>			
<b>Weighted average exercise price</b>	<b>\$0.4900</b>	<b>\$0.5468</b>		<b>Weighted average remaining contractual life</b>	<b>3.43</b>

Between January 1, 2017 and March 31, 2017, 240,000 options expired and 1,070,000 options were cancelled.

**Share-based compensation**

The Company uses the Black-Scholes option pricing model to calculate the fair value of any options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. For the expected stock price volatility estimate, the business activities changed significantly following the RTO and as a result, the volatility percentage was based on the historical volatility for the same term as the contractual life of the option, of publicly-listed entities with a similar type of business. Changes in assumptions can materially affect estimates of fair values. The following weighted average assumptions were used to estimate the weighted average grant date fair value of the outstanding options as at March 31, 2017:

**Assumptions**

Expected stock price volatility	45.15%
Expected life in years	4.96
Risk free interest rate	1.06%
Expected dividend yield	1.70%
Weighted average fair value per option granted	\$0.1524

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**13. Revenues**

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
<b>Royalty agreements acquired</b>		
Royalty payment income	\$ 1,333,228	\$ 2,505,602
Realized/unrealized foreign exchange gains (Note 16)	(620,307)	(2,358,546)
Realized loss from investment written-off	(4,274,965)	-
Unrealized gain (loss) from changes in fair value	139,828	(2,268,971)
<b>Total</b>	<b>\$ (3,422,216)</b>	<b>\$ (2,121,915)</b>
<b>Promissory notes receivable</b>		
Interest income	\$ 412	\$ 75,827
Realized/unrealized foreign exchange (loss) gains (Note 16)	(64,225)	(173,738)
Realized loss from investment written-off	(869,635)	-
Unrealized gain (loss) from changes in fair value	896,470	(650,000)
<b>Total</b>	<b>\$ (36,978)</b>	<b>\$ (747,911)</b>
<b>Fee income</b>		
Fees earned under license agreements	\$ 813	\$ -

On October 17, 2016, the Company signed license and transaction management agreements with Foregrowth-Grenville Investments Inc. ("FGII") and Darwin Strategic Royalty Corporation ("Darwin"). Under each agreement, FGII and Darwin have the right to co-invest in each new royalty investment made by the Company and were granted, limited, non-exclusive, non-assignable non-transferable right, with no right to sub-license, specified intellectual property items of the Company in exchange for a license fee. The licence fee under the agreement is calculated as follows:

Darwin	Equal to 6% of royalty payments, buyout payments and any other income earned from the Darwin royalty investments.
FGII	1% of the amount invested by FGII and 1% of the outstanding invested amount of FGII.

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
<b>Other interest income</b>		
Interest income on invested cash and cash equivalents	\$ 15,651	\$ 36,559

**14. Employee benefit expense**

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
Wages and salaries	\$ 324,484	\$ 434,059
Other benefits	12,703	7,975
Employer related costs for insurance, health tax and pension contribution	20,984	27,231
<b>Salaries, benefits and other staffing costs</b>	<b>358,171</b>	<b>477,265</b>
Share based compensation (Note 15)	87,737	73,625
<b>Total</b>	<b>\$ 445,908</b>	<b>\$ 550,890</b>

**15. Share-based compensation**

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
Expense recognized for services provided based on vesting conditions of stock options (Note 14)	\$ 87,737	\$ 73,625

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**16. Foreign exchange loss**

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
Unrealized foreign exchange loss	\$ (684,724)	\$ (2,529,715)
Realized foreign exchange gain (loss)	192	(2,569)
<b>Total</b>	<b>\$ (684,532)</b>	<b>\$ (2,532,284)</b>

In the statement of comprehensive income (loss) the foreign exchange gain was recognized under the following captions:

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
Revenues –royalty agreements acquired	\$ (620,307)	\$ (2,358,546)
Revenues – promissory notes receivable	(64,225)	(173,738)
<b>Total</b>	<b>\$ (684,532)</b>	<b>\$ (2,532,284)</b>

**17. Earnings / (Loss) per share**

The following reflects the profit, loss and unit data used in the basic and diluted earnings per share computations:

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
Profit/(loss) attributable to ordinary equity holders for basic earnings /(loss) per share	<b>\$ (3,792,281)</b>	<b>\$ (3,190,773)</b>
Financing expense ( <b>Note 11</b> ) less income tax at 26.5%	318,510	310,868
Profit/(loss) attributable to ordinary equity holders for diluted earnings /(loss) per share	(3,473,771)	(2,879,905)
Basic weighted average number of shares outstanding	106,297,830	104,227,591
Diluted weighted average number of shares outstanding	134,897,442	129,392,925

Due to the anti-dilutive impact, the same net loss attributable to ordinary equity holders and weighted average number of common shares have been used for both the basic and diluted earnings and loss calculations for the three months ended March 31, 2017 and March 31, 2016.

**18. Operating segment information**

For management purposes, the Company activities are managed and monitored by senior management as one operating segment. The financial statements included are the same financial statements that management uses to monitor the performance of the Company.

**Entity-wide information**

All of the Company's reported revenue is from external customers. The breakdown of the recognized revenue by country was:

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
Canada	\$ (2,649,596)	\$ (586,270)
United States	(792,662)	(2,246,997)
<b>Total</b>	<b>\$ (3,442,258)</b>	<b>\$ (2,833,267)</b>

The breakdown of reported revenue excluding interest income on cash and cash equivalents, fee income, share of joint venture profit and interest received on tax refunds of \$16,936 (2016: \$36,559) by each economic factor segment was:

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
Cyclical	\$ (4,024,698)	\$ (2,677,495)
Neutral	(2,061,460)	(28,964)
Defensive	2,626,966	(163,367)
<b>Total</b>	<b>\$ (3,459,192)</b>	<b>\$ (2,869,826)</b>



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For the three months ended March 31, 2017, the royalty payment income and the interest income on loans for 4 (2016: 1) investee is greater than 10% of the total. All non-current assets are located in Canada. For this purpose, non-current assets exclude all financial instruments and deferred tax.

**19. Changes in operating working capital items**

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
Royalty agreements acquired – current portion	\$ 109,641	\$ (298,835)
GST and HST Receivable	-	(646,760)
Prepaid expense	(29,634)	(4,602)
Accounts payable and accrued liabilities	149,774	(206,194)
<b>Total changes in operating working capital items</b>	<b>\$ 229,781</b>	<b>\$ (1,156,391)</b>

**20. Commitments**

**Operating leases – minimum lease payments under non-cancellable leases**

	<b>March 31, 2017</b>	<b>December 31, 2015</b>
Less than one year	\$ 88,911	\$ 127,015
Between one and five years	-	-
<b>Total</b>	<b>\$ 88,911</b>	<b>\$ 127,015</b>

**21. Events after the reporting period**

**Investments**

Since the end of the reporting period, the Company has entered into three new royalty investments for US\$150,000, \$125,000 and US\$1,500,000 respectively and a subsequent installment under an existing royalty agreement for US\$125,000.

**Contract buyout**

On April 18, 2017, Aquam Corporation bought-out the investment by the Company for \$5,000,000 pursuant to the terms of the royalty agreement. The original royalty investment was made in June 2014 and was for \$2,000,000. The contract buyout will result in a realized gain of \$3,000,000 and will be recognized in the three months ended June 30, 2017. Including the contract buyout payment, cash received by the Company throughout the term of the investment totalled \$7,527,822.

**Conversion of investment into common shares**

On April 26, 2017, the Company announced that 18,246,600 common shares ("Shares") of Lattice Biologics Ltd ("Lattice") will be issued to the Company at an issue price of CDN\$0.20 in exchange for the extinguishment of USD\$2,000,000 of Grenville's original royalty investment in Lattice and USD\$700,000 of overdue royalty payments owing by Lattice to Grenville under the existing royalty agreement between the Company and Lattice. Immediately following the issuance of the Shares, Grenville expects that it will hold approximately 19.7% of the total issued and outstanding common shares of Lattice. The Shares will be subject to a four-month hold period under applicable securities laws. Pursuant to the transaction, the existing royalty agreement will be terminated and additional overdue royalty payments of US\$69,512 will be forgiven. The remaining USD\$1,000,000 of the original royalty investment will be converted to a new royalty equal to 1.25% of the revenue of Lattice, payable quarterly as and when cash and cash equivalents of Lattice for a quarter exceed the cash and cash equivalents of Lattice for the previous quarter by at least USD\$100,000. In addition, the parties have agreed to amend the secured note in the principal amount of USD\$700,000 issued by Lattice to Grenville on July 31, 2015 to extend the maturity date until April 24, 2022, and to change the interest rate from 12.5% per annum to 4.244% per annum. Accrued interest owing under certain unsecured promissory notes issued by Lattice to Grenville will also be forgiven. Completion of the transaction is subject to all necessary approvals, including the approval of the TSX Venture Exchange.

**22. Related party disclosures**

**Key management personnel**

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
Short term employee benefits	\$ 239,647	\$ 328,327
Share-based payments	67,826	54,007
Consultancy fees	68,635	13,333
<b>Total</b>	<b>\$ 376,108</b>	<b>\$ 395,667</b>

The number of key management personnel were 10 (2016: 9) and are identified as the members of the board of directors and the officers of the Company.