Grenville Strategic Royalty Corp.

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2016

(Unaudited)

Grenville Strategic Royalty Corp.

Consolidated Statements of Financial Position

(Canadian dollars)

	Note		March 31, 2016		December 31, 2015
Assets					
Current Assets					
Cash and cash equivalents	8	$	10,102,575	$	16,897,331
Sales tax recoverable			671,450		-
Promissory note receivable – current portion	9		3,047,732		2,713,879
Royalty agreements acquired– current portion	9		1,231,059		1,264,541
Prepaid expense			75,487		70,885
Income tax recoverable			60,261		-
Total Current Assets			**15,188,564**		**20,946,636**
Non-Current Assets					
Property and equipment			151,423		152,211
Deferred tax asset	10		2,382,154		975,072
Royalty agreements acquired – non-current	9		42,546,644		42,470,936
Total Non-Current Assets			**45,080,221**		**43,598,219**
Total Assets		**$**	**60,268,785**	**$**	**64,544,855**
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accrued liabilities		$	700,677	$	882,181
Dividends payable			619,515		587,448
Finance lease liability			3,166		3,166
Income tax payable			-		1,548,438
Total Current Liabilities			**1,323,358**		**3,021,233**
Non-Current Liabilities					
Finance lease liability			8,904		10,626
Convertible debentures	11		15,674,132		15,595,237
Total Non-Current Liabilities			**15,683,036**		**15,605,863**
Shareholders' Equity (Note 12)					
Share capital		$	50,251,676	$	47,318,036
Warrants			-		618,068
Contributed surplus			479,022		417,567
Equity component of convertible debentures	11		558,831		558,831
Accumulated deficit			(8,027,138)		(2,994,743)
Total Shareholders' Equity			**43,262,391**		**45,917,759**
Total Liability and Shareholders' Equity		**$**	**60,268,785**	**$**	**64,544,855**

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on May 26, 2016.

"Steve Parry"
Steve Parry, Director

"Gaston Tano"
Gaston Tano, Director

Grenville Strategic Royalty Corp.

Consolidated Statements of Comprehensive Income (Loss)

(Canadian dollars)

	Note		Three months ended March 31, 2016		Three months ended March 31, 2015
Revenue					
Royalty agreements acquired	13	$	(2,121,915)	$	2,735,982
Promissory notes receivable	13		(747,911)		4,405
Other interest income	13		36,559		37,529
Total Revenues			**(2,833,267)**		**2,777,916**
Operating Expenses					
Salaries, benefits and other costs	14		477,265		297,688
Management and facilities fees			38,104		39,054
Share based payments	15		73,625		27,959
Professional fees			349,360		116,487
Office and general administration			119,880		65,488
Foreign exchange loss (gain), net	16		-		(25,945)
Total Operating expense			**1,058,234**		**520,731**
Operating Profit/(Loss)		**$**	**(3,891,501)**	**$**	**2,257,185**
Financing expense	11		422,950		414,459
Profit / (Loss) Before Income Taxes			**(4,314,451)**		**1,842,726**
Income Taxes					
Current income tax expense	10	$	283,405	$	158,353
Deferred tax (recovery)	10		(1,407,083)		335,461
Total Income Taxes (Recovery)			**(1,123,678)**		**493,814**
Profit / (Loss) and Total Comprehensive Income/ (Loss)		**$**	**(3,190,773)**	**$**	**1,348,912**
Earnings / (Loss) per share	17				
Basic earnings/(loss) per share		$	(0.0306)	$	0.0200
Diluted earnings/(loss) per share			(0.0306)		0.0168

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
Balance, January 1, 2015	**59,410,419**		**$ 21,211,197**	**$ 1,030,233**	**$ 301,488**	**$ 558,831**	**$(3,566,616)**	**$ 19,535,133**
Impact of adopting IFRS 9	-	4	-	-	-	-	43,278	43,278
Restated Balance, January 1, 2015	**59,410,419**		**$ 21,211,197**	**$ 1,030,233**	**$ 301,488**	**$ 558,831**	**$(3,523,338)**	**$ 19,578,411**
Common shares issued	19,828,300	12	11,500,414	-	-	-	-	11,500,414
Share issue cost			(983,207)	-	-	-	-	(983,207)
Share warrants exercised	1,035,961	12	547,943	(112,839)	-	-	-	435,104
Stock options exercised	41,069	12	1,150	-	-	-	-	1,150
Share-based payment for services provided	-	15	-	-	27,959	-	-	27,959
Deferred tax recognized	-	10	261,041	-	-	-	-	261,041
Dividends paid and payable	-		-	-	-	-	(666,991)	(666,991)
Comprehensive income for the period	-		-	-	-	-	1,348,912	1,348,912
Balance, March 31, 2015	**80,315,749**		**$ 32,538,538**	**$ 917,394**	**$ 329,447**	**$ 558,831**	**$(2,841,417)**	**$ 31,502,793**
Balance, January 1, 2016	**100,762,965**		**$ 47,318,036**	**$ 618,068**	**$ 417,567**	**$ 558,831**	**$(2,994,743)**	**$ 45,917,759**
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 payment for services provided	-	15	-	-	73,625	-	-	73,625
Dividends paid and payable	-		-	-	-	-	(1,841,622)	(1,841,622)
Comprehensive income for the year	-		-	-	-	-	(3,190,773)	(3,190,773)
Balance, March 31, 2016	**106,263,278**		**$50,251,676**	**$-**	**$ 479,022**	**$ 558,831**	**$(8,027,138)**	**$43,262,391**

See accompanying notes to financial statements.

Grenville Strategic Royalty Corp.

Consolidated Statements of Cash Flows

(Canadian dollars)

	Notes	Three months ended March 31, 2016	Three months ended March 31, 2015
Profit/(Loss) before income taxes		$ (4,314,451)	$ 1,842,726
Share-based payments	15	73,625	27,959
Depreciation		10,368	5,334
Unrealized loss (gain) from change in fair value of royalty investments acquired and promissory notes receivable including foreign exchange differences	9	5,341,137	(1,233,467)
Financing expense - accretion	11	78,895	70,404
Income tax paid		(1,892,104)	(201,362)
Royalty agreements acquired and promissory notes receivable – new investments	9	(5,373,594)	(5,219,400)
Royalty agreements acquired and promissory notes receivable – principal payments	9	(44,787)	85,399
Changes in working capital items	19	(1,156,391)	(75,948)
Net Cash flows used in Operating Activities		**(7,277,302)**	**(4,698,355)**
Cash flows from financing activity			
Issuance of common shares, net of costs		$ -	$ 10,517,207
Exercise of share warrants and stock options		2,303,403	436,254
Finance lease payments		(1,722)	(693)
Dividends paid		(1,809,555)	(332,877)
Net Cash flows from Financing Activities		**492,126**	**10,619,891**
Cash flows from investing activity			
Purchase of property and equipment		**$ (9,580)**	**$ (17,631)**
Net increase in cash during the period		**(6,794,756)**	**5,903,905**
Cash and cash equivalents, beginning of period		16,897,331	9,748,841
Cash and cash equivalents, end of period	8	**$ 10,102,575**	**$ 15,652,746**

See accompanying notes to financial statements.

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 Company has adopted IFRS 9 *Financial Instruments* (issued in July 2014) ("IFRS 9") with an initial application date of January 1, 2015. The impact of adopting IFRS 9 on the opening retained earnings as at January 1, 2015 is included in Note 4. 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 2015 audited annual consolidated financial statements and accompanying notes.

The financial statements were authorized for issue by the Board of Directors on May 26, 2016.

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 terms of the royalty agreements entered into by the Company contains 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 6.

In Canadian dollars, for the three months ended March 31, 2016

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. Change in accounting policy

Financial instruments

The Company early adopted IFRS 9 with a date of initial application of January 1, 2015. The adoption of IFRS 9 replaces the Company's previous application of IAS 39 Financial Instruments: Recognition and Measurement. The Company has classified all of its financial assets as subsequently measured either at fair value through profit or loss or amortized cost. This classification was determined by the Company by reference to the business model objective to manage the financial assets and the cash flow characteristics of the assets.

The adoption has resulted in royalty agreements acquired, loans receivable and accrued interest and royalty payments receivables being classified and subsequently measured at fair value through profit or loss rather than amortized cost. This change in classification primarily reflects the characteristics of the cash flows generated by these financial assets which are not solely made up of principal and interest. The impact of the change in classification of the royalty agreements acquired and loans receivable to fair value through profit and loss was to increase the carrying amount at January 1, 2015 by $41,555 ($30,543 net of tax), with the difference reflected in retained earnings.

The adoption of IFRS 9 did not impact the classification or subsequent measurement of the Company's financial liabilities as of January 1, 2015 other than for accounts payable where $17,327 ($12,735 net of tax) was recognized in retained earnings as the balance related to income earned which was deferred over the life of the asset when measured using the effective interest rate. Under IFRS 9, all financial liabilities continue to be measured at amortized cost and presented under the same financial captions on January 1, 2015 as under IAS 39.

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The "expected credit loss" model does not apply to financial assets measured at fair value through profit or loss. Under IAS 39 loans receivable, royalty agreements acquired, loans receivable and accrued interest and royalty payments receivables were classified as "loan and receivable" and subject to the impairment principles under IAS 39. Accordingly, the classification of these financial assets under IFRS 9, as subsequently measured at fair value through profit or loss, means that the "expected credit loss" model does not apply. The Company's expectation is that the "expected credit loss" model will only apply to any financial assets that are financial commitments and financial guarantee contracts which as at March 31, 2016 and December 31, 2015 the Company does not have significant exposure to such type of contracts.

There are new requirements under IFRS 9 for hedge accounting. The Company does not apply hedge accounting principles and as a result the adoption of IFRS 9 does not have any impact.

The following table shows the quantitative impact of the changes in classification and measurement of financial assets on January 1, 2015, the Company's initial date of application of IFRS 9:

	Original measurement classification and carrying amount under IAS 39				**New measurement classification and carrying amount under IFRS 9**
	Fair value through profit and loss	**Loan and receivable**	**Reclassification based on application of IFRS 9**	**Remeasurement based on application of IFRS 9 and reflected in opening retained earnings**	**Fair value through profit and loss**
Cash and cash equivalents	$ 9,748,841	$ -	$ -	$ -	$ 9,748,841
Accrued interest and royalty payments receivable	-	491,060	(491,060)	-	-
Loan receivable	-	102,200	(102,200)	-	-
Promissory notes receivable	-	-	102,200	-	102,200
Royalty agreements acquired	-	24,181,558	491,060	41,555	24,714,173

In Canadian dollars, for the three months ended March 31, 2016

A summary of the amount recognized in retained earnings as at January 1, 2015 resulting from the change in accounting policy is as follows:

Remeasurement of royalty agreements acquired	$	41,555
Reclassification of deferred income included under accounts payable		17,327
Adjustment before taxes		58,882
Taxes at 26.5%		(15,604)
Adjustment to retained earnings as at January 1, 2015	**$**	**43,278**

5. 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.

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 lesees. 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.

6. 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

Prior to January 1, 2015, the only financial instruments measured at fair value were cash and cash equivalents. From January 1, 2015 all financial assets are measured at fair value. All financial liabilities are measured at amortized cost prior to January 1, 2015 and from January 1, 2015.

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.

In Canadian dollars, for the three months ended March 31, 2016

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
March 31, 2016				
Cash and cash equivalents	$ 10,102,575	$ 10,102,575	$ -	$ -
Royalty agreements acquired	43,777,703	-	-	$ 43,777,703
Promissory notes receivable	3,047,732	-	-	$ 3,047,732
	$ 56,928,010	**$ 10,102,575**	**$ -**	**$ 46,825,435**
December 31, 2015				
Cash and cash equivalents	$ 16,897,331	$ 16,897,331	$ -	$ -
Royalty agreements acquired	43,735,477	-	-	$ 43,735,477
Promissory notes receivable	2,713,879	-	-	$ 2,713,879
	$ 63,346,687	**$ 16,897,331**	**$ -**	**$ 46,449,356**

There were no transfers between Level 1, Level 2 and Level 3 during both the three months ended March 31, 2016 and the year ended December 31, 2015.

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, 2016	Total gains and (losses) recognized in profit or loss	Purchases	Sales	Maturities and repayment	Transfers in/(out) of Level 3	Balance at March 31, 2016
Royalty agreements acquired	$43,735,477	$(4,517,399)	$4,215,790	-	$343,835	-	$43,777,703
Promissory notes receivable	2,713,879	(823,738)	1,157,804	-	(213)	-	3,047,732
Total	**$46,449,356**	**$ (5,341,137)**	**$ 5,373,594**	**-**	**$ 343,622**	**-**	**$46,825,435**

	Balance at January 1, 2015	Total gains and (losses) recognized in profit or loss	Purchases	Sales	Maturities and repayment	Transfers in/(out) of Level 3	Balance at December 31, 2015
Royalty agreements acquired	$ 24,223,113	$ (1,896,596)	$ 28,775,570	$ (8,759,594)	$ 1,392,984	-	$ 43,735,477
Promissory notes receivable	102,200	117,922	3,765,485	-	(1,271,728)	-	2,713,879
Total	**$ 24,325,313**	**$ (1,778,674)**	**$ 32,541,055**	**$ (8,759,594)**	**$ 121,256**	**-**	**$ 46,449,356**

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 14.3%-25.8%), growth rate of the revenues of the investee (range is between no growth and 20%) and the liquidity premium (range is between 3.4%-15.1%). 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, 2016 as follows:

Discount rate	Revenue growth rate	Liquidity premium
$ 1,572,249	$ 482,480	$ 22,770

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:

	Carrying Amount March 31, 2016	Fair Value March 31, 2016	Carrying Amount December 31, 2015	Fair Value December 31, 2015
Financial liabilities				
Accounts payable and accrued liabilities	$ 700,677	$ 700,677	$ 882,181	$ 882,181
Convertible debentures	15,674,132	15,404,323	15,595,237	15,373,594
Total Financial Liabilities	**$ 16,374,809**	**$ 16,105,000**	**$ 16,477,418**	**$ 16,255,775**

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.
- The fair value of the convertible debentures is based on valuation techniques taking into account trading values, market rates of interest, the current conditions in credit markets and the current estimated credit margins applicable to the Company based on similar issues currently listed.

7. 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, 2016 was $24,230,813 (December 31, 2015: 25,661,837) United States dollars and a 1% movement in the exchange rate has an impact of $242,308 (December 31, 2015: $256,618) 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, 2016 was $56,928,010 (December 31, 2015: $63,346,687). 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, 2016 and December 31, 2015 respectively:

In Canadian dollars, for the three months ended March 31, 2016

Contractual obligations	**2017**	**2018**	**2019**	**2020**	**Total**
Accounts payable and accrued liabilities	$ 700,677	$ -	$ -	$ -	$ 700,677
Dividend payable	619,515	-	-	-	619,515
Finance lease liability	3,166	3,530	3,907	1,467	12,070
Convertible debenture	-	-	17,250,000	-	17,250,000
Total	**$ 1,323,358**	**$ 3,530**	**$17,253,907**	**$ 1,467**	**$ 18,582,262**

Contractual obligations	**2016**	**2017**	**2018**	**2019**	**Total**
Accounts payable and accrued liabilities	$ 882,181	$ -	$ -	$ -	$ 882,181
Dividend payable	587,448	-	-	-	587,448
Finance lease liability	3,166	3,189	3,530	3,907	13,792
Convertible debenture	-	-	-	17,250,000	17,250,000
Total	**$ 1,472,795**	**$ 3,189**	**$ 3,530**	**$17,253,907**	**$ 18,733,421**

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. During the period, the Company raised additional capital of $2,303,402 net of transaction costs through the exercise of share warrants and stock options.

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.

8. Cash and cash equivalents

	March 31, 2016	**December 31, 2015**
Cash held in bank accounts	$ 497,244	$ 956,359
Guaranteed investment certificates cashable at any time	9,605,331	15,940,972
	$ 10,102,575	**$ 16,897,331**

Included in the guaranteed investment certificates was $210,000 (December 31, 2015: $210,000) that was held as collateral for security purposes.

9. Royalty agreements acquired and promissory notes receivable

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

Royalty agreements acquired	**March 31, 2016**	**December 31, 2015**
Due within 1 year	$ 1,231,059	$ 1,264,541
Due after more than 1 year	42,546,644	42,470,936
Total	**$ 43,777,703**	**$ 43,735,477**

The term of the typical royalty agreement is normally perpetual and in certain cases the investee has a buyout and buydown option.

For one of the royalty agreements where the total investment was $1,500,000, the Company has in place a General and Security Agreement which provides first security on the operating equipment of the investee, the fair value of which was at least $850,000. For another investment for $910,000, the Company has provided a 100% cash backed financial guarantee of up to $150,000 to the investee's banker.

Promissory notes receivable at fair value	**March 31, 2016**	**December 31, 2015**
Due within 1 year	$ 3,047,732	$ 2,713,879
Due after more than 1 year	-	-
Total	**$ 3,047,732**	**$ 2,713,879**
Total carrying amount of royalty agreements acquired and promissory notes receivable	**$ 46,825,435**	**$ 46,449,356**

b) Movement during the period

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

In Canadian dollars, for the three months ended March 31, 2016

	Three months ended March 31, 2016		Year ended December 31, 2015	
	Royalty agreement acquired	**Promissory notes receivable**	**Royalty agreement acquired**	**Loans receivable**
Starting balance	**$ 43,735,477**	**$ 2,713,879**	**$ 24,181,558**	**$ 102,200**
Impact of adopting IFRS 9 (**Note 4**)	-	-	41,555	-
Restated starting balance	**43,735,477**	**2,713,879**	**24,223,113**	**102,200**
New agreements acquired during the period	4,215,790	1,157,804	28,775,570	3,765,485
Principal payments	-	(36,779)	100,760	(111,352)
Redemption and contract buyout repayments	45,000	36,566	(8,759,594)	(1,160,376)
Royalty earned but payment not yet received, net	298,835	-	1,292,226	-
Interest earned added to the balance		-	-	-
Foreign exchange movements during the period	(2,301,361)	(173,738)	2,919,725	69,388
Change in fair value during the period	(2,216,038)	(650,000)	(4,816,323)	48,534
Ending balance	**$ 43,777,703**	**$ 3,047,732**	**$ 43,735,477**	**$ 2,713,879**

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

	March 31, 2016	%	December 31, 2015	%
Canada	$ 15,495,000	29.6	$ 15,125,000	31.5
United States of America	36,894,730	70.4	32,891,135	68.5
Total portfolio value	**$ 52,389,730**	100	**$ 48,016,135**	100
Royalty agreements acquired – due within one year not included	1,563,376		1,264,541	
Cumulative change in foreign exchange	(133,049)		2,352,268	
Cumulative change in fair value	(6,498,110)		(4,534,945)	
Promissory note redemptions since inception	(496,512)		(648,643)	
Carrying amount recognized in the statements of financial position	**$ 46,825,435**		**$ 46,449,356**	

ii) Economic

	March 31, 2016	%	December 31, 2015	%
Cyclical	$ 20,972,811	40.0	$ 16,954,300	35.3
Neutral	19,024,295	36.3	17,877,765	37.2
Defensive	12,392,624	23.7	13,184,070	27.5
Total portfolio value	**$ 52,389,730**	**100**	**$ 48,016,135**	**100**
Royalty agreements acquired – due within one year not included	1,563,376		1,264,541	
Cumulative change in foreign exchange	(133,049)		2,352,268	
Cumulative change in fair value	(6,498,110)		(4,534,945)	
Promissory note redemptions since inception	(496,512)		(648,643)	
Carrying amount recognized in the statements of financial position	**$ 46,825,435**		**$ 46,449,356**	

In Canadian dollars, for the three months ended March 31, 2016

10. Income taxes

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
Current income tax expense – current year	$ 283,405	$ 158,353
Deferred tax (income)/expense		
Deferred tax (income) – prior year	-	-
Origination and reversal of temporary differences	(1,407,083)	335,461
Total income taxes expense (recovery)	**$ (1,123,678)**	**$ 493,814**

(b) Amounts recognized directly in equity

	Three months ended March 31, 2016	Three months ended March 31, 2015
Issuance cost for special warrants and common shares	**$ -**	**$ 261,041**

(c) Reconciliation of effective tax rate

	Three months ended March 31, 2016		Three months ended March 31, 2015	
Profit/(Loss) before tax		**$ (4,314,451)**		**$ 1,842,726**
Tax at the combined Canadian federal and provincial statutory tax rate	26.50%	**(1,143,330)**	26.50%	488,322
Tax cost of non-deductible expenses	(0.46%)	19,652	0.30%	5,492
Incomes taxes recognized in statements of comprehensive Income (Loss) and effective tax rate	**26.04%**	**$ (1,123,678)**	**26.80%**	**$ 493,814**

(d) Movement in deferred tax balances

The Company has established, based on the financial performance during the latter periods of the financial year that it is probable that the Company will have future taxable income. As a result, the Company recognized a deferred tax asset for temporary differences existing at December 31, 2015. The composition of the deferred tax asset at March 31, 2016 and December 31, 2015 was made up as follows:

Amounts recognized in statement of comprehensive income (loss)	**March 31, 2016**	**December 31, 2015**
Transaction costs on common shares issue and convertible debenture	$ (219,769)	$ (182,590)
Property and equipment	10,082	7,372
Tax losses carried forward	59,938	59,938
RTO expense	112,618	114,967
Unrealized gain on foreign exchange differences	(309,044)	(1,124,679)
Unrealized loss on changes in fair values	2,243,584	1,615,318
Other temporary differences	(96,893)	(96,892)
	1,800,516	**393,434**
Amounts recognized in equity		
Equity component of convertible debenture	(201,483)	(201,483)
Issuance cost for special warrants and common shares	783,121	783,121
	581,638	**581,638**
Balance at March 31, 2016 and December 31, 2015	**$ 2,382,154**	**$ 975,072**

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, 2016 and December 31, 2015.

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.

In Canadian dollars, for the three months ended March 31, 2016

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:

Principal	
Balance at March 31, 2016 and December 31, 2015	**$ 17,250,000**
Liability	
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, 2015	448,976
Balance at December 31, 2015	**15,595,237**
Accretion of finance expense for the three months ended March 31, 2016	78,895
Balance at March 31, 2016	**$ 15,674,132**
Equity	
Equity component initially recognized	$ 760,314
Deferred tax liability recognized	(201,483)
Balance at March 31, 2016 and December 31, 2015	**$ 558,831**

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
Interest expense on convertible debentures	$ 344,055	$ 344,055
Accretion of finance expense for the period	78,895	70,404
Total	**$ 422,950**	**$ 414,459**

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, 2016 were 106,263,278 (December 31, 2015: 100,762,965).

During the three-month period ended March 31, 2016, 5,500,313 common shares were issued as a result of share warrants and stock options been exercised. The proceeds received net of issuance costs was $2,303,402. $618,068 was transferred from the initial fair value recognized for share warrants into share capital following the exercise and expiry of the share warrants. For the stock options exercised, $12,170 was transferred from contributed surplus into share capital.

On February 26, 2015 and May 7, 2015, 19,828,300 and 17,250,000 common shares were issued at a price of $0.58 and $0.80 per common share respectively and the proceeds received net of issuance costs was $23,306,104.

Share warrants

The details of the share warrants outstanding at March 31, 2016 and December 31, 2015 respectively were:

Number of Warrants outstanding	Fair value of warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
-	-	-	-	-

Number of Warrants outstanding	Fair value of warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
5,718,477	618,068	$0.42	February 19, 2016	0.13

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 during that period. Between January 1, 2016 and the expiry date of the share warrants, 5,443,456 warrants were exercised and proceeds of $2,279,522 after transaction costs were received from the common shares raised.

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, 2016, 56,857 stock options were exercised of which the Company received proceeds of $23,880. $12,170 was transferred from contributed surplus into share capital during the period. No new options were granted during the period. The details of the options outstanding at March 31, 2016 (December 31, 2015: 7,626,109) were:

Issue Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
February 19, 2014	297,667	297,667	$0.58	June 13, 2017	1.21
February 19, 2014	68,955	68,955	$0.51	March 13, 2018	1.96
February 19, 2014	237,999	130,839	$0.028	August 1, 2018	2.33
April 3, 2014	1,645,000	822,500	$0.50	April 3, 2019	3.00
May 26, 2014	400,000	200,000	$0.52	May 26, 2019	3.17
May 25, 2015	2,915,000	50,000	$0.88	May 25, 2020	4.15
July 10, 2015	1,500,000	-	$0.87	July 10, 2020	4.28
September 21, 2015	300,000	-	$0.64	September 21, 2020	4.47
Total	**7,364,621**	**1,569,961**			
Weighted average exercise price	**$ 0.7206**	**$ 0.4909**		**Weighted average remaining contractual life**	**3.68**

Share-based payments

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, 2016:

In Canadian dollars, for the three months ended March 31, 2016

Assumptions	
Expected stock price volatility	36.36%
Expected life in years	4.95
Risk free interest rate	1.23%
Expected dividend yield	3.74%
Weighted average fair value per option granted	$0.1670

13. Revenues

Royalty agreements acquired	**Three months ended March 31, 2016**	**Three months ended March 31, 2015**
Royalty payment income	$ 2,505,602	$ 1,500,635
Realized/unrealized foreign exchange (loss) gains **(Note 16)**	(2,358,546)	1,235,347
Unrealized loss from changes in fair value	(2,268,971)	-
Total	**$ (2,121,915)**	**$ 2,735,982**

Promissory notes receivable	**Three months ended March 31, 2016**	**Three months ended March 31, 2015**
Interest income	$ 75,827	$ 4,405
Realized/unrealized foreign exchange gains **(Note 16)**	(173,738)	-
Realized/unrealized gains from changes in fair value	(650,000)	-
Total	**$ (747,911)**	**$ 4,405**

Other interest income	**Three months ended March 31, 2016**	**Three months ended March 31, 2015**
Interest income on invested cash and cash equivalents	**$ 36,559**	**$ 37,529**

14. Employee benefit expense

	Three months ended March 31, 2016	**Three months ended March 31, 2015**
Wages and salaries	$ 434,059	$ 260,482
Other benefits	7,975	3,327
Recruitment expense	8,000	20,430
Employer related costs for insurance, health tax and pension contribution	27,231	13,449
Salaries, benefits and other staffing costs	**477,265**	**297,688**
Share based payment **(Note 15)**	73,625	27,959
Total	**$ 550,890**	**$ 325,647**

15. Share-based payments

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

	Three months ended March 31, 2016	**Three months ended March 31, 2015**
Expense recognized for services provided based on vesting conditions of stock options**(Note 14)**	$ 73,625	$ 27,959

In Canadian dollars, for the three months ended March 31, 2016

16. Foreign exchange gain (loss)

	Three months ended March 31, 2016	Three months ended March 31, 2015
Unrealized foreign exchange gain	$ (2,529,715)	$ (1,235,347)
Realized foreign exchange gain (loss)	(2,569)	(25,945)
Total	**$ (2,532,284)**	**$ (1,261,292)**

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
Revenues –royalty agreements acquired	$ (2,358,546)	$ (1,235,347)
Revenues – promissory notes receivable	(173,738)	-
Operating expenses	-	(25,945)
Total	**$ (2,532,284)**	**$ (1,261,292)**

17. Earnings / (Loss) per share

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
Profit/(loss) attributable to ordinary equity holders for basic earnings /(loss) per share	**$ (3,190,773)**	**$ 1,348,912**
Financing expense (**Note 11**) less income tax at 26.5%	310,868	304,627
Profit/(loss) attributable to ordinary equity holders for diluted earnings /(loss) per share	(2,879,905)	1,653,539
Basic weighted average number of shares outstanding	104,227,591	67,304,858
Diluted weighted average number of shares outstanding	129,392,925	98,144,625

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, 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:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Canada	$ (586,270)	$ 736,459
United States	(2,246,997)	2,041,457
Total	**$ (2,833,267)**	**$ 2,777,916**

The breakdown of reported revenue excluding interest income on cash and cash equivalents and interest received on tax refunds of $36,559 (2015: $37,529) by each economic factor segment was:

In Canadian dollars, for the three months ended March 31, 2016

	Three months ended March 31, 2016	Three months ended March 31, 2015
Cyclical	$ (2,677,495)	$ 350,905
Neutral	(28,964)	929,515
Defensive	(163,367)	1,459,967
Total	**$ (2,869,826)**	**$ 2,740,387**

For the three months ended March 31, 2016, the royalty payment income and the interest income on loans for 1 (2015: 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 non-cash operating working capital items

	Three months ended March 31, 2016	Three months ended March 31, 2015
Royalty agreements acquired – current portion	$ (298,835)	$ (169,414)
Sales tax recoverable	(646,760)	(287,448)
Prepaid expense	(4,602)	23,781
Accounts payable and accrued liabilities	(206,194)	357,133
Total changes in non-cash operating working capital items	**$ (1,156,391)**	**$ (75,948)**

20. Commitments

Operating leases – minimum lease payments under non-cancellable leases

	March 31, 2016	December 31, 2015
Less than one year	$ 152,418	$ 152,418
Between one and five years	88,911	127,015
Total	**$ 241,329**	**$ 279,433**

21. Events after the reporting period

Dividends

The board of directors since March 31, 2015 declared dividends as follows:

Dates	**Dividend per share**	**Dividend paid/payable**
Declared April 14, 2016 and paid on May 16, 2016	$ 0.00583	$ 619,515

The board of directors declared on May 17, 2016 a dividend of $0.00416 per share payable on June 15, 2016 to shareholders of record on May 31, 2016.

Follow-on investments
Since March 31, 2016 the Company has invested a further $427,575 into existing investees. Two of these follow-on investments was for $295,875 into one investee, Compression/Generation Services LLC ("CompGen"). The aggregate investment in CompGen is the Company's largest investment and represents 13.2% of the deployed capital as at the date the financial statements were approved.

Executive position
Effective April 26, 2016, Mr. William R. Tharp ceased to hold the offices of Chief Executive Officer and President of the Company. In accordance with the terms of Mr. Tharp's employment agreement, the Company paid Mr. Tharp the sum of $675,000 on his departure from the Company.

22. Related party disclosures

Key management personnel

	Three months ended March 31, 2016	Three months ended March 31, 2015
Short term employee benefits	$ 328,327	$ 157,312
Share-based payments	54,007	14,310
Consultancy fees	13,333	33,750
Total	**$ 395,667**	**$ 205,372**

The number of key management personnel were 9 (2015: 8) and are identified as the members of the board of directors and the officers of the Company.