Grenville Strategic Royalty Corp

Consolidated Financial Statements

For the Year Ended December 31, 2017

Grenville Strategic Royalty Corp.

GOODMAN
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CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Grenville Strategic Royalty Corp.

We have audited the accompanying consolidated financial statements of Grenville Strategic Royalty Corp. which comprise the consolidated statement of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year ended December 31, 2017 and December 31, 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of Grenville Strategic Royalty Corp; as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017 and December 31, 2016, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Goodman & Associates LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
February 15, 2018

Grenville Strategic Royalty Corp.

Consolidated Statements of Financial Position

(Canadian dollars)

	Note	December 31, 2017	December 31, 2016
Assets			
Current Assets			
Cash and cash equivalents	8	$ 7,534,383	$ 6,202,412
Income tax recoverable		426,586	362,905
Promissory note receivable – current portion	10	1,003,600	2,015,378
Royalty agreements acquired– current portion	10	95,050	1,580,247
Prepaid expense and other receivables	9	137,124	98,477
Total Current Assets		**9,196,743**	**10,259,419**
Non-Current Assets			
Property and equipment	13	288,916	122,126
Deferred tax asset	17	8,716,397	5,078,039
Equity-accounted investment in joint venture	11	-	128
Equity securities in investee companies	12	1,098,846	-
Promissory note receivable – non current portion	10	1,503,222	-
Royalty agreements acquired – non-current portion	10	18,588,439	33,966,754
Total Non-Current Assets		**30,195,820**	**39,167,047**
Total Assets		**$ 39,392,563**	**$ 49,426,466**
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	14	$ 644,664	$ 255,531
Prepaid royalty payment and interest income	15	251,872	-
Finance lease liability	16	3,560	3,189
Total Current Liabilities		**900,096**	**258,720**
Non-Current Liabilities			
Finance lease liability	16	3,941	7,698
Convertible debentures	18	16,330,486	15,943,173
Total Non-Current Liabilities		**16,334,427**	**15,950,871**
Shareholders' Equity (Note 19)			
Share capital		$ 50,261,640	$ 50,260,965
Contributed surplus		1,010,960	719,047
Equity component of convertible debentures	18	558,831	558,831
Accumulated deficit		(29,673,391)	(18,321,968)
Total Shareholders' Equity		**22,158,040**	**33,216,875**
Total Liabilities and Shareholders' Equity		**$ 39,392,563**	**$ 49,426,466**

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on February 15, 2018.

"Steve Parry"
Steve Parry, Director

"Peter Kampian"
Peter Kampian, Director

Grenville Strategic Royalty Corp.

Consolidated Statements of Comprehensive Income/(Loss)

(Canadian dollars)

	Note		Year ended December 31, 2017		Year ended December 31, 2016
Revenue					
Royalty agreements acquired	20	$	(6,870,122)	$	(7,357,322)
Promissory notes receivable	20		(95,015)		(682,825)
Equity securities in investee companies	20		(2,732,254)		-
Share of joint venture profit, net of tax	11		(128)		128
Fee income	20		11,289		13,088
Other interest income	20		83,009		96,691
Total Revenues			**(9,603,221)**		**(7,930,240)**
Operating Expenses					
Salaries, benefits and staffing costs	21	$	1,341,774	$	2,244,872
Management and facility fees			157,959		154,686
Share-based compensation	22		291,913		322,091
Professional fees			1,320,324		1,219,819
Office and general administrative			851,404		668,792
Total Operating Expense			**3,963,374**		**4,610,260**
Operating (Loss)		**$**	**(13,566,595)**	**$**	**(12,540,500)**
Financing expense	18		1,767,313		1,727,936
(Loss) before income taxes			**(15,333,908)**		**(14,268,436)**
Income Taxes					
Current income tax expense/(recovery)	17	$	(344,127)	$	489,986
Deferred tax (recovery)	17		(3,638,358)		(4,102,968)
Total Income Tax Recovery		**$**	**(3,982,485)**	**$**	**(3,612,982)**
(Loss) and total comprehensive (loss)		**$**	**(11,351,423)**	**$**	**(10,655,454)**
Earnings/(Loss) per share (Note 24)					
Basic earnings/(loss) per share		$	(0.1068)	$	(0.1007)
Diluted earnings/(loss) per share			(0.1068)		(0.1007)

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, 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	19	2,904,475	(618,068)	-	-	-	2,286,407
Stock options exercised	87,122	19	45,339	-	(20,611)	-	-	24,728
Share-based compensation	-	22	-	-	322,091	-	-	322,091
Dividends paid and payable	-		-	-	-	-	(4,671,771)	(4,671,771)
Comprehensive loss for the year	-		-	-	-	-	(10,655,454)	(10,655,454)
Balance, December 31, 2016	**106,293,543**		**$50,260,965**	**$ -**	**$ 719,047**	**$ 558,831**	**$(18,321,968)**	**$33,216,875**
Balance, January 1, 2017	**106,293,543**		**$ 50,260,965**	**$ -**	**$ 719,047**	**$ 558,831**	**$(18,321,968)**	**$ 33,216,875**
Stock options exercised	24,113	19	675	-	-	-	-	**675**
Share-based compensation	-	22	-	-	291,913	-	-	**291,913**
Comprehensive loss for the year	-		-	-	-	-	(11,351,423)	**(11,351,423)**
Balance, December 31, 2017	**106,317,656**		**$ 50,261,640**	**$ -**	**$1,010,960**	**$ 558,831**	**$(29,673,391)**	**$22,158,040**

See accompanying notes to financial statements.

Grenville Strategic Royalty Corp.
Consolidated Statements of Cash Flows

(Canadian dollars)

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Cash flows from operating activities			
(Loss) before income taxes		$ (15,333,908)	$ (14,268,439)
Share-based compensation	22	291,913	322,091
Depreciation	13	40,786	39,666
Loss on disposing property and equipment	13	12,763	-
Unrealized loss from change in fair value of royalty investments acquired and promissory notes receivable	20	6,526,625	14,897,042
Amount recovered on investment written-off		50,000	-
Unrealized loss from change in fair value of equity securities in investee companies	20	2,527,254	-
Realized loss on equity securities in investee companies	20	205,000	-
Unrealized gain from investment derecognized	20	(922,284)	-
Unrealized foreign exchange loss	23	1,808,635	1,523,476
Realized loss on investments written-off	20	7,244,269	-
Financing expense	18	1,767,313	1,727,936
Share of Joint venture loss (profit)		128	(128)
Royalty agreements acquired and promissory note – new investments	10	(5,048,298)	(6,880,149)
Royalty agreements acquired and promissory note – redemption and principal payments	10	232,758	1,303,316
Royalty agreements acquired and promissory note – contract buyout	10	2,000,000	-
Equity securities in investee companies – new investments	12	(4,050)	-
Income tax (paid)/recovered		280,128	(2,413,225)
Changes in working capital items	26	1,255,990	(2,599,045)
Net Cash Flows generated from (used in) Operating Activities		**2,935,022**	**(6,347,459)**
Cash flows from financing activities			
Exercise of share warrants and stock options	19	$ 675	2,304,250
Finance lease payments		(3,387)	(2,904)
Debenture interest paid		(1,380,000)	(1,380,000)
Dividends paid		-	(5,259,225)
Net Cash flows from Financing Activities		**(1,382,712)**	**(4,337,879)**
Cash flows from investing activity			
Purchase of property and equipment	13	**$ (220,339)**	**$ (9,581)**
Net increase in cash during the period		**1,331,971**	**(10,694,919)**
Cash and cash equivalents, beginning of period		6,202,412	16,897,331
Cash and cash equivalents, end of period	**8**	**$ 7,534,383**	**$ 6,202,412**

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. In select cases, the Company acquires an equity investment in investee companies where management believe that the equity returns can outperform the returns from the royalty.

2. Basis of presentation

The financial statements have been prepared on a historical cost basis, except for cash and cash equivalents, equity securities in investee companies, 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorized for issue by the Board of Directors on February 15, 2018.

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

The terms of the royalty agreements entered into by the Company provide that payments to be made by investee companies are fixed or determinable. In addition, each of the Company's royalty agreements 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 capital 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. In order to determine the carrying value of the investment, the Company must estimate the expected cash flows based on the Company's experience of such investments and the investee's historical cash flows. 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 basis 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. At the end of each quarter, the Company will review the estimated cash flows to see if they need to be revised based on the actual level of cash flows received.

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 4(E), 6 and 10.

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 income 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. Summary of significant accounting policies

(A) Basis of consolidation

The financial statements of all entities controlled by the Company are included in the consolidated financial statements from the date control commenced. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company's subsidiary has the same reporting date and functional currency as the Company. Intra-group balances and transactions are eliminated on consolidation.

The Company's interests in equity-accounted investees comprise interests in a joint venture. A joint venture is an arrangement in the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in joint ventures are accounted for using the equity method. The interest is initially recognized at cost and subsequently the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of the joint venture arrangement until the date on which joint control ceases less any distributions received.

(B) Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the foreign currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the statement of comprehensive income and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(C) Revenue recognition

Revenue from royalty agreements acquired and promissory notes receivable

i) Royalty payment income and interest income on promissory notes receivable

Royalty payment income and income on promissory notes receivable are recognized in the statement of comprehensive income when earned.

ii) Change in fair value of royalty agreements acquired and promissory notes receivable

The change in the fair value of a royalty agreement acquired is recognized in the statement of comprehensive income under Revenue for Royalty agreements acquired and promissory notes receivable. The change in the fair value consists of gains or losses both realized and unrealized in the fair value of the investment as well as foreign exchange gains or losses on investments denominated in US dollars.

Fee income

Fee income relates to income earned under various license agreements and is recognized in the statement of comprehensive income when earned and is presented in Revenue, Fee income.

Other interest Income

Other interest income includes interest income earned on short term money market investments. Other income is accrued in the statement of comprehensive income when earned and is presented in Revenue, Other interest income.

(D) Taxes

Current income tax

Current income tax assets and liabilities for the respective period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of any deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority.

(E) Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss. A financial asset is measured at amortised cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and iii) is not designated as fair value through profit or loss.

For promissory notes receivable and royalty agreements acquired the Company has determined that these assets must be classified as financial assets measured at fair value through profit or loss as the contractual terms of the agreements do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company also classifies equity securities in investee companies and cash and cash equivalents as fair value through profit and loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, including any interest income or royalty payment income recognized in the statement of comprehensive income and loss. Cash and cash equivalents, equity securities in investee companies, promissory note receivables and royalty agreements acquired are classified within these categories.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

There are no financial assets classified as measured as amortized cost.

(ii) Derecognition

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are accounts payable, accrued liabilities and prepaid royalty payment and interest income which are recognized on an amortized cost basis and convertible debentures which are accounted for in accordance with Note 4(J).

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Typically fair value is determined by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgment is required through determining the valuation technique to apply, the valuation techniques such as discounted cash flow analysis and selecting inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value. A description of the fair value methodologies and assumptions by type of asset is included in Note 6.

(vi) Transaction costs

Transaction costs for financial instruments classified as fair value through profit and loss are recognized as an expense in professional fees, in the period the cost was incurred. For all financial instruments measured at amortized cost, the transaction costs are included in the initial measurement of the financial asset or financial liability and are amortized using the effective interest rate method over a period that corresponds with the term of the financial instruments.

(vii) Embedded derivatives

For financial liabilities measured at amortized cost, under certain conditions, an embedded derivative must be separated from its host contract and accounted for as a derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. For financial assets at fair value through profit or loss, any embedded derivative are not separated from its host contract.

(F) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

The Company uses the indirect method of reporting cash flow from operating activities.

(G) Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in the statement of comprehensive income or loss.

(H) Earnings per share

Basic earnings per share is calculated by dividing the income or loss for the period by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating the dilutive effect of the outstanding stock options and other dilutive securities. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options are used to repurchase common shares at the average market price during the period.

(I) Share-based compensation

The Company has a share-based compensation plan. The Company accounts for share-based compensation options granted to employees and consultants using the fair value method. Under this method, compensation expense for share-based compensation granted is measured at the fair value at the grant date, using a Black-Scholes option valuation model. In accordance with the fair value method, the Company recognizes estimated compensation expense related to share-based compensation over the vesting period of the options granted, with the related credit being charged to contributed surplus. Consideration paid by employees on the exercise of share-based compensation is recorded as share capital and the related share-based compensation is transferred from contributed surplus to share capital.

(J) Convertible debentures

Convertible debentures are separated into their financial liability and equity components at the initial date of recognition. The fair value of the liability component at the time of issue is determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component was determined as the difference between the fair value of the instrument as a whole and the fair value of the liability component. The convertible debenture is subsequently measured at amortized cost using the effective interest rate method.

(K) Property and equipment

Property and equipment are measured at cost less accumulated depreciation. Depreciation is calculated to expense the cost of the property and equipment items over their estimated useful lives using the straight-line method. Items relating to leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives of property and equipment are as follows:

Leasehold improvements	3-6 years
Furniture	5 years
Office equipment	3-5 years

The estimated useful life of the asset is reviewed at the end of each reporting date and adjusted if appropriate.

(L) Leases

Assets held by the Company under leases that transfer to the Company substantially all of the risk and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments and are accounted for subsequently in accordance with the property and equipment policy. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability so as to produce a constant periodic finance expense on the remaining balance of the liability.

All leases other than finance leases are classified as operating leases and are not recognized on the Company's statement of financial position.

(M) Share warrants

The share warrants were issued as part of the reverse-takeover in February 2014 were initially measured at fair value using a Black Scholes model. When the share warrants are exercised, the fair value attributable to the warrants exercised are added to the proceeds received and shown under share capital.

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 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.

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 determined. 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.

In Canadian dollars, for the year ended December 31, 2017

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.

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**
December 31, 2017				
Cash and cash equivalents	$ 7,534,383	$ 7,534,383	$ -	$ -
Royalty agreements acquired	18,683,489	-	-	18,683,489
Promissory notes receivable	2,506,822	-	-	2,506,822
Equity securities in investee companies	1,098,846	1,094,796	-	4,050
	$ 29,823,540	**$ 8,629,179**	**$ -**	**$ 21,194,361**
December 31, 2016				
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
	$ 43,764,791	**$ 6,202,412**	**$ -**	**$ 37,562,379**

For the year ended December 31, 2017, there was $1,094,796 transferred from royalty agreements acquired under Level 3 into equity securities in investee companies under Level 1. There were no transfers between Level 1, Level 2 and Level 3 during 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**	**Maturities and repayment**	**Transfers in/(out) of Level 3**	**Balance at December 31, 2017**
Royalty agreements acquired	$ 35,547,001	$(16,269,394)	$4,218,633	$(3,717,955)	(1,094,796)	$18,683,489
Equity securities in investee companies	-	-	4,050	-	-	4,050
Promissory notes receivable	2,015,378	(338,221)	829,665	-	-	2,506,822
Total	**$ 37,562,379**	**$ (16,607,615)**	**$5,052,348**	**$(3,717,955)**	**(1,094,796)**	**$ 21,194,361**

	Balance at January 1, 2016	**Total gains and (losses) recognized in profit or loss**	**Purchases**	**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)	-	$35,547,001
Promissory notes receivable	2,713,879	(950,934)	1,438,904	(1,186,471)	-	2,015,378
Total	**$ 46,449,356**	**$ (14,837,961)**	**$7,195,856**	**$(1,244,872)**	**-**	**$ 37,562,379**

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 15.6%-28.3%), growth rate of the revenues of the investee (range is between no growth and 50%) and the liquidity premium (range is between 4.2%-12.2%). 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 December 31, 2017 and December 31, 2016 as follows:

December 31, 2017			December 31, 2016		
Discount rate	Revenue growth rate	Liquidity premium	Discount rate	Revenue growth rate	Liquidity premium
$ 633,863	$ 162,615	$ 17,197	$ 1,126,416	$ 285,991	$ 24,325

d) Financial liabilities not measured at fair value

All financial liabilities are measured at amortized cost. In 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 December 31, 2017	Fair Value December 31, 2017	Carrying Amount December 31, 2016	Fair Value December 31, 2016
Financial liabilities				
Accounts payable and accrued liabilities	$ 644,664	$ 664,664	$ 255,531	$ 255,531
Convertible debentures	16,330,486	13,627,500	15,943,173	13,109,008
Total Financial Liabilities	**$ 16,975,150**	**$ 14,292,164**	**$ 16,198,704**	**$ 13,364,539**

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 debt component of the convertible debentures for December 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.

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 risk including interest rate, credit, foreign exchange, equity price 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 exposure to equity price risk on the equity securities held in investee companies.

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.

Equity price risk

In certain circumstance the Company may exchange the royalty investments for equity instruments in the investee company. The only significant equity security held was in an investee listed on an exchange and the shares are actively traded. The fair value of the equity securities similar to any other Level 1 asset was measured using the quoted price of the share by the numbers of shares held. The equity price risk exposure at year ended December 31, 2017 is $1,098,846 and a 1% change in the share price has an impact of $10,988 on the results.

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 December 31, 2017 was $10,129,642 (December 31, 2016: $28,914,478) United States dollars and a 1% movement in the exchange rate has an impact of $101,296 (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 December 31, 2017 was $28,724,694 (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 Canadian dollars, for the year ended December 31, 2017

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 December 31, 2017 and December 31, 2016 respectively:

Contractual obligations	2018	2019	2020	2021	2022	Total
Accounts payable and accrued liabilities	$ 644,664	-	-	-	-	$ 644,664
Finance Lease Liability	3,560	3,941	-	-	-	7,501
Convertible debenture	-	17,250,000	-	-	-	17,250,000
Total	**648,224**	**17,253,941**	**-**	**-**	**-**	**17,902,165**

Contractual obligations	2017	2018	2019	2020	2021	Total
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
Total	**$ 258,720**	**$ 3,530**	**$17,254,168**	**$ -**	**$ -**	**$ 17,516,418**

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 $2,303,402, net of transactions costs through the exercise of share warrants and stock options. An important source of capital for the Company will continue to be from royalty payment income and realized gains on contract buyouts. For the year ended December 31, 2017, the realized gain on a contract buyout was $3,000,000.

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

	December 31, 2017	December 31, 2016
Cash held in bank accounts	$ 1,664,157	$ 648,504
Guaranteed investment certificates cashable at any time	5,870,226	5,553,908
	$ 7,534,383	**$ 6,202,412**

Included in the guaranteed investment certificates was $170,226 (December 31, 2016: $170,109) that was held as collateral for security purposes.

9. Prepaid expenses and other receivables

	December 31, 2017	December 31, 2016
Prepaid insurance, rent deposit and other prepaid expenses	$ 134,292	$ 98,477
Accrued interest on guaranteed investment certificates	2,832	-
	$ 137,124	**$ 98,477**

10. Royalty agreements acquired and promissory notes receivable

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

Royalty agreements acquired	December 31, 2017	December 31, 2016
Due within 1 year	$ 95,050	$ 1,580,247
Due after more than 1 year	18,588,439	33,966,754
Total	**$ 18,683,489**	**$ 35,547,001**

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

In Canadian dollars, for the year ended December 31, 2017

Promissory notes receivable	**December 31, 2017**	**December 31, 2016**
Due within 1 year	$ 1,003,600	$ 2,015,378
Due after more than 1 year	1,503,222	-
Total	**$ 2,506,822**	**$ 2,015,378**
Total carrying amount of royalty agreements acquired and promissory notes receivable	**$ 21,190,311**	**$ 37,562,379**

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 December 31, 2017, $8,836,901 (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 December 31, 2017 was nil (December 31, 2016: nil).

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:

	Year ended December 31, 2017		**Year ended December 31, 2016**	
	Royalty agreement acquired	**Promissory notes receivable**	**Royalty agreement acquired**	**Promissory notes receivable**
Starting balance	**$ 35,547,001**	**$ 2,015,378**	**$ 43,735,477**	**$ 2,713,879**
New agreements acquired during the period	4,218,633	829,665	5,441,246	1,438,904
Principal payments	-	-	-	(89,530)
Redemption and contract buyout repayments	(2,232,758)	-	(1,317,000)	(50,000)
Investments written-off	(5,465,000)	(869,635)	(1,840,936)	-
Extinguishment of royalties	(2,290,320)	-	-	-
Promissory notes converted into royalty agreement	-	-	1,200,154	(1,200,154)
Movement during the period for royalty earned and payments received - net	(169,817)	-	315,706	-
Royalty earned but written-off as payment not received	(959,634)	-	-	-
Royalty/interest earned added to the investment	-	-	58,445	153,214
Foreign exchange movements during the period	(2,014,959)	(180,251)	(1,398,846)	(104,610)
Change in fair value during the period	(7,949,657)	711,665	(10,647,245)	(846,325)
Ending balance	**$ 18,683,489**	**$ 2,506,822**	**$ 35,547,001**	**$ 2,015,378**

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

	December 31, 2017	**%**	**December 31, 2016**	**%**
Canada	$ 10,720,000	22	$ 14,365,000	28
United States of America	38,480,147	78	36,640,784	72
Total portfolio value	**$ 49,200,147**	100	**$ 51,005,784**	100
Royalty agreements acquired – due within one year not included	95,050		1,580,247	
Cumulative change in foreign exchange	(1,325,849)		869,235	
Cumulative change in fair value	(20,451,972)		(14,088,900)	
Extinguishment of royalty investment	(2,290,320)		-	
Investment written-off	(2,000,000)		-	
Royalty payment/interest earned added to the investment	211,656		211,656	
Redemptions since inception	(2,248,401)		(2,015,643)	
Carrying amount recognized in the statements of financial position	**$ 21,190,311**	100	**$ 37,562,379**	100

In Canadian dollars, for the year ended December 31, 2017

ii) Economic

	December 31, 2017	%	December 31, 2016	%
Cyclical	$ 17,950,385	36	$ 20,145,385	39
Neutral	22,506,668	46	17,652,425	35
Defensive	8,743,094	18	13,207,974	26
Total portfolio value	**$ 49,200,147**	**100**	**$ 51,005,784**	**100**
Royalty agreements acquired – due within one year not included	95,050		1,580,247	
Cumulative change in foreign exchange	(1,325,849)		869,235	
Cumulative change in fair value	(20,451,972)		(14,088,900)	
Extinguishment of royalty investment	(2,290,320)		-	
Investment written-off	(2,000,000)		-	
Royalty payment/interest earned added to the investment	211,656		211,656	
Redemptions since inception	(2,248,401)		(2,015,643)	
Carrying amount recognized in the statements of financial position	**$ 21,190,311**	**100**	**$ 37,562,379**	**100**

11. Equity-accounted investment in joint venture

	December 31, 2017	December 31, 2016
Interest in Foregrowth-Grenville Investments Inc.	**$ -**	$ **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 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;

	December 31, 2017	December 31, 2016
Percentage ownership interest	15	15
Royalty agreements acquired	$ 779,306	$ 355,338
Current assets (including cash and cash equivalents of 2017: $721,558 - 2016: $206,651)	721,558	206,651
Current liabilities (including trade and other payables of 2017: $45,005 - 2016: $333)	(55,780)	(795)
Non-current liabilities (including notes payable of 2017: $1,459,073 - 2016: $560,000)	(1,448,656)	(560,339)
Net assets	**$ (3,572)**	**$ 855**
Company’s share of net assets (15%) and carrying amount of interest	**$ -**	**$ 128**
Revenue	$ 153,992	$ 7,985
Operating expenses (including license fee paid to the Company of 2017: $11,419 - 2016: nil)	(40,541)	(4,195)
Interest expense	(119,416)	(2,626)
Income tax recovery (expense)	1,581	(309)
Profit (Loss) and total comprehensive income (Loss)	**$ (4,384)**	**$ 855**
Company’s share of profit and total comprehensive income (15%)	**$ -**	**$ 128**
Dividends received by the Company	**$ -**	**$ -**

12. Equity securities in Investee entities

	Cost December 31, 2017	Carrying amount December 31, 2017	Cost December 31, 2016	Carrying Amount December 31, 2016
Lattice Biologics Ltd – common shares	$ 3,622,050	$ 1,094,796	$ -	$ -
Other	209,050	4,050	-	-
Total	**$ 3,831,100**	**$ 1,098,846**	**$ -**	**$ -**

In Canadian dollars, for the year ended December 31, 2017

On April 26, 2017, the Company announced that subject to all necessary approvals, including the approval of the TSX Venture Exchange, 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. Following the approval of the TSX Venture Exchange on June 8, 2017, 18,246,600 Shares of Lattice were issued to the Company and immediately following the issuance of the Shares, the Company held approximately 19.68% of the total issued and outstanding common shares of Lattice. The Shares were subject to a four-month hold period under applicable securities laws that expired on October 12, 2017. At December 31, 2017, the share price was six cents and represented the closing price as of that date.

13. Property and equipment

	Office equipment & furniture	Leasehold improvements	Total
Cost			
Balance at December 31 2016	185,496	5,786	191,282
Additions	-	220,339	220,339
Disposals	(41,568)	(5,786)	(47,354)
Balance at December 31 2017	**$ 143,928**	**$ 220,339**	**$ 364,267**
Accumulated depreciation			
Balance at December 31 2016	65,137	4,019	69,156
Charge in year	33,077	7,709	40,786
Disposals	(28,965)	(5,626)	(34,591)
Balance at December 31 2017	**$ 69,249**	**$ 6,102**	**$ 75,351**
Carrying amount			
At December 31, 2016	**$ 120,359**	**$ 1,767**	**$ 122,126**
At December 31,2017	**$ 74,679**	**$ 214,237**	**$ 288,916**

At December 31, 2017, the carrying amounts of leased assets was $8,184 (2016: $12,260). In October 2017, the Company moved to new offices in Toronto and the property and equipment from the old office not moved was written-off resulting in a loss of $12,763.

14. Accounts payable and accrued liabilities

	December 31, 2017	December 31, 2016
Accounts payable	$ 138,900	$ 38,375
Accrued expenditures	178,075	182,748
Payroll taxes and GST payable	325,617	32,356
Other liabilities	2,072	2,052
Total	**$ 644,664**	**$ 255,531**

15. Prepaid royalty payment and interest income.

	December 31, 2017	December 31, 2016
Royalty paid in advance of revenue recognition	$ 244,033	$ -
Interest paid in advance of revenue recognition	7,839	-
Total	**$ 251,872**	**$ -**

16. Finance lease liability

	December 31, 2017			December 31, 2016		
	Minimum lease payments	Interest	Net liability	Minimum lease payments	Interest	Net liability
Less than one year	$ 4,092	$ 532	$ 3,560	$ 4,092	$ 903	$ 3,189
Between one and five years	4,092	151	3,941	8,184	486	7,698
Total	**$ 8,184**	**$ 683**	**$ 7,501**	**$ 12,276**	**$ 1,389**	**$ 10,887**

In Canadian dollars, for the year ended December 31, 2017

17. Income taxes

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

	Year ended December 31, 2017	Year ended December 31, 2016
Current income tax (recovery) expense – current year	$ (344,586)	$ 565,907
Current income tax – prior year	459	(75,921)
Deferred tax expense (recovery) – prior year	2,494	109,068
Origination and reversal of temporary differences in current year	(3,640,852)	(4,212,036)
Total income taxes (recovery) expense	**$ (3,982,485)**	**$ (3,612,982)**

(b) Reconciliation of effective tax rate

	Year ended December 31, 2017		Year ended December 31, 2016	
Profit/(Loss) before tax		**$ (15,333,908)**		**$ (14,268,436)**
Tax at the combined Canadian federal and provincial statutory tax rate	26.50%	(4,063,486)	26.50%	(3,781,136)
Under provision of tax provision in prior years	-	2,953	-	33,147
Tax cost of non-deductible expenses	(0.51)%	78,048	(0.95)%	135,007
Incomes taxes recognized in statements of comprehensive Income (Loss) and effective tax rate	**25.99%**	**$(3,982,485)**	**25.55%**	**$(3,612,982)**

(c) Movement in deferred tax balances

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

Amounts recognized in statement of comprehensive income (loss)	**December 31, 2017**	**December 31, 2016**
Transaction costs on common shares issue and convertible debenture	$ (272,991)	$ (294,639)
Property and equipment	20,036	5,750
Tax losses carried forward	1,347,227	-
RTO expense	104,735	106,919
Unrealized gain on foreign exchange differences	(103,918)	(589,551)
Unrealized loss on changes in fair values	7,038,640	5,261,174
Other temporary differences	1,109	6,749
	8,134,838	**4,496,402**
Amounts recognized in equity		
Equity component of convertible debenture	(201,483)	(201,483)
Issuance cost for special warrants and common shares	783,042	783,120
	581,559	**581,637**
Balance at December 31, 2017 and December 31, 2016	**$ 8,716,397**	**$ 5,078,039**

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 December 31, 2017 and December 31, 2016.

18. 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.

In Canadian dollars, for the year ended December 31, 2017

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

Principal		
Balance at December 31, 2017 and December 31, 2016	**$**	**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, 2016		796,912
Balance at December 31, 2016		**15,943,173**
Accretion of finance expense for the year ended December 31, 2017		387,313
Balance at December 31, 2017	**$**	**16,330,486**
Equity		
Equity component initially recognized	$	760,314
Deferred tax liability recognized		(201,483)
Balance at December 31, 2017 and December 31, 2016	**$**	**558,831**

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

		Year ended December 31, 2017		**Year ended December 31, 2016**
Interest expense on convertible debentures	$	1,380,000	$	1,380,000
Accretion of finance expense for the period		387,313		347,936
Total	**$**	**1,767,313**	**$**	**1,727,936**

19. 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 December 31, 2017 were 106,317,656 (December 31, 2016: 106,293,543).

During the year ended December 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 year ended December 31, 2016, 5,530,578 common shares were issued from the exercise of share warrants and stock options. The proceeds received net of issuance costs was $2,304,000. $618,068 was transferred from share warrants into share capital following the exercise and expiry of the share warrants. For the stock options exercised, $20,611 was transferred from contributed surplus into share capital.

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 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 December 31, 2017, there are no outstanding share warrants.

For the year ended December 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.

In Canadian dollars, for the year ended December 31, 2017

During the year ended December 31, 2016, stock options were exercised and the Company received proceeds of $24,728 and $20,611 was transferred from contributed surplus into share capital. 2,015,000 and 2,325,000 options were granted on June 3, 2016 and November 18, 2016 respectively. No options were granted in 2017 and 24,113 options were exercised with the proceeds received of $675. The details of the options outstanding at December 31, 2017 (December 31, 2016: 10,422,788) were:

Issue Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Remaining contractual life (years)
February 19, 2014	178,841	178,841	$0.03	August 1, 2018	.83
February 19, 2014	68,955	68,955	$0.51	March 13, 2018	.58
April 3, 2014	1,095,000	1,095,000	$0.50	April 3, 2019	1.25
May 25, 2015	690,000	375,000	$0.88	May 25, 2020	2.39
July 10, 2015	1,500,000	750,000	$0.87	July 10, 2020	2.52
September 21, 2015	300,000	75,000	$0.64	September 21, 2020	2.72
June 3, 2016	1,800,000	100,000	$0.44	June 3, 2021	3.42
November 18, 2016	2,275,000	150,000	$0.15	November 18, 2021	3.88
Total	**7,907,796**	**2,792,795**			
Weighted average exercise price	**$ 0.4837**	**$ 0.6032**		**Weighted average remaining contractual life**	**2.87**

Between January 1, 2017 and December 31, 2017, 2,490,879 options expired and were forfeited.

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. The following weighted average assumptions were used to estimate the weighted average grant date fair value of the outstanding options as at December 31, 2017.

Assumptions	
Expected stock price volatility	45.97%
Expected life in years	4.98
Risk free interest rate	1.00%
Expected dividend yield	1.88%
Weighted average fair value per option granted	$0.1513

20. Revenues

Royalty agreements acquired	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Royalty payment income	$ 4,522,314	$ 8,003,067
Unrealized and realized foreign exchange loss (Note 23)	(1,701,796)	(1,408,351)
Realized gain from contract buyout	3,000,000	-
Unrealized gain from investment derecognized	922,284	-
Realized loss from investments written-off	(6,374,634)	(1,840,936)
Unrealized loss from changes in fair value	(7,238,290)	(12,111,102)
Total	**$ (6,870,122)**	**$ (7,357,322)**

Promissory notes receivable	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Interest payment income	$ 170,595	$ 268,110

In Canadian dollars, for the year ended December 31, 2017

Unrealized foreign exchange loss (Note 23)	(107,640)	(104,610)
Realized gain on full redemption of note	-	98,679
Realized loss from investment written-off	(869,635)	-
Unrealized gain (loss) from changes in fair value	711,665	(945,004)
Total	**$ (95,015)**	**$ (682,825)**

Equity Security in investee companies	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Unrealized loss from changes in fair value	$ (2,527,254)	$ -
Realized loss on equity securities in investee companies	(205,000)	-
Total	**$ (2,732,254)**	**$ -**

Fee income	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Fees earned under license agreements	**$ 11,289**	**$ 13,088**

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 ad 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.

Other interest income	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Interest income on invested cash and cash equivalents	**$ 83,009**	**$ 96,691**

21. Employee benefit expense

	Year ended December 31, 2017	**Year ended December 31, 2016**
Wages and salaries	$ 1,227,262	$ 1,424,309
Other benefits	54,837	57,178
Contract payment	-	675,000
Recruitment expense	8,312	8,000
Employer related costs for insurance, health tax and pension contribution	51,363	80,385
Salaries, benefits and other staffing costs	**1,341,774**	**2,244,872**
Share-based compensation (Note 22)	291,913	322,091
Total	**$ 1,633,687**	**$ 2,566,963**

22. Share-based compensation

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

	Year ended December 31, 2017	**Year ended December 31, 2016**
Expense recognized for services provided based on vesting conditions of stock options	$ 291,913	$ 322,091

23. Foreign exchange (loss) gain, net

	Year ended December 31, 2017	**Year ended December 31, 2016**
Unrealized foreign exchange (loss)	$ (1,808,635)	$ (1,523,476)
Realized foreign exchange gain (loss)	(800)	10,515
Total	**$ (1,809,435)**	**$ (1,512,961)**

In Canadian dollars, for the year ended December 31, 2017

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

	Year ended December 31, 2017	Year ended December 31, 2016
Revenues – royalty agreements acquired	$ (1,701,796)	$ (1,408,351)
Revenues – promissory notes receivable	(107,640)	(104,610)
Total	**$ (1,809,435)**	**$ (1,512,961)**

24. Earnings / (Loss) per share

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

	Year ended December 31, 2017	Year ended December 31, 2016
Profit/(loss) attributable to ordinary equity holders for basic earnings /(loss) per share	$ (11,351,423)	$ (10,655,454)
Financing expense (**Note 18**) less income tax at 26.5%	1,298,975	1,270,033
(Loss) attributable to ordinary equity holders for diluted earnings /(loss) per share	(10,052,448)	(9,385,421)
Basic weighted average number of shares outstanding	106,312,767	105,770,194
Diluted weighted average number of shares outstanding	133,741,120	133,356,470

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 years ended December 31, 2016 and December 2017.

25. 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. For the year ended December 31, 2017 and December 31, 2016, the breakdown of the recognized revenue by country was:

	Year ended December 31, 2017	Year ended December 31, 2016
Canada	$ (133,408)	$ 1,174,780
United States	(9,469,813)	(9,105,020)
Totals	**$ (9,603,221)**	**$ (7,930,240)**

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 $94,178 (2016: $109,908) by each economic factor segment was:

	Year ended December 31, 2017	Year ended December 31, 2016
Cyclical	$ (1,706,989)	$ (7,741,668)
Neutral	(4,355,561)	1,575,050
Defensive	(3,634,849)	(1,873,530)
Totals	**$ (9,697,399)**	**$ (8,040,148)**

For the year ended December 31, 2017, the royalty payment income and the interest income on promissory notes receivable for 3 (2016: 1) investees are greater than 10% of the total. All non-current assets were located in Canada. For this purpose, non-current assets exclude all financial instruments and deferred tax.

26. Changes in working capital items

	Year ended December 31, 2017	Year ended December 31, 2016
Royalty agreements acquired – current portion, net	$ 653,313	$ (1,944,803)
Prepaid expense	(38,647)	(27,592)
Prepaid royalty payment and interest income	252,174	-
Accounts payable and accrued liabilities	389,150	(626,650)
Total changes in working capital items	**$ 1,255,990**	**$ (2,599,045)**

In Canadian dollars, for the year ended December 31, 2017

27. Commitments

Operating leases – minimum lease payments under non-cancellable leases

	December 31, 2017	December 31, 2016
Less than one year	$ 87,333	$ 127,015
Between one and five years	349,332	-
Over five years	80,055	-
Total	**$ 516,720**	**$ 127,015**

28. Events after the reporting period

Investments
Since the end of the reporting period, the Company closed one new company investment for $950,000.

Conversion of royalty investment into common shares
On January 22, 2018, the Company announced it had reached an agreement with Inner Spirit Holding Ltd., to convert Grenville's $1 million royalty agreement in Watch It! Consolidated Ltd. ("Watch It!") to 10 million shares in Inner Spirit Holding Ltd. ("Inner Spirit") at a price of 10 cents per share. Watch It! is a wholly-owned subsidiary of Inner Spirit and at December 31, 2017, the carrying value of the royalty agreement in the financial statements was $500,901. With the conversion, Grenville now holds 14,455,000 shares or approximately 13 percent of the total issued and outstanding common shares of Inner Spirit.

29. Related party disclosures

Key management personnel

	Year ended December 31, 2017	Year ended December 31, 2016
Short term employee benefits	$ 915,759	$ 1,035,474
Share-based compensation	257,693	210,099
Consultancy fees	273,235	135,917
Contract payment	-	675,000
Total	**$ 1,446,687**	**$ 2,056,490**

Effective April 26, 2016, Mr. William R. Tharp the former Chief Executive Officer and President of the Company 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 in connection with his departure from the Company. The number of key management personnel were 9 (2016: 9) and are identified as the members of the board of directors and the officers of the Company.