

**Grenville Strategic Royalty Corp.**

Interim Condensed Consolidated Financial Statements

**For the three and six months ended June 30, 2017**

**(Unaudited)**

**Grenville Strategic Royalty Corp.**  
**Consolidated Statements of Financial Position**

(Canadian dollars)

	Note	June 30, 2017	December 31, 2016
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	\$ 7,984,839	\$ 6,202,412
Income tax recoverable		548,965	362,905
Promissory note receivable – current portion	8	648,850	2,015,378
Royalty agreements acquired– current portion	8	348,701	1,580,247
Prepaid expense		153,314	98,477
<b>Total Current Assets</b>		<b>9,684,669</b>	<b>10,259,419</b>
<b>Non-Current Assets</b>			
Property and equipment		103,577	122,126
Deferred tax asset	11	7,327,093	5,078,039
Equity-accounted investment in joint venture	9	-	128
Equity securities in investee companies	10	2,190,617	-
Promissory note receivable – non current portion	8	1,100,792	-
Royalty agreements acquired – non-current portion	8	23,278,369	33,966,754
<b>Total Non-Current Assets</b>		<b>34,000,448</b>	<b>39,167,047</b>
<b>Total Assets</b>		<b>\$ 43,685,117</b>	<b>\$ 49,426,466</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 418,534	\$ 255,531
Finance lease liability		1,649	3,189
<b>Total Current Liabilities</b>		<b>420,183</b>	<b>258,720</b>
<b>Non-Current Liabilities</b>			
Finance lease liability		6,477	7,698
Convertible debentures	12	16,131,640	15,943,173
<b>Total Non-Current Liabilities</b>		<b>16,138,117</b>	<b>15,950,871</b>
<b>Shareholders' Equity (Note 13)</b>			
Share capital		\$ 50,261,640	\$ 50,260,965
Contributed surplus		876,806	719,047
Equity component of convertible debentures	12	558,831	558,831
Accumulated deficit		(24,570,460)	(18,321,968)
<b>Total Shareholders' Equity</b>		<b>27,126,817</b>	<b>33,216,875</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 43,685,117</b>	<b>\$ 49,426,466</b>

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on August 8, 2017.

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

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 "Peter Kampian"  
 Peter Kampian, Director

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

(Canadian dollars)

	Note	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
<b>Revenue</b>					
Royalty agreements acquired	14	\$ (424,487)	\$ 1,181,336	\$ (3,661,899)	\$ (940,579)
Promissory notes receivable	14	(34,526)	85,038	(256,309)	(662,873)
Equity securities in investee companies	14	(1,637,458)	-	(1,637,458)	-
Share of joint venture profit, net of tax		(600)	-	(128)	-
Fee income	14	6,829	-	7,642	-
Other interest income	14	22,834	24,198	38,485	60,757
<b>Total Revenues</b>		<b>(2,067,408)</b>	<b>1,290,572</b>	<b>(5,509,667)</b>	<b>(1,542,695)</b>
<b>Operating Expenses</b>					
Salaries, benefits and staffing costs	15	\$ 336,211	\$ 1,051,887	\$ 694,382	\$ 1,529,152
Management and facility fees		38,854	59,270	79,399	97,374
Share-based compensation	16	70,023	41,064	157,760	114,689
Professional fees		226,383	349,922	907,137	699,282
Office and general administrative		131,255	154,427	215,423	274,307
<b>Total Operating Expense</b>		<b>802,726</b>	<b>1,656,570</b>	<b>2,054,101</b>	<b>2,714,804</b>
<b>Operating (Loss)</b>		<b>\$ (2,870,134)</b>	<b>\$ (365,998)</b>	<b>\$ (7,563,768)</b>	<b>\$ (4,257,499)</b>
Financing expense	12	445,120	436,356	878,467	859,306
<b>(Loss) before income taxes</b>		<b>(3,315,254)</b>	<b>(802,354)</b>	<b>(8,442,235)</b>	<b>(5,116,805)</b>
<b>Income Taxes</b>					
Current income tax expense/(recovery)	11	\$ 26,527	\$ (90,073)	\$ 55,310	\$ 193,332
Deferred tax (recovery)	11	(885,573)	(79,031)	(2,249,053)	(1,486,114)
<b>Total Income Tax Recovery</b>		<b>\$ (859,046)</b>	<b>\$ (169,104)</b>	<b>\$ (2,193,743)</b>	<b>\$ (1,292,782)</b>
<b>(Loss) and total comprehensive (loss)</b>		<b>\$ (2,456,208)</b>	<b>\$ (633,250)</b>	<b>\$ (6,248,492)</b>	<b>\$ (3,824,023)</b>
<b>Earnings/(Loss) per share (Note 18)</b>					
Basic earnings/(loss) per share		\$ (0.0231)	\$ (0.0060)	\$ (0.0588)	\$ (0.0363)
Diluted earnings/(loss) per share		\$ (0.0231)	\$ (0.0060)	\$ (0.0588)	\$ (0.0363)

See accompanying notes to financial statements.

## Grenville Strategic Royalty Corp.

### Consolidated Statements of Changes in Equity

(Canadian dollars)

	Number of shares	Note	Share capital	Warrants	Contributed surplus	Equity component of the convertible debenture	Accumulated deficit	Total
<b>Balance, January 1, 2016</b>	<b>100,762,965</b>		<b>\$ 47,318,036</b>	<b>\$ 618,068</b>	<b>\$ 417,567</b>	<b>\$ 558,831</b>	<b>\$(2,994,743)</b>	<b>\$ 45,917,759</b>
Share issue cost	-		(6,885)	-	-	-	-	(6,885)
Share warrants exercised	5,443,456	13	2,904,475	(618,068)	-	-	-	2,286,407
Stock options exercised	76,085	13	36,588	-	(12,170)	-	-	24,418
Share-based compensation	-	16	-	-	114,689	-	-	114,689
Dividends paid and payable	-		-	-	-	-	(3,345,363)	(3,345,363)
Comprehensive loss for the period	-		-	-	-	-	(3,824,023)	(3,824,023)
<b>Balance, June 30, 2016</b>	<b>106,282,506</b>		<b>\$50,252,214</b>	<b>\$-</b>	<b>\$ 520,086</b>	<b>\$ 558,831</b>	<b>\$(10,164,129)</b>	<b>\$41,167,002</b>
<b>Balance, January 1, 2017</b>	<b>106,293,543</b>		<b>\$ 50,260,965</b>	<b>\$ -</b>	<b>\$ 719,047</b>	<b>\$ 558,831</b>	<b>\$(18,321,968)</b>	<b>\$ 33,216,875</b>
Stock options exercised	24,113	13	675	-	-	-	-	675
Share-based compensation	-	16	-	-	157,759	-	-	157,759
Comprehensive loss for the period	-		-	-	-	-	(6,248,492)	(6,248,492)
<b>Balance, June 30, 2017</b>	<b>106,317,656</b>		<b>\$ 50,261,640</b>	<b>\$-</b>	<b>\$876,806</b>	<b>\$ 558,831</b>	<b>\$(24,570,460)</b>	<b>\$27,126,817</b>

See accompanying notes to financial statements.

## Grenville Strategic Royalty Corp.

### Consolidated Statements of Cash Flows (Canadian dollars)

	Note	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
<b>Cash flows from operating activities</b>					
Profit/(Loss) before income taxes		\$ (3,315,254)	\$ (802,354)	\$ (8,442,235)	\$ (5,116,805)
Share-based compensation	16	70,023	41,064	157,760	114,689
Depreciation		8,782	9,766	18,550	20,134
Unrealized loss (gain) from change in fair value of royalty investments acquired and promissory notes receivable	8	2,741,879	611,340	1,705,581	3,530,311
Unrealized loss from change in fair value of equity securities in investee companies	14	1,637,458	-	1,637,458	-
Unrealized gain from investment derecognized	14	(922,284)	-	(922,284)	-
Unrealized foreign exchange loss/(gain)	17	538,780	201,863	1,223,311	2,726,693
Realized loss on investments written-off	14	2,149,669	-	7,294,269	-
Financing expense		445,120	436,356	878,467	859,306
Share of Joint venture loss (profit)		600	-	128	-
Royalty agreements acquired and promissory note – new investments	8	(3,695,503)	(427,575)	(3,793,633)	(5,801,127)
Royalty agreements acquired and promissory note – redemption and principal payments	8	-	35,161	194,055	(13,087)
Royalty agreements acquired and promissory note – contract buyout	8	2,000,000	-	2,000,000	-
Equity securities in investee companies – new investments		(1,025)	-	(1,025)	-
Income tax paid		(127,914)	(431,867)	(241,368)	(2,323,988)
Changes in working capital items	20	535,697	97,998	765,478	(1,501,675)
<b>Net Cash Flows generated from (used in)</b>					
<b>Operating Activities</b>		<b>2,066,028</b>	<b>(228,248)</b>	<b>2,474,512</b>	<b>(7,505,549)</b>
<b>Cash flows from financing activities</b>					
Issuance of common shares, net of costs	13	\$ -	\$ 538	\$ -	\$ 2,279,522
Exercise of share warrants and stock options	13	-	-	675	24,418
Finance lease payments		(964)	(717)	(2,760)	(2,439)
Debenture interest paid	12	(690,000)	(690,000)	(690,000)	(690,000)
Dividends paid		-	(1,681,121)	-	(3,490,675)
<b>Net Cash flows from Financing Activities</b>		<b>(690,964)</b>	<b>(2,371,300)</b>	<b>(692,085)</b>	<b>(1,879,174)</b>
<b>Cash flows from investing activity</b>					
Purchase of property and equipment		\$ -	\$ -	\$ -	\$ (9,581)
<b>Net increase in cash during the period</b>		<b>1,375,064</b>	<b>(2,599,548)</b>	<b>1,782,427</b>	<b>(9,394,304)</b>
Cash and cash equivalents, beginning of period		6,609,775	10,102,575	6,202,412	16,897,331
<b>Cash and cash equivalents, end of period</b>	<b>7</b>	<b>\$ 7,984,839</b>	<b>\$ 7,503,027</b>	<b>\$ 7,984,839</b>	<b>\$ 7,503,027</b>

See accompanying notes to financial statements.

**Grenville Strategic Royalty Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**In Canadian dollars, for the six months ended June 30, 2017**

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**1. Corporate information**

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

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

**2. Basis of presentation**

The financial statements have been prepared on a historical cost basis, except for cash and cash equivalents, 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 unaudited interim condensed consolidated financial statements have been prepared based on the principles of International Financial Reporting Standards (IFRS) and International Accounting Standard 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting interpretations Committee (IFRIC). The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s 2016 audited annual consolidated financial statements and accompanying notes.

The financial statements were approved and authorized by the Board of Directors on August 8, 2017.

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

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

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

**Royalty agreements acquired**

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 principal payment that, when combined with royalty payments made to the date of the buydown or buyout, exceed the value of the Company’s initial investment; and (ii) the payment of a minimum monthly royalty payment by the investee company, which provides the Company with certainty of payment over time. As a result, the Company has concluded that it is highly probable (which it defines as a probability equal to or exceeding 75%) that it will collect greater than 85% of its initial investment under each royalty agreement.

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

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

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

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

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

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

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

**Grenville Strategic Royalty Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**In Canadian dollars, for the six months ended June 30, 2017**

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**Fair value of stock options and warrants**

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

**Income taxes**

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

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

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

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments, and interpretations that are expected to be relevant to the Corporation'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, 2014. 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 lessee's. The application date of the new standard is January 1, 2019 and early adoption is possible. The Company has commenced the assessment of the impact of the new standard on the Company's lease agreements.

**5. Fair values**

**a) Valuation Technique**

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

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

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

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

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

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

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

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

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

**Grenville Strategic Royalty Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**In Canadian dollars, for the six months ended June 30, 2017**

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

	Total	Level 1	Level 2	Level 3
<b>June 30, 2017</b>				
Cash and cash equivalents	\$ 7,984,839	\$ 7,984,839	\$ -	\$ -
Royalty agreements acquired	23,627,070	-	-	23,627,070
Promissory notes receivable	1,749,642	-	-	1,749,642
Equity securities in investee companies	2,190,617	2,189,592	-	1,025
	<b>\$ 35,552,168</b>	<b>\$ 10,174,431</b>	<b>\$ -</b>	<b>\$ 25,377,737</b>

**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
	<b>\$ 43,764,791</b>	<b>\$ 6,202,412</b>	<b>\$ -</b>	<b>\$ 37,562,379</b>

There were no transfers between Level 1, Level 2 and Level 3 during both the six months ended June 30, 2017 and the year ended December 31, 2016.

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

	Balance at January 1, 2017	Total gains and (losses) recognized in profit or loss	Purchases	Maturities and repayment	Transfers in/(out) of Level 3	Balance at June 30, 2017
Royalty agreements acquired	\$ 35,547,001	\$(12,287,963)	\$3,793,633	\$(3,425,601)	-	\$23,627,070
Equity securities in investee companies	-	-	1,025	-	-	1,025
Promissory notes receivable	2,015,378	(265,736)	-	-	-	1,749,642
<b>Total</b>	<b>\$ 37,562,379</b>	<b>\$ (12,553,699)</b>	<b>\$3,794,658</b>	<b>\$(3,425,601)</b>	<b>-</b>	<b>\$ 25,377,737</b>

	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
<b>Total</b>	<b>\$ 46,449,356</b>	<b>\$ (14,837,961)</b>	<b>\$7,195,856</b>	<b>\$(1,244,872)</b>	<b>-</b>	<b>\$ 37,562,379</b>

The valuation technique used to determine the fair value of all Level 3 financial assets is a discounted cash flow model. The most significant unobservable inputs used in the valuation are the discount rate (range is between 13.3%-22.7%), growth rate of the revenues of the investee (range is between no growth and 25%) and the liquidity premium (range is between 3.2%-13.2%). 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 June 30, 2017 and December 31, 2016 as follows:

June 30, 2017			December 31, 2016		
Discount rate	Revenue growth rate	Liquidity premium	Discount rate	Revenue growth rate	Liquidity premium
\$ 906,260	\$ 314,261	\$ 21,587	\$ 1,126,416	\$ 285,991	\$ 24,325

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

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



**Grenville Strategic Royalty Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**In Canadian dollars, for the six months ended June 30, 2017**

	Carrying Amount June 30, 2017	Fair Value June 30, 2017	Carrying Amount December 31, 2016	Fair Value December 31, 2016
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	\$ 418,534	\$ 418,534	\$ 255,531	\$ 255,531
Convertible debentures	16,031,520	13,799,717	15,943,173	13,109,008
<b>Total Financial Liabilities</b>	<b>\$ 16,450,054</b>	<b>\$ 14,218,251</b>	<b>\$ 16,198,704</b>	<b>\$ 13,364,539</b>

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

- Accounts payable and accrued liabilities, approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of the debt component of the convertible debentures for June 30, 2017 and December 31, 2016 was based on the listed price of the security at that date less a calculated price for the convertible option using a Black Scholes model.

## **6. Financial risk management objectives and policies**

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

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

### **Market risk**

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

### **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 June 30, 2017 was \$29,507,987 (December 31, 2016: 28,914,478) United States dollars and a 1% movement in the exchange rate has an impact of \$295,080 (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 June 30, 2017 was \$33,361,550 (December 31, 2016: \$43,764,792). The cash is held by a Canadian bank which is rated A+ and the cash is invested in short term liquid investments.

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

### **Liquidity risk**

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

The following table summarizes the amount of contractual undiscounted future cash flow requirements including all financial instruments as at June 30, 2017 and December 31, 2016 respectively:

**Grenville Strategic Royalty Corp.**  
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<b>Contractual obligations</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 418,534	-	-	-	-	\$ 418,534
Finance Lease Liability	2,046	3,069	4,092	-	-	9,207
Convertible debenture	-	17,250,000	-	-	-	17,250,000
<b>Total</b>	<b>420,580</b>	<b>17,253,069</b>	<b>4,092</b>	<b>-</b>	<b>-</b>	<b>17,677,741</b>

  

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

**Capital management**

The Company manages its capital with the primary objective of safeguarding it while providing sufficient working capital to sustain day-to-day operations. For the year ended December 31, 2016, the Company raised additional capital of \$2,303,402, net of transactions 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.

**7. Cash and cash equivalents**

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Cash held in bank accounts	\$ 370,931	\$ 648,504
Guaranteed investment certificates cashable at any time	7,613,908	5,553,908
	<b>\$ 7,984,839</b>	<b>\$ 6,202,412</b>

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

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

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

<b>Royalty agreements acquired</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Due within 1 year	\$ 348,701	\$ 1,580,247
Due after more than 1 year	23,278,369	33,966,754
<b>Total</b>	<b>\$ 23,627,070</b>	<b>\$ 35,547,001</b>

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

<b>Promissory notes receivable</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Due within 1 year	\$ 648,850	\$ 2,015,378
Due after more than 1 year	1,100,792	-
<b>Total</b>	<b>\$ 1,749,642</b>	<b>\$ 2,015,378</b>

<b>Total carrying amount of royalty agreements acquired and promissory notes receivable</b>	<b>\$ 25,376,712</b>	<b>\$ 37,562,379</b>
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For particular investments, the Company has in place a charge on the assets of the investees under General and Security Agreements. The carrying value of these investments with such security in place was at June 30, 2017, \$9,769,983 (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 June 30, 2017 was nil (December 31, 2016: nil).

**Grenville Strategic Royalty Corp.**  
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**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:

	Six months ended June 30, 2017		Year ended December 31, 2016	
	Royalty agreement acquired	Promissory notes receivable	Royalty agreement acquired	Promissory notes receivable
<b>Starting balance</b>	\$ 35,547,001	\$ 2,015,378	\$ 43,735,477	\$ 2,713,879
New agreements acquired during the period	3,793,633	-	5,441,246	1,438,904
Principal payments	-	-	-	(89,530)
Redemption and contract buyout repayments	(2,194,054)	-	(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	(900,979)	-	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	(1,486,457)	(107,765)	(1,398,846)	(104,610)
Change in fair value during the period	(2,417,120)	711,664	(10,647,245)	(846,325)
<b>Ending balance</b>	\$ 23,627,070	\$ 1,749,642	\$ 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**

	June 30, 2017	%	December 31, 2016	%
Canada	\$ 10,295,000	22	\$ 14,365,000	28
United States of America	37,650,482	78	36,640,784	72
<b>Total portfolio value</b>	\$ 47,945,482	100	\$ 51,005,784	100
Royalty agreements acquired – due within one year not included	348,701		1,580,247	
Cumulative change in foreign exchange	(724,987)		869,235	
Cumulative change in fair value	(15,904,122)		(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	(2,209,698)		(2,015,643)	
<b>Carrying amount recognized in the statements of financial position</b>	\$ 25,376,712	100	\$ 37,562,379	100

**ii) Economic**

	June 30, 2017	%	December 31, 2016	%
Cyclical	\$ 17,950,385	38	\$ 20,145,385	40
Neutral	21,252,094	44	17,652,425	34
Defensive	8,743,003	18	13,207,974	26
<b>Total portfolio value</b>	\$ 47,945,482	100	\$ 51,005,784	100
Royalty agreements acquired – due within one year not included	348,701		1,580,247	
Cumulative change in foreign exchange	(724,987)		869,235	

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Cumulative change in fair value	(15,904,122)		(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	(2,209,698)		(2,015,643)	
<b>Carrying amount recognized in the statements of financial position</b>	<b>\$ 25,376,712</b>	<b>100</b>	<b>\$ 37,562,379</b>	<b>100</b>

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

	June 30, 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;

	June 30, 2017	December 31, 2016
Percentage ownership interest	15	15
Royalty agreements acquired	\$ 590,646	\$ 355,338
Current assets (including cash and cash equivalents of 2017: \$837,607 - 2016: \$206,651)	867,557	206,651
Current liabilities (including trade and other payables of 2017: \$3,485 - 2016: \$333)	(1,274)	(795)
Non-current liabilities (including notes payable of 2017: \$1,462,522 - 2016: \$560,000)	(1,462,492)	(560,339)
Net assets	\$ (5,563)	\$ 855
<b>Company's share of net assets (15%) and carrying amount of interest</b>	<b>\$ -</b>	<b>\$ 128</b>
Revenue	\$ 46,215	\$ 7,985
Operating expenses (including license fee paid to the Company of 2017: \$9,163 - 2016: -)	(9,163)	(4,195)
Interest expense	(45,564)	(2,626)
Income tax recovery (expense)	2,137	(309)
Profit and total comprehensive income	\$ (6,375)	\$ 855
<b>Company's share of profit and total comprehensive income (15%)</b>	<b>\$ -</b>	<b>\$ 128</b>
<b>Dividends received by the Company</b>	<b>\$ -</b>	<b>\$ -</b>

**10. Equity securities in Investee entities**

	Cost June 30, 2017	Carrying amount June 30, 2017	Cost December 31, 2016	Carrying Amount December 31, 2016
Lattice Biologics Ltd – common shares	\$ 3,622,050	\$ 2,189,592	\$ -	\$ -
Other	206,025	1,025	-	-
<b>Total</b>	<b>\$ 3,828,075</b>	<b>\$ 2,190,617</b>	<b>\$ -</b>	<b>\$ -</b>

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 are subject to a four-month hold period under applicable securities laws.

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**11. Income taxes**

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

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Income tax expense/(recovery) – current year	\$ 26,068	\$ (13,817)	\$ 54,851	\$ 269,588
Income tax (recovery) – prior year	459	(76,256)	459	(76,256)
<b>Deferred tax expense/(recovery)</b>				
Origination and reversal of temporary differences in period	(885,573)	(188,100)	-	(1,595,182)
Deferred tax expense – prior year	-	109,069	(2,249,053)	109,068
<b>Total income taxes</b>	<b>\$ (859,046)</b>	<b>\$ (169,104)</b>	<b>\$ (2,193,743)</b>	<b>\$ (1,292,782)</b>

**(b) Reconciliation of effective tax rate**

	Six months ended June 30, 2017	Six months ended June 30, 2016
<b>Profit/(Loss) before tax</b>	<b>\$ (8,442,235)</b>	<b>\$ (5,116,805)</b>
Tax at the combined Canadian federal and provincial statutory tax rate	26.50% (2,237,192)	26.50% (1,355,955)
Income tax expense (recovery) – prior year	459	(76,256)
Deferred tax expense – prior year	-	109,068
Tax cost of non-deductible expenses	(0.51%) 42,990	(0.59)% 30,361
<b>Incomes taxes recognized in statements of comprehensive Income (Loss) and effective tax rate</b>	<b>25.99% \$ (2,193,743)</b>	<b>25.27% \$ (1,292,782)</b>

**(c) Movement in deferred tax balances**

The Company has established, based on the financial performance that it is probable that the Company will have future taxable income. As a result, the Company recognized a deferred tax asset for temporary differences existing at June 30, 2015. The composition of the deferred tax asset at June 30, 2017 and December 31, 2016 was made up as follows:

	June 30, 2017	December 31, 2016
<b>Amounts recognized in statement of comprehensive income (loss)</b>		
Transaction costs on common shares issue and convertible debenture	\$ (310,516)	\$ (294,639)
Property and equipment	10,621	5,750
Tax losses available	1,344,475	-
RTO expense	105,827	106,919
Unrealized gain on foreign exchange differences	(259,029)	(589,551)
Unrealized loss on changes in fair value	5,856,518	5,261,174
Other temporary differences	(3,222)	6,749
	<b>6,744,674</b>	<b>4,496,402</b>
<b>Amounts recognized in equity</b>		
Equity component of convertible debenture	(201,483)	(201,483)
Issuance cost for special warrants and common shares	783,902	783,120
	<b>582,419</b>	<b>581,637</b>
<b>Balance at June 30, 2016 and December 31, 2015</b>	<b>\$ 7,327,093</b>	<b>\$ 5,078,039</b>

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 June 30, 2017 and December 31, 2015.

**12. 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.

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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 June 30, 2017 and December 31, 2016	<u>\$ 17,250,000</u>
<b>Liability</b>	
Gross proceeds	\$ 17,250,000
Issue costs	(1,343,425)
Equity component less issue costs allocated	<u>(760,314)</u>
Liability component initially recognized	15,146,261
Accretion of finance expense for the period from July 10, 2014 to December 31, 2016	<u>796,912</u>
<b>Balance at December 31, 2015</b>	<b>15,943,173</b>
Accretion of finance expense for the six months ended June 30, 2017	<u>188,467</u>
<b>Balance at June 30, 2017</b>	<b>16,131,640</b>
<b>Equity</b>	
Equity component initially recognized	\$ 760,314
Deferred tax liability recognized	<u>(201,483)</u>
<b>Balance at June 30, 2017 and December 31, 2016</b>	<b>558,831</b>

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

	<u>Three months ended June 30, 2017</u>	<u>Three months ended June 30, 2016</u>	<u>Six months ended June 30, 2017</u>	<u>Six months ended June 30, 2016</u>
Interest expense on convertible debentures	\$ 345,000	\$ 345,945	\$ 690,000	\$ 690,000
Accretion of finance expense for the period	100,120	90,411	188,467	169,306
<b>Total</b>	<b>\$ 445,120</b>	<b>\$ 436,356</b>	<b>\$ 878,467</b>	<b>\$ 859,306</b>

**13. 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 June 30, 2017 were 106,317,656 (December 31, 2016: 106,293,543).

During the six-month period ended June 30, 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 six-month period ended June 30, 2016, 76,085 common shares were issued as a result of stock options been exercised and the proceeds received net of issuance costs was \$24,418. During the six-month period ended June 30, 2016, \$12,170 was transferred from contributed surplus into share capital for options exercised during this period.

**Share warrants**

9,660,538 share warrants with an expiry date of February 19, 2016 were issued at an exercise price of \$0.42 per warrant with a fair value of \$1,044,074. From February 19, 2014 to the expiry date, 9,385,517 warrants were exercised and the Company received in total proceeds of \$3,941,917 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 June 30, 2017, there are no outstanding share warrants.

For the six-months period ended June 30, 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

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**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 corporation 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.

<b>Issue Date</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Remaining contractual life (years)</b>
February 19, 2014	177,052	177,052	\$0.03	August 1, 2018	1.08
February 19, 2014	68,955	68,955	\$0.51	March 13, 2018	.70
April 3, 2014	1,357,500	1,357,500	\$0.50	April 3, 2019	1.76
May 26, 2014	200,000	200,000	\$0.52	May 26, 2019	1.90
May 25, 2015	762,500	432,500	\$0.88	May 25, 2020	2.9
July 10, 2015	1,500,000	375,000	\$0.87	July 10, 2020	3.02
September 21, 2015	300,000	75,000	\$0.64	September 21, 2020	3.22
June 3, 2016	1,800,000	100,000	\$0.44	June 3, 2021	3.93
November 18, 2016	2,275,000	150,000	\$0.15	November 18, 2021	4.39
<b>Total</b>	<b>8,441,007</b>	<b>2,936,007</b>			
<b>Weighted average exercise price</b>	<b>\$ 0.4885</b>	<b>\$ 0.5600</b>		<b>Weighted average remaining contractual life</b>	<b>3.29</b>

Between January 1, 2017 and June 30, 2017, 1,957,667 options expired and 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 June 30, 2017.

**Assumption**

Expected stock price volatility	45.35%
Expected life	4.98
Risk free interest rate	1.03%
Expected dividend yield	1.81%
Weighted average fair value per option granted	\$0.1526

**14. Revenues**

	<b>Three months ended June 30, 2017</b>	<b>Three months ended June 30, 2016</b>	<b>Six months ended June 30, 2017</b>	<b>Six months ended June 30, 2016</b>
<b>Royalty agreements acquired</b>				
Royalty payment income	\$ 1,025,534	\$ 1,970,639	\$ 2,358,762	\$ 4,476,241
Unrealized foreign exchange (loss) gains (note 17)	(490,698)	(177,138)	(1,111,197)	(2,535,684)
Realized foreign exchange (loss) gains (note 17)	9,941	-	10,133	-
Realized gain from contract buyout	3,000,000	-	3,000,000	-
Unrealized gain from investment derecognized	922,284	-	922,284	-
Realized loss from investment written-off	(2,149,669)	-	(6,424,635)	-
Unrealized loss from changes in fair value	(2,741,879)	(612,165)	(2,417,246)	(2,881,136)
<b>Total</b>	<b>\$ (424,487)</b>	<b>\$ 1,181,336</b>	<b>\$ (3,661,899)</b>	<b>\$ (940,579)</b>

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	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
<b>Promissory notes receivable</b>				
Interest payment income	\$ 13,363	\$ 101,881	\$ 13,775	\$ 177,708
Unrealized foreign exchange (loss) gains (note 17)	(47,889)	(17,668)	(112,114)	(191,406)
Realized loss on loan receivable written-off	-	-	(869,635)	-
Unrealized loss from changes in fair value	-	825	711,665	(649,175)
<b>Total</b>	<b>\$ (34,526)</b>	<b>\$ 85,038</b>	<b>\$ (256,309)</b>	<b>\$ (662,873)</b>

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
<b>Equity securities in investee companies</b>				
Unrealized loss from changes in fair value	\$ (1,637,458)	\$ -	\$ (1,637,458)	\$ -

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
<b>Fee income</b>				
Fees earned under license agreements	\$ 6,829	\$ -	\$ 7,642	\$ -

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

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

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
<b>Other interest income</b>				
Interest income on invested cash and cash equivalents	\$ 22,834	\$ 24,198	\$ 38,485	\$ 60,757

**15. Employee benefit expense**

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Wages and salaries	\$ 308,350	\$ 336,667	\$ 632,834	\$ 770,726
Severance payment	-	675,000	-	675,000
Other benefits	14,843	12,046	27,546	20,021
Recruitment expense	8,000	-	8,000	8,000
Employer related costs for insurance, health tax	5,018	28,174	26,002	55,405
<b>Salaries, benefits and other staffing costs</b>	<b>336,211</b>	<b>1,051,887</b>	<b>694,382</b>	<b>1,529,152</b>
Share-based compensation (Note 16)	70,023	41,064	157,760	114,689
<b>Total</b>	<b>\$ 406,234</b>	<b>\$ 1,092,951</b>	<b>\$ 852,142</b>	<b>\$ 1,643,841</b>

**16. Share-based compensation**

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

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Expense recognized for services provided based on vesting conditions of stock options (Note 15)	\$ 70,023	\$ 41,064	\$ 157,760	\$ 114,689



**Grenville Strategic Royalty Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**In Canadian dollars, for the six months ended June 30, 2017**

**17. Foreign exchange loss**

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Unrealized foreign exchange loss/(gain)	\$ 538,780	\$ 196,979	\$ 1,223,311	\$ 2,726,693
Realized foreign exchange loss/(gain)	(10,134)	(2,173)	(10,133)	397
<b>Total recognized in comprehensive income/loss</b>	<b>\$ 528,646</b>	<b>\$ 194,806</b>	<b>\$ 1,213,178</b>	<b>\$ 2,727,090</b>

  

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Revenues –royalty agreements acquired	480,757	\$ 177,138	\$ 1,101,064	\$ 2,535,684
Revenues – promissory notes receivable	47,889	17,668	112,114	191,406
<b>Total</b>	<b>\$ 528,646</b>	<b>\$ 194,806</b>	<b>\$ 1,213,178</b>	<b>\$ 2,727,090</b>

**18. 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 June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Profit/(loss) attributable to ordinary equity holders for basic earnings /(loss) per share	\$ (2,456,208)	\$ (633,250)	\$ (6,248,364)	\$ (3,824,023)
Financing expense ( <b>Note 12</b> ) after tax at 26.5%	327,163	320,722	645,673	631,590
Profit/(loss) attributable to ordinary equity holders for diluted earnings /(loss) per share	(2,129,045)	(312,528)	(5,602,691)	(3,192,433)
Basic weighted average number of shares outstanding	106,317,656	106,267,252	106,307,798	105,245,435
Diluted weighted average number of shares outstanding	134,236,863	132,367,357	134,227,005	124,163,793

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 all reporting periods.

**19. 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 the Company's reported revenue is from external customers and the breakdown by country was:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Canada	\$ 2,413,132	\$ 1,956,756	\$ (236,465)	\$ 1,370,486
United States	(4,480,540)	(666,184)	(5,273,202)	(2,913,181)
<b>Totals</b>	<b>\$ (2,067,408)</b>	<b>\$ 1,290,572</b>	<b>\$ (5,509,667)</b>	<b>\$ (1,542,695)</b>

The breakdown of reported revenue excluding interest income on cash and cash equivalents and interest received on tax refunds of \$46,127 (2016: 60,727) for each economic factor segment was:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Cyclical	\$ 2,044,260	\$ (776,210)	\$ (1,980,438)	\$ (3,453,705)
Neutral	280,055	1,389,753	(1,780,936)	1,360,789
Defensive	(4,421,386)	652,830	(1,794,420)	489,463
<b>Totals</b>	<b>\$ (2,097,071)</b>	<b>\$ 1,266,373</b>	<b>\$ (5,555,794)</b>	<b>\$ (1,603,453)</b>

**Grenville Strategic Royalty Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**In Canadian dollars, for the six months ended June 30, 2017**

For the six months ended June 30, 2017, the royalty payment income and the interest income on promissory notes for 4 (2016:1) investees is greater than 10% of the total revenues. All non-current assets are located in Canada. For this purpose, non-current assets exclude all financial instruments and deferred tax.

**20. Changes in working capital items**

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Royalty agreements acquired – current portion	\$ 547,675	\$ (527,369)	\$ 657,316	\$ (925,407)
Sales tax recoverable	-	691,805	-	-
Prepaid expense	(25,203)	(74,365)	(54,837)	(78,967)
Accounts payable and accrued liabilities	13,225	7,927	162,999	(497,301)
<b>Total changes in working capital items</b>	<b>\$ 535,697</b>	<b>\$ 97,998</b>	<b>\$ 765,478</b>	<b>\$ (1,501,675)</b>

**21. Commitments**

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

	June 30, 2017	December 31, 2016
Less than one year	\$ 50,806	\$ 127,015
Between one and five years	-	-
<b>Total</b>	<b>\$ 50,806</b>	<b>\$ 127,015</b>

On July 12, 2017, the Company signed a sublease agreement for new office space situated in Toronto. The Company will occupy the space at the expiry of the sublease on the existing office. The sublease is for a term of six years and 2 months commencing October 1, 2017 but the sublandlord has the option to terminate the lease as of November 30, 2020. Based on the current rent, the annual commitment under the sublease is \$87,333.

**22. Events after the reporting period**

**Investments**

Since the end of the reporting period, the Company has entered into one new company investment for \$425,000.

**23. Related party disclosures**

**Key management personnel**

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Short term employee benefits	\$ 225,772	\$ 242,167	\$ 465,619	\$ 570,493
Share-based compensation	62,814	4,497	130,640	58,504
Consultancy fees	68,432	28,125	137,068	41,458
Contract payment	-	675,000	-	675,000
<b>Total</b>	<b>\$ 357,018</b>	<b>\$ 949,789</b>	<b>\$ 733,327</b>	<b>\$ 1,345,455</b>

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.