

Duke Royalty Limited

Interim Report and Unaudited Financial Statements

for the period 1 April 2017 to 30 September 2017

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For the period ended 30 September 2017

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For the period ended 30 September 2017

The Company

Duke Royalty Limited (“Duke Royalty” or the “Company”) is a Guernsey registered investment holding company incorporated with limited liability. Its shares are traded on the AIM market of the London Stock Exchange (“AIM”). The Company was incorporated on 22 February 2012 and dealings on AIM commenced on 9 July 2012.

Investment Policy

For the period ended 30 September 2017 the Company’s investment policy was to invest in a diversified portfolio of royalty finance and related opportunities to build a stable and reliable income for Shareholders by seeking to invest in, without limitation and restrictions (including geographical restrictions):

- (i) Long term, revenue-based royalties in private and/or public companies; and/or
- (ii) Other alternative asset classes and/or financing instruments from time to time that bear similar risk and return characteristics to the investments in paragraph (i).

In order to capitalise on the opportunity, the Company has assembled a high-quality Board and set of advisers with substantial experience and a long-term track record within a range of commercial businesses. The Company had been structured as an investment holding company in order to give the Board maximum flexibility to achieve its goals, and is domiciled in a tax efficient jurisdiction to ensure shareholders receive the benefit from any realised profits. Management, the Board and its advisors, will utilise their contacts and skill to attract and carry out appropriate due diligence on portfolio opportunities and to source new opportunities.

Chairman's Report

For the period ended 30 September 2017

Dear Shareholder

I am pleased to report the interim results for the period ending 30 September 2017 ("Interim 2018") which has been a time of significant positive change for the Company.

Interim 2018 is the Company's first period of revenue since the change in investment policy, having generated GBP 0.34 million of receipts due under contract and a loss for the period GBP 0.08 million. Furthermore, due to the events post the period under review as described below, I am pleased to inform shareholders that Duke Royalty is now operating at a cashflow positive run rate. The Company has also maintained its significantly reduced operational expenditure, with Board fees and other service provider costs having been voluntarily reduced in order for the Company to implement and sustain its dividend policy for Fiscal 2018. This reduced level of operational expenditure will remain in place until the Company has successfully deployed additional capital into new royalty opportunities and until the Board and respective Board Committees decide that the level of operational expenditure should be increased.

During Interim 2018, the Company announced its inaugural royalty financing agreement for Euro 8.0 million with Temarca, an established European river cruise provider. The financing, announced on 6 April 2017, has allowed Temarca to purchase one boat that was previously being leased, repay all outstanding senior debt, refurbish their fleet and boost working capital. Under the terms of the financing, Duke provided Euro 8.0 million to Temarca with an option at Duke's sole discretion to provide an additional Euro 2.0 million for a period of 12 months. The Financing, now fully deployed entitles Duke to receive distributions of over Euro 1.0 million per annum, equating to a cash-on-cash yield of approximately 13 per cent. It should be noted that the Euro 8.0 million was drawn down in several tranches during Interim 2018 with the facility only fully deployed just before the period end. As a result, the full revenue impact will not be felt until the second half of the 2018 fiscal year. The distribution will be adjusted annually with the first adjustment occurring in August 2018 based on the percentage change in Temarca's gross revenues for the fiscal year ending 31 July 2018 compared to the prior year. The annual adjustment in the distribution will be subject to a collar. The term of the financing is for a period of 25 years, will be senior secured and Duke has provided Temarca with a buyback option.

The Company announced three board changes during Interim 2018, the appointment of Justin Cochrane as an executive director, the appointment of Matthew Wrigley as a non-executive director and the resignation of Jim Ryan as a non-executive director.

I am also pleased to report that during Interim 2018 Duke Royalty approved its first two quarterly dividends both of 0.5 pence (sterling) per share. I would like to remind shareholders that the Company is targeting a minimum initial annual dividend yield of two pence per share for Fiscal 2018 and intends to continue paying quarterly dividends going forward.

Immediately following the period under review, on 6 October 2017, the Company announced that it had closed its second royalty financing with Lynx Equity (U.K.) Limited ("Lynx UK"), the UK-based subsidiary of Lynx Equity Limited ("Lynx"). Duke has committed GBP 7.0 million, with an initial tranche of GBP 4.5 million (which has already been drawn down) and an additional GBP 2.5 million to be drawn down at the completion by Lynx UK of an imminent acquisition. The financing represents the beginning of the relationship with Lynx as a Royalty Partner, as Duke has become Lynx's preferred European capital provider, with the potential to provide a further GBP 8.0 million of funding equating to a total of GBP 15.0 million over time. The financing will entitle Duke to monthly distributions beginning in November 2017 which total GBP 0.54 million per annum, based on the initial drawdown of GBP 4.5 million. The distributions will be adjusted annually with the first adjustment occurring in August 2018, based on the percentage change in Lynx UK's gross revenues for the fiscal year ending July 2018 compared to the prior year.

Chairman's Report

For the period ended 30 September 2017

The annual adjustment in the distributions will be subject to a collar. The term of the Company's agreement with Lynx is perpetual, and Lynx has a no-buyout clause for the first 5 years.

The Remuneration Committee approved the Company's long-term incentive plan (LTIP) as described in Part 5 of the Admission Document. Shareholders should also note the following in regard to the issuance of 1,500,000 bonus Ordinary Shares in the Company which are a component of the Support Services agreement with Abingdon Capital Corporation ("Abingdon") as described in Part 1 of the Admission Document. Whilst none of the 1,500,000 shares have been issued to date, 859,614 have been accounted for during Interim 2018 in relation to the full drawdown of the Tamarca financing. The non-cash cost of issuing these 859,614 shares equates to GBP 0.34m has been booked to the Consolidated Statement of Comprehensive Income as a Support service fee expense.

On 8 November 2017, the Company announced that it had also entered into an Advisory Agreement with Partners Value Investments LP ("PVI"), the Company's second largest shareholder, and approved the grant of 2,000,000 5-year warrants to PVI, exercisable at £0.42, in consideration for the provision of certain services provided by PVI to the Company under the terms of the Agreement. Under the Advisory Agreement, PVI will provide input on transaction sourcing and capital raising activities.

We look forward to reporting further progress during Fiscal 2018 in growing Europe's first listed diversified royalty company.

Nigel Birrell

Chairman

Directors

For the period ended 30 September 2017

Mr. Nigel Birrell (Chairman)

Nigel Birrell is a Non-Executive Director and Chairman of the Company and works with the Executive Directors on deal origination and structuring. He has extensive public company experience and expertise in the gaming, media and financial services sectors. Mr. Birrell is the CEO of the Lottoland Group, a Gibraltar regulated gaming group.

Mr. Birrell was until 2013 Group Director on the Executive Board at bwin.party digital entertainment plc, a global on-line gaming business, where he was responsible for all its mergers and acquisitions, business development and managing its investment portfolio.

While at bwin.party Mr. Birrell led the acquisitions of Gamebookers, Empire On-line and IOG's casino operations, Cashcade, the World Poker Tour and Orneon. He was instrumental in devising, negotiating and transacting the merger between PartyGaming and Bwin which, at the time, created the largest online-gaming business in history. He has also led all its disposals including Ogame's sale to Amaya.

Prior to bwin.party, Mr. Birrell was a director of the then FTSE 250 media group HIT Entertainment plc. He also worked as an investment banker with Donaldson, Lufkin & Jenrette and Dresdner Kleinwort Benson.

Mr. Birrell holds a LLB from the University of London (Queen Mary College) and qualified as a solicitor of the Supreme Court.

Mr. Neil Johnson

Neil Johnson is an Executive Director and the Company's Chief Executive Officer with responsibility for the overall strategic direction and performance of the Company. Working closely with the other members of the Management team, Board members and the Investment Committee, he leads all deal origination, due diligence and structuring.

Mr. Johnson has over 20 years of experience in investment banking, merchant banking, and research analysis in both the Canadian and UK capital markets. In 2012 he co-founded and became Chief Executive Officer of Difference Capital Financial, a Canadian publicly listed merchant bank. For the previous 19 years he worked for Canaccord Genuity, first in Canada and later at the London office of Canaccord where he held the positions of Head of Corporate Finance (Europe), Global Head of Technology, and a member of the Global Executive Committee. Mr. Johnson was instrumental in the firm becoming authorised as a nominated adviser for AIM and regulated in the UK and as a sponsor for the London Stock Exchange. He spearheaded the firm's diversification into the technology industry, and led Canaccord's initiative to attract North American firms to list in London.

Mr. Johnson is a graduate of the Richard Ivey School of Business at the University of Western Ontario and holds the designation of Chartered Financial Analyst Charterholder.

Mr. Charles Cannon-Brookes

Charlie Cannon-Brookes is an Executive Director of the Company and works alongside the CEO on deal origination, due diligence and structuring. In addition, Mr. Cannon-Brookes is Duke's liaison with UK institutions/advisors and has oversight of the Company's corporate governance and compliance with AIM Rules.

Directors (continued)

For the period ended 30 September 2017

Mr. Cannon-Brookes has over 15 years investment experience. He is the Investment Director of FCA authorised and regulated Arlington having jointly acquired the business in October 2004. Through Arlington, Mr. Cannon-Brookes has been active in a variety of different investment management mandates and corporate finance transactions on the London markets. Prior to Arlington he worked for Arlington Group plc, an AIM quoted investment company where he managed its entire public equity portfolio. Mr. Cannon-Brookes has also worked for Jupiter Asset Management, ABN Amro and Barclays de Zoete Wedd. He has extensive fund management experience and has advised and sat on the board of a number of different funds, trusts and other operating public companies.

Mr. Justin Cochrane (appointed on 28 September 2017)

Justin Cochrane is an Executive Director of the company and works alongside the CEO on deal origination, due diligence and structuring, he also assists the board with business strategy and leads all business development efforts.

Prior to joining Duke Mr. Cochrane was the Executive Vice President of Corporate Development for Sandstorm Gold Ltd. At Sandstorm, Mr. Cochrane was responsible for sourcing, negotiating and executing royalty and stream financing transactions across the globe. Mr. Cochrane was a key part of Sandstorm's team as it grew into one of the largest royalty and stream financing companies in Canada. Prior to Sandstorm, Mr. Cochrane was a Vice President at National Bank Financial where he spent some nine years working in the investment banking group. As Vice President, Mr. Cochrane managed primary coverage of BC based clients in the diversified, paper & forest products, power & utilities, resources, cleantech and other sectors. Mr. Cochrane specialised in providing advice to clients on merger and acquisition transactions and equity and debt financing opportunities.

Mr. Cochrane holds the designation of Chartered Financial Analyst Charterholder and received a Bachelor of Commerce degree, with honours, from the University of British Columbia, Vancouver, Canada. Mr. Cochrane is a government ambassador at the Multiple Sclerosis Society of Canada and also a director of Antipodes Gold Limited.

Mr. Mark Le Tissier

Mark Le Tissier is a Non-Executive Director of the company. He is responsible for the oversight of the company's corporate obligations in Guernsey.

Mr. Le Tissier is the European Regional Director of Trident Trust with oversight over five offices, as well as the Managing Director of Trident Trust Company (Guernsey) Limited and has worked for Trident for over twenty years. He has extensive board-level experience and has an in-depth knowledge of Guernsey and other jurisdictions' corporate and investment regulations. Mr. Le Tissier is a Trust & Estate Practitioner who has also completed the IOD Programme in company direction and is resident in Guernsey.

Directors (continued)

For the period ended 30 September 2017

Mr. Matthew Wrigley (appointed on 28 September 2017)

Matthew Wrigley is a Non-Executive Director of the company and works with the Executive Directors on structuring and all legal matters relating to the company.

Mr Wrigley is a partner at asset management advisory firm, MJ Hudson. In his fifteen years in alternative assets, he has gained experience through a mix of legal and commercial roles, including serving as General Counsel for a fund management company listed on the Australian Securities Exchange with AUD 1.3 billion assets under management, Chief Operating Officer of investment trust listed on the Singapore Securities Exchange with a market capitalisation of SGD 600 million, and with leading global law firm, Baker McKenzie. He also sits on several fund and general partner boards, with strategies spanning private equity, infrastructure and real estate.

Mr. Wrigley is a Solicitor of the Supreme Court of Queensland Australia, holds a Bachelor of Laws (LL.B) from the University of Queensland and is a resident of Guernsey.

Interim Consolidated Statement of Comprehensive Income

For the period ended 30 September 2017

	Notes	Period ended 30 September 2017 <i>Unaudited</i> £	Period ended 30 September 2016 <i>Unaudited</i> £
Income			
Cash received and receivable on royalty debt instruments	3	312,200	-
Effective interest adjustment on royalty debt instrument	3	88,128	-
Interest income from royalty debt instruments		400,328	-
Fair value movement on royalty debt instruments	3	53,645	-
Foreign currency gain		100,700	2
Net investment gain		554,673	2
Expenses			
Support services fees	10	(451,439)	(188,103)
Directors' fees	10	(54,500)	(109,000)
Legal and professional fees		(51,167)	(124,628)
Consultancy fees		38,537	(38,125)
Restructuring costs		-	(15,071)
Other expenses		(12,832)	(23,222)
Administration fees		(18,000)	(28,500)
Audit fees		(10,000)	(15,500)
Travel & entertainment	10	(21,664)	(73,700)
Registrar fees		(6,718)	(5,941)
Broker fees		(18,329)	-
Nomad fees		(12,500)	(15,083)
Foreign currency loss		-	-
Investment advisory fees	10	(12,500)	(38,406)
Total expenses		(631,112)	(675,279)
Operating loss		(76,439)	(675,277)
Finance income		-	72,496
Finance costs		(1,700)	(1,002)
Loss for the financial year end		(78,139)	(603,473)
Other comprehensive income		-	-
Total comprehensive loss for the period		(78,139)	(603,783)
Basic and diluted deficit per share (pence)		(0.01)	(7.66)

All activities derive from continuing operations.

All income is attributable to the holders of the Ordinary Shares of the Company.

The notes on pages 12 to 22 form an integral part of these Interim Financial Statements.

Interim Consolidated Statement of Changes in Equity

For the period ended 30 September 2017

	Notes	Shares Issued £	Shares to be issued	Warrants Issued £	Share Option Reserve £	Retained Losses £	Total Equity £
At 1 April 2017		40,905,094	-	-	124,412	(26,523,494)	14,506,012
Total comprehensive loss for the period		-	-	-	-	(78,139)	(78,139)
Transactions with owners							
Shares to be issued	7	-	341,439	-	-	-	341,439
Dividends	6	-	-	-	-	(226,887)	(226,887)
Total transactions with owners		-	341,439	-	-	(226,887)	114,552
At 30 September 2017		40,905,094	341,439	-	124,412	(26,828,520)	14,542,425
At 1 April 2016		27,064,815	-	72,454	124,412	(25,191,366)	2,070,315
Total comprehensive expense for the year		-	-	-	-	(603,783)	(603,783)
Transactions with owners							
Warrants cancelled		-	-	(72,454)	-	-	(72,454)
Total transactions with owners		-	-	(72,454)	-	-	(72,454)
At 30 September 2016		27,064,815	-	-	124,412	(25,795,149)	1,394,078

The notes on pages 12 to 22 form an integral part of these Interim Financial Statements

Interim Statement of Financial Position

As at 30 September 2017

	Notes	30 September 2017 <i>Unaudited</i> £	31 March 2017 <i>Audited</i> £
ASSETS			
Royalty debt instruments	3	7,255,099	-
Equity investments at fair value through profit and loss	4	-	-
Total non-current assets		7,255,099	-
Trade and other receivables	8	15,253	381,467
Cash and cash equivalents		7,323,409	14,350,154
Total current assets		7,338,662	14,731,621
		14,593,761	14,731,621
EQUITY AND LIABILITIES			
Equity			
Shares issued	7	40,905,094	40,905,094
Shares to be issued	7	341,439	-
Share option reserve		124,412	124,412
Retained losses		(26,828,520)	(26,523,494)
Total Equity		14,542,425	14,506,012
Current Liabilities			
Trade and other payables	9	51,336	225,609
Total current liabilities		51,336	225,609
Total equity and liabilities		14,593,761	14,731,621
Net asset value per Ordinary Share (excluding shares held in Treasury)		0.32	0.32

The Consolidated Financial Statements on pages 12 to 22 were approved and authorised for issue by the Board of Directors on 7 November 2017 and were signed on its behalf by:

Mark Le Tissier
Director

Matthew Wrigley
Director

The notes on pages 12 to 22 form an integral part of these Interim Financial Statements.

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

	Notes	Period ended 30 September 2017 £	Period ended 30 September 2016 £
Cash flows from operating activities			
Royalty instrument advanced		(7,046,200)	
Receipts on royalty debt instrument	3	245,074	-
Finance costs paid		(1,699)	
Other interest		-	42
Proceeds from the sale of equity investments		-	516,535
Operating expenses paid		<u>(370,733)</u>	<u>(760,115)</u>
Net cash outflow from operating activities		(7,173,558)	(243,538)
Cash flows from financing activities			
Net proceeds from share issue		273,000	-
Dividends paid	6	<u>(226,887)</u>	<u>-</u>
Net cash inflow from financing activities		46,113	-
Net change in cash and cash equivalents		(7,127,445)	(243,538)
Cash and cash equivalents at beginning of period		14,350,154	1,625,749
Effect of foreign exchange on cash		<u>100,700</u>	<u>-</u>
Cash and cash equivalents at end of period		<u>7,323,409</u>	<u>1,382,211</u>

The notes on pages 12 to 22 form an integral part of these Interim Financial Statements.

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

1. GENERAL INFORMATION

Duke Royalty Limited ("Duke Royalty" or the "Company") is a closed-ended investment company with limited liability formed under the Companies (Guernsey) Law, 2008. The Company was incorporated in Guernsey on 22 February 2012 and its shares were admitted to trading on the London Stock Exchange's AIM on 9 July 2012. The Company's registered office is shown on page 23.

The Company's investing policy is to invest in a diversified portfolio of royalty finance and related opportunities.

The Company's shares are traded on AIM, a market operated by the London Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The Unaudited Condensed Financial Statements ("Interim Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Interim Statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's Annual Report and Consolidated Financial Statements for the year ended 31 March 2017 (2017 "Annual Report"), which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable Guernsey law.

In addition to the same accounting policies, presentation and methods of computation followed in these Interim Statements as were followed in the preparation of the 2017 Annual Report; the directors have made an early adoption of IFRS 9 in these Interim Statements. Trade and other receivables comprise prepaid expenses and are assessed using the simplified approach in respect of expected credit losses any such impact would be immaterial to the financial statements given the carrying value of trade and other receivables.

The early adoption of IFRS 9 was performed after a high-level assessment of the three aspects of IFRS 9 following its first investment in Royalty Debt Instrument. The preliminary assessment is based on currently available information and may be subject to changes arising from additional reasonable and supportable information being made available to the Company in the future.

Early adoption of IFRS 9 does not have any impact on the comparatives in these Interim Statements.

b) New and amended standards and interpretations

At the date of authorisation of these Interim Statements, the following standards and interpretations, which will become relevant to the Company but have not been applied in these Interim Statements, were in issue but not yet effective:

IFRS 7, Financial Instruments Disclosures – Amendments regarding initial application of IFRS 9* - effective for when IFRS 9 is applied.

IFRS 15, Revenue from contracts with customers – effective for periods commencing after 1 January 2018.

These standards will be adopted by the Company and its subsidiary when they become effective. The Directors anticipate that the adoption of these standards and interpretations in future periods will require

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

additional disclosures but are not expected to have a material impact on the Financial Statements of the Company and its subsidiary.

The Company has early adopted only IFRS 9 and no other standard, interpretation or amendment that has been issued but is not yet effective.

c) Foreign currency

Items included in the Interim Statements are measured using the currency of the primary economic environment in which the entity operated ("the functional currency"). The Company's capital is disclosed using the currency of its primary economic environment as is for all fund-raising activities. The Interim Statements are presented in Pounds Sterling (£).

Transactions in currencies other than Sterling are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the Interim Statement of Financial Position are retranslated into Sterling at the rate of exchange ruling at that date.

Foreign exchange differences arising on retranslation are recognised in the Interim Statement of Comprehensive Income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rate of exchange at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated into Sterling at foreign exchange rates ruling at the dates the fair value was determined.

d) Financial instruments

Financial assets and financial liabilities are recognised in the Interim Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the Interim Statement of Financial Position and Interim Statement of Comprehensive Income when there is a currently enforceable legal right to offset the recognised amounts and the Company intends to settle on a net basis or realise the asset and liability simultaneously.

Financial assets

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics. All financial assets are initially recognised at fair value. All purchases of financial assets are recorded at trade date, being the date on which the Company became party to the contractual requirements of the financial assets.

Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These comprise assets that meet the business model test of holding to collect contractual cashflows and the contractual characteristics are solely repayments of principal and interest test. They are initially recognised at fair value on acquisition, and subsequently carried at amortised cost using the effective interest rate method less provisions for impairment. The simplified approach is adopted in respect of measurement of expected credit losses with life long expected credit losses recognised on inception where appropriate. Such losses are recognised in the statement of comprehensive income. The effect of discounting on these financial instruments is not considered to be material.

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value hierarchy

IFRS 13 requires disclosure of fair value measurements by level of the following fair value hierarchy.

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can readily observe.

Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 – inputs that are not based on observable market data (unobservable inputs).

Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either (i) when the Company has transferred substantially all the risks and rewards of ownership; or (ii) when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or (iii) when the contractual right to receive cash flow has expired. Any gain or loss on derecognition is taken to the Interim Statement of Comprehensive Income as appropriate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments at fair value through profit or loss

Royalty instruments

Royalty debt instruments are recognised or derecognised on completion where a purchase or sale of the royalty is under a contract. Depending on the characteristics of the contract of the royalty debt instrument, the contract will be classified as a royalty debt instrument or a royalty equity instrument.

Royalty debt instrument

Due to the nature of the royalty debt instrument, in accordance to IFRS 9, they are classified as debt instruments carried at fair value. Whilst the business model of the Company is to collect the contractual cashflows, the product fails the solely repayment of principal and interest test. This is on the basis that the return is linked to a fluctuation revenue stream of the Investee and so such instruments are recognised at fair value through profit or loss. Upon initial recognition an effective interest rate is computed based on the estimated future cashflows under the contract. Fixed effective interest income determined based in the original effective rate is recognised in the income statement with royalty interest receipts reducing the carrying value of the instrument. At each reporting date the instrument is fair valued with movements in the fair value recognised as movement in fair value through profit or loss.

Royalty equity instruments

Similar to debt instruments, equity instruments are carried at fair value at each reporting date, based on the estimated future cash flows from the underlying investee. All valuation movements are recognised at fair value through profit or loss. Royalty dividends receipts are recognised in the income statement as they are due.

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments (continued)

Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

All financial liabilities are initially recognised at fair value. All purchases of financial liabilities are recorded on trade date, being the date on which the Company becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Company's financial liabilities approximate to their fair values.

The Company's financial liabilities consist of any financial liability measured at amortised cost.

Financial liabilities measured at amortised cost

These include loans and borrowings, payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Interim Statement of Comprehensive Income.

Capital

Financial instruments issued by the Company are treated as equity if the holder has only a residual interest in the assets of the Company after the deduction of all liabilities. The Company's Ordinary Shares and Warrants are classified as equity instruments.

The Company considers its capital to comprise its Ordinary Share Capital, Warrants and retained losses.

Equity instruments

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds.

Share based payments

The Company operates an equity settled Share Option Plan for its directors and key advisers. As the shares issued vest immediately the Company recognises the full expense within the Statement of Comprehensive Income with the corresponding amount recognised in a share option reserve. There were no additional share options awarded during the period.

The Company also settles a portion of expenses by way of share based payments. These expenses are settled based on the fair value of the service received as an expense with the corresponding amount increasing equity. During the period there were no expenses paid by way of share based payments.

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Expenses

Expenses are accounted for on an accrual basis.

f) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, as a whole. The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in these Interim Financial Statements.

For management purposes, the Company's new investment objective now is to focus on one main operating segment, which is to invest in a diversified portfolio of royalty finance and related opportunities. At the end of the period the Company has one investment into this segment and has derived income from it. Due to the Company's nature it has no customers.

3. ROYALTY DEBT INSTRUMENTS

	Period ended 30 September 2017 Unaudited £	Period ended 30 September 2016 Unaudited £
Brought forward		
Debt instrument amounts advanced	7,046,200	-
Net effective interest	400,328	-
Royalty debt payment received and receivable	(312,200)	-
Sub total	7,134,328	-
Royalty debt payment receivable	67,126	-
Carried forward	7,201,454	-
Unrealised gain	53,645	-
Brought forward	-	-
Movement	-	-
Carried forward	-	-
Fair value		
Brought forward	-	-
Carried forward	7,255,099	-

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

3. ROYALTY DEBT INSTRUMENTS (continued)

A 1% increase or decrease in the growth rate would increase/(decrease) net assets attributable to shareholders by £31,385.

A reduction/increase to the discount rate by 25 basis points would increase/(decrease) net assets attributable by £1,746,413 and (£1,230,151) respectively.

During the period the Company identified an investment opportunity and entered into a Loan Agreement with Temarca B.V. The Company has advanced an amount totalling €8 million for a duration of 25 years which generates monthly income of €85,333 less any Adjustment Factor. The Adjustment Factor is based mainly on Temarca B.V.'s gross revenue. Income recognised for the period in the Statement of Comprehensive Income is computed on a Cash on Cash Yield of 12.80% applied for the duration of the loan.

Given the characteristics of the instrument it is classified as a royalty debt instrument and fair valued at Level 3 as it is based on unobservable inputs.

The royalty debt instrument is modelled based on the expected cashflows receivable under the contract using an effective interest rate that exactly discounts the estimated cashflows over the future life of the contract. Given the final draw down on Temarca B.V. closed in September 2017 there have been no movements in the fair value since initial recognition.

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company still holds three unlisted investments in mining entities from its previous investment objectives. The Board do not consider there to be any future cash flows from these investments and were fully written down to nil value.

The fair value of investments in the three unlisted entities is derived by applying a discount rate, as deemed appropriate by the Board. All of the Company's investments held at fair value through profit or loss are valued at Level 3 as are based on unobservable inputs.

The three investments were regarded as immaterial for the purpose of these interim financial statements therefore no sensitivity analysis has been performed.

5. TAXATION

The Company is resident for tax purposes in Guernsey where it is subject to taxation. The current taxation rate applicable to the Company is 0%.

6. DIVIDENDS

The Board has declared interim dividends of £226,887 on 22 June 2017 and £226,887 on 21 September 2017 for the period ended 30 September 2017 (period ended 30 September 2016: Enil). As at 30 September 2017, the dividends totalling £226,887 declared on 22 June 2017 were paid to the shareholders and recognised in the Interim Statements. The dividends declared on 21 September 2017 were paid in October 2017 and will be recognised in the next accounting period.

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

7. SHARES ISSUED

	Number of ordinary Shares in issue	Number of ordinary Shares in issue £
<i>Authorised</i>		
Unlimited number of shares of no par value	-	-
<i>Allotted, called up and fully paid:</i>		
As at 1 April 2017	45,377,459	40,905,094
Share issued	-	-
As at 30 September 2017	<u>45,377,459</u>	<u>40,905,094</u>

859,614 shares are due to be issued for the period ended 30 September 2017. The 859,614 shares relate to shares payable under the support services agreement on completion of sourcing a royalty instrument as disclosed in note 10 and will be allocated to Arlington and Abingdon equally at a total cost of £341,439.

This amount has been recognised within the statement of comprehensive income.

8. TRADE AND OTHER RECEIVABLES

	30 September 2017 £	31 March 2017 £
Prepayments and accrued income	15,253	6,967
Investments costs incurred	-	31,500
Proceeds due from share issuance	-	343,000
	<u>15,253</u>	<u>381,467</u>

9. TRADE AND OTHER PAYABLES

	30 September 2017 £	31 March 2017 £
Broker fees	10,830	-
Audit fees	12,500	25,000
Directors fees and expenses	3,235	35,616
Investment costs incurred	-	31,500
Consultancy fees	-	133,493
Legal fees	23,750	-
Other creditors	1,021	-
	<u>51,336</u>	<u>225,609</u>

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

10. RELATED PARTIES

Directors were entitled to the following remuneration during the period;

	Charge for period to 30/09/2017 £	Charge for period to 30/09/201 6 £	Outstanding at period end 30/09/2017 £	Outstanding at period end 30/09/2016 £
Neil Johnson	25,000	50,000	-	-
Charles Cannon-Brookes	17,500	35,000	-	-
Nigel Birrell	6,000	12,000	-	-
James Ryan	6,000	12,000	-	-
Mark Le Tissier	-	-	-	-
	<u>54,500</u>	<u>109,000</u>	<u>-</u>	<u>-</u>

Directors were also reimbursed for £8,040 (30 September 2016: £61,347) for expenses incurred on business on behalf of the Company.

Mark Le Tissier, a Director of Trident Trust (Guernsey) Limited waived his entitlement to a fee for his directorship.

The Investment Committee assists the Company in analysing and recommending potential royalty transactions. Along with Neil Johnson, the Investment Committee is made up of David Campbell, Andrew Carragher, John Romeo, Andrew Chadwick-Jones, Justin Cochrane, and Jim Webster. During the period £12,500 (30 September 2016: £20,000) was paid. There was no outstanding balance payable to the committee members at the end of the period (30 September 2016: £5,000). Only Jim Webster earns a fee for his role as chief investment officer of the Company. Those fees paid were as follows:

	Entitlement per annum £	Charge for period to 30/09/2017 £	Charge for period to 30/09/2016 £	Outstanding at period end 30/09/2017 £	Outstanding at period end 30/09/2016 £
A Carragher	-	-	10,000	-	5,000
J Webster	25,000	<u>12,500</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
		<u>12,500</u>	<u>20,000</u>	<u>-</u>	<u>5,000</u>

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

10. RELATED PARTIES (continued)

The related parties' interests in the share capital of the Company are as follows:

Name	Holding at 31 March 2017	Additional shareholdings in period	Holding at 30 September 2017	Percentage of share capital
Charles Cannon-Brookes	1,408,517	-	1,408,517	3.10%
Arlington Group Asset Management Limited	1,357,365	-	1,357,365	2.99%
N Johnson	1,160,000	-	1,160,000	2.56%
J Cochrane	690,000	-	690,000	1.52%
J Ryan	650,000	-	650,000	1.43%
N Birrell	525,000	-	525,000	1.16%
Abinvest Corporation	500,000	-	500,000	1.10%

Charles Cannon-Brookes is a Director and shareholder of Arlington Group Asset Management Limited ("Arlington") which owns 1,357,365 Ordinary Shares and is therefore interested in 2,765,882 Ordinary Shares representing 6.10 per cent of the total voting rights.

Neil Johnson is a Director of Abinvest Corporation and Abingdon Capital Corporation. Abinvest Corporation is a wholly owned subsidiary of Abingdon Capital Corporation. He owns 500,000 Ordinary Shares through Abinvest Corporation and 10,000 Ordinary Shares through RBK&C Trust and therefore has an overall interest in the Ordinary Shares of the Company of 1,660,000 Ordinary Shares representing 3.66 per cent of the total voting rights.

Justin Cochrane, a current member of the Company's Investment Committee is also a full time Executive Vice President at Abingdon Capital Corporation ("Abingdon"). Mr Cochrane overall interest in the Ordinary Shares of the Company is 690,000 Ordinary Shares representing 1.52 per cent of the total voting rights.

The Company has a share option scheme ("the Scheme") to incentivise Directors, staff and certain key advisers and consultants to deliver long-term value creation for shareholders. The Company operates an equity based scheme for directors and specified consultants.

The related parties' interest in the share options of the Company are as follows:

Name	5 year option, vesting immediately granted on	Total options	Exercise price GBP
Nigel Birrell	4 Sep 2015	85,000	0.75
Arlington Group Asset Management Limited	4 Sep 2015	85,000	0.75
Neil Johnson	4 Sep 2015	85,000	0.75
James Ryan	4 Sep 2015	85,000	0.75
J Cochrane	4 Sep 2015	70,000	0.75

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

10. RELATED PARTIES (continued)

Abingdon is entitled to an annual service fee of £196,000 and Arlington is entitled to an annual service fee of £24,000 per annum. An amount totalling £110,000 was paid to Abingdon and Arlington during the period (30 September 2016: £188,103).

In addition to the service fee, Abingdon shall have the right from time to time to be issued and allotted up to 1,500,000 ordinary shares of no par value in the Company following the conditions noted below.

- each time an investment originating from Abingdon is completed, Abingdon shall be entitled to be issued such number of Incentive Shares (rounded down to the nearest whole number) as is equal to $5\% \times A/B$
- to the extent that an investment does not originate from Abingdon but Abingdon assists the Company in the negotiation and completion of such investment, Abingdon shall be entitled, upon completion of such investment, to be issued such number of Incentive Shares (rounded down to the nearest whole number) as is equal to $2.5\% \times A/B$.

For the purposes of the calculation "A" is the gross value of the investment and "B" is either: (i) if the investment is financed (in whole or in part) through an offering of ordinary shares of no par value in the capital of the Company, the price per share at which such ordinary shares are offered, or (ii) if the Investment is financed by any other means, the weighted average closing price on AIM of the ordinary shares for the 20 Business Days immediately preceding the completion of the Investment.

859,614 shares for a total cost of £341,439 are due to be issued as at the end of the period following the successful completion of the first royalty debt instrument of the Company.

The 859,614 shares relate to shares payable under the support services agreement on completion of sourcing a royalty instrument as disclosed in note 10 and will be allocated at the discretion of Abingdon, who have indicated that they will request the allocation to be made to Arlington and Abingdon equally to reflect the collective efforts of both companies to date.

The total charge to the Interim Consolidated Statement of Comprehensive Income for Abingdon was £276,413 of which £7,693 comprises disbursed costs which are included in travel and entertainment expenses (2016: £181,198) and £170,719 in relation to shares to be issued upon successful completion of the first royalty debt instrument (2016: £nil) There were no outstanding amounts at the end of the period (2016: £nil).

The Company has a Support Service Agreement with Arlington whereby the services to be provided by Arlington include global deal origination and on-going investment management, including preparation of investment reports, performance data and compliance with the Company's investing policy.

The total charge to the Interim Consolidated Statement of Comprehensive Income for Arlington was £191,230 of which £8,511 comprises of disbursed costs which are included in travel and entertainment costs (2016: £53,163) and £170,719 in relation to shares to be issued upon successful completion of the first royalty debt instrument (2016: £nil). An amount of £3,235 was outstanding for travel and entertainment expenses at the end of the period (2016: £nil).

The Directors are not aware of any ultimate controlling party.

Notes to the Interim Financial Statements (continued)

For the period ended 30 September 2017

11. CONTINGENT LIABILITIES

At 30 September 2017 there were no contingent liabilities (2016: £nil).

12. POST BALANCE SHEET EVENTS

On 6 October 2017 the Company announced that it had entered into its second royalty financing agreement with Lynx Equity (U.K.) Limited ("Lynx UK"), the UK-based subsidiary of Lynx Equity Limited ("Lynx"). The Company has committed GBP 7.0 million, with an initial tranche of GBP 4.5 million to be drawn down immediately, with the additional GBP 2.5 million being drawn down at the completion by Lynx UK of an imminent acquisition.

The Financing represents the beginning of the relationship with Lynx as a Royalty Partner, as Duke has become Lynx's preferred European capital provider, with the potential to provide a further GBP 8 million of funding equating to GBP 15 million over time.

The Remuneration Committee approved the Company's long-term incentive plan (LTIP) as described in Part 5 of the Admission Document.

The Company also entered into an Advisory Agreement with Partners Value Investments LP ("PVI"), and approved the grant of 2,000,000 5-year warrants to PVI, exercisable at £0.42, in consideration for the provision of certain services provided by PVI to the Company under the terms of the Agreement.

Dividends amounting to GBP 226,887 declared in September 2017 were paid in October 2017.

Directors, Secretary and Advisers

For the period ended 30 September 2017

Directors

Nigel Birrell (*Chairman*)
Neil Johnson
Charles Cannon-Brookes
Justin Cochrane
Mark Le Tissier
Matt Wrigley

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Neil Johnson
David Campbell
Andrew Carragher
Andrew Chadwick-Jones
Justin Cochrane
John Romeo
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Registrar and CREST Agent

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