Grenville Strategic Royalty Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of Grenville Strategic Royalty Corp. ("**Grenville**", the "**Company**", **"our**" or "**we**") is for the three months ended December 31, 2016 and the year ended December 31, 2016. The information in this MD&A is current as of February 13, 2017, and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2016 and the audited annual financial statements and MD&A for the year ended December 31, 2015.

The Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), and are recorded in Canadian dollars. Certain dollar amounts in this MD&A have been rounded to the nearest thousands of dollars or millions of dollars.

FORWARD-LOOKING INFORMATION

This MD&A and documents incorporated by reference contain certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information contained herein may include, but is not limited to, information with respect to: prospective financial performance; including the Company's opinion regarding the current and future performance of its portfolio, expenses and operations; anticipated cash needs and need for additional financing; anticipated funding sources; future growth plans; royalty acquisition targets and proposed or completed royalty transactions; estimated operating costs; estimated market drivers and demand; business prospects and strategy; anticipated trends and challenges in the Company's business and the markets in which it operates; the Company's ability to pay dividends in the future and the amount and timing of those dividends; the Company's ability to successfully manage its joint venture relationships; and the Company's financial position. By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such information and statements.

An investment in securities of the Company is speculative and subject to a number of risks including, without limitation, risks relating to: the need for additional financing; the Company's ability to pay dividends in the future and the timing and amount of those dividends; the relative speculative and illiquid nature of an investment in the Company; the volatility of the Company's share price; the Company's limited operating history; the Company's ability to generate sufficient revenues; the Company's ability to manage future growth; the limited diversification in the Company's existing investments and the concentration of a significant amount of the Company's invested capital in a small number of investments; the Company's ability to negotiate additional royalty purchases from new investee companies; the Company's dependence on the operations, assets and financial health of its investee companies; the Company's limited ability to exercise control or direction over investee companies; potential defaults by investee companies and the unsecured nature of the Company's investments; the Company's ability to enforce on any default by an investee company; competition with other investment entities; tax matters, including the potential impact of the Foreign Account Tax Compliance Act on the Company; the potential impact of the Company being classified as a Passive Foreign Investment Company ("PFIC"); reliance on key personnel, particularly the Company's founders; dilution of shareholders' interest through future financings; changes to the Company's accounting policies and methods; and general economic and political conditions; as well as the risks discussed under the heading "Risk Factors" on pages 16 to 22 of the Annual Information Form of the Company dated February 11, 2015 and the risks discussed herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

In connection with the forward-looking information and forward-looking statements contained in this MD&A, the Company has made certain assumptions. Assumptions about the performance of the Canadian and U.S. economies over the next 24 months and how that will affect the Company's business and its ability to identify and close new opportunities with new investees are material factors that the Company considered when setting its strategic priorities and objectives, and its outlook for its business.

Key assumptions include, but are not limited to: assumptions that the Canadian and U.S. economies relevant to the Company's investment focus will remain relatively stable over the next 12 to 24 months; that interest rates will not increase dramatically over the next 12 to 24 months; that the Company's existing investees will continue to make royalty payments to the Company as and when required; that the businesses of the Company's investees will not experience material negative results; that the Company will continue to grow its portfolio in a manner similar to what has already been established; that tax rates and tax laws will not change significantly in Canada and the U.S.; that more small to medium private and public companies will continue to require access to alternative sources of capital; and that the Company will have the ability to raise required equity and/or debt financing on acceptable terms. The Company has also assumed that access to the capital markets will remain relatively stable, that the capital markets will perform with normal levels of volatility and that the Canadian dollar will not have a high amount of volatility relative to the U.S. dollar. In determining expectations for economic growth, the Company primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies. Although the Company believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements.

The forward-looking information and forward-looking statements contained in this MD&A are made as of the date of this MD&A, and the Company does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws. All subsequent written and oral forward-looking-information and statements attributable to the Company or persons acting on its behalf is expressly qualified in its entirety by this notice.

NON-IFRS MEASURES

This MD&A also refers to certain key performance indicators, including EBITDA, Adjusted EBITDA, Free Cash Flow, average royalty payment per million invested, twelve-month total royalty income moving average and weighted average royalty rate to assist in assessing the Company's financial performance. EBITDA, Adjusted EBITDA, average royalty payment per million invested, twelve-month total royalty income moving average, and weighted average royalty rate, (the "**Non-IFRS Measures**") are financial measures used in this MD&A that are not standard measures under IFRS. The Company's method of calculating the Non-IFRS Measures may differ from the methods used by other issuers. Therefore, the Company's Non-IFRS measures may not be comparable to similar measures presented by other issuers. See section "**Definition of Non-IFRS Measures**" for an explanation on how they are calculated. These Non-IFRS measures should only be interpreted in conjunction with the most recently audited consolidated financial statements for the year ended December 31, 2016, which are available on SEDAR at www.sedar.com.

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OVERVIEW

Grenville earns its revenues by providing capital to private and public businesses (individually, an "**investee**" and collectively the "**investees**") primarily in exchange for long-term revenue streams. Revenues and returns come from four primary sources: 1) royalty revenues from the investees typically consisting of regular monthly payments that are contractually agreed to between Grenville and each investee ("**Royalties**"), which are typically perpetual or set for various contracted durations, received monthly, and reviewed and adjusted quarterly and/or annually based on the audited and unaudited performance of the investee's gross revenue or "top-line" performance; 2) contract buyouts ("**Contract Buyouts**") and contract buydowns ("**Contract Buydowns**"), where an investee repurchases a royalty from Grenville under contracted terms; 3) license fee income from joint ventures and 4) other interest or investment income which may arise from any other forms of investment held by Grenville in the investee companies including, without limitation, capital from the sale of equity, capital generated subsequent to the sale of a secured investment, or value released from warrants, at the time of exercise.

GENERAL DESCRIPTION OF THE BUSINESS

Grenville is a leading royalty investment company in the small to medium enterprise (SME) private and public marketplace in North America. Grenville has identified a large and underserviced finance market for companies typically generating up to $50,000,000 in revenue, many of which are well managed and generating improving cash flow, however face difficult financing hurdles from traditional debt and equity alternatives. Grenville makes non-dilutive, revenue-based investments which align with the interests of founders, management and shareholders of SMEs. Grenville seeks to provide capital as a catalyst for growth and, where possible, to attract broader funding for each investee company. Grenville believes that it has identified an underserviced segment in North America which lies between traditional equity and debt financing with cost and contractual advantages.

Grenville is focused on building out a large, highly diversified portfolio of royalties and royalty-related investments which are diversified by currency (USD or CDN dollar); sector (neutral, cyclical or defensive); and investment type (stable growth, high growth or hybrid growth). The portfolio is actively managed with the aim to maintain a continual balance across currency, sector, and investment type. During the year ended December 31, 2016, Grenville reviewed performance indicators in existing investments and based on this work materially refocused investment criteria to favor companies with higher growth, measurable recurring revenue and the capability to raise matching capital from other investors. This refocus somewhat correlates with more technology-driven businesses, although opportunities for high returns occurs in the wide range of industries covered by the company's diversification strategy.

In addition to a strategic refocus on investment sectors, Grenville has developed joint ventures with two entities, Foregrowth Holdco Inc. a subsidiary of Gravitas Ilium and Darwin Strategic Royalty Corp. These joint ventures allow Grenville to (i) spread risk over a larger group of investments which permits growth without the need for capital from Grenville, (ii) use joint venture funding to mitigate any shortfall in deployable capital and (iii) generate additional returns through various fees and participation.

Grenville is not an operator of businesses. Grenville's business model is focused on managing and growing its portfolio of royalties and royalty-related investments. The advantages of this business model are:

- Exposure to the dynamic North American SME marketplace and long-term underlying revenue growth optionality;
- Limited exposure to many of the risks associated with individual small operating companies;
- Free cash-flowing investments with manageable cash requirements across the portfolio;
- A high-margin business that can generate cash through numerous economic cycles;
- A scalable and diversified business in which many assets can be managed with a small stable overhead; and
- A forward-looking business in which management focuses on growth opportunities rather than operational or development issues.

Grenville's financial results in the short-term are primarily tied to cash-flow generated from its portfolio of producing assets. From time to time, financial results are also supplemented by Contract Buyouts and Contract Buydowns. While portfolio losses are expected from time to time, the Company's business thesis is that cash flows from Contract Buyouts will over time exceed those losses, allowing underlying growth from the core portfolio of investments held. Contract Buyouts can return two times the original investment even after excluding the royalties received throughout the investment. Grenville has a long-term focus on making investments and recognizes that consistent investment execution enables stronger deal velocity. While still a relatively young company, Grenville's approach has provided a strong balance sheet to enable Grenville to make new investments.

Grenville's shares are listed on the TSX Venture Exchange under the symbol GRC.

DIVIDEND STRATEGY

The Company decided to suspend the monthly dividend starting in October 2016. The strategy is to maximize shareholder value by reinvesting Free Cash Flows (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) to continue generating strong returns. The Company will review a return to a dividend model as cash flow permits.

RESULTS OF OPERATIONS

	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Revenues	$ (5,631,721)	$ 964,798	$ (7,930,240)	$ 12,127,179
(Loss)/Profit for the period	(5,140,581)	(671,616)	(10,655,454)	5,167,286
EBITDA/EBITDA (Loss) (1)	(6,542,870)	(495,542)	(12,500,834)	8,770,444
Adjusted EBITDA (1)	699,407	4,221,253	4,201,513	10,760,875
Free Cash Flow (1)	(170,083)	3,739,658	(267,623)	7,349,954
Basic Earnings/(Loss) per share	(0.0484)	(0.0067)	(0.1007)	0.0578
Diluted Earnings/(Loss) per share	(0.0484)	(0.0067)	(0.1007)	0.0535
Weighted basic average number of shares outstanding	106,287,720	99,785,455	105,770,194	89,390,448
Weighted diluted average number of shares outstanding	133,572,051	131,646,404	133,356,470	119,808,350
Dividend paid and payable on common shares during the period	442,144	1,587,622	5,259,225	4,638,691
Dividend per share on annualized basis	0.00	0.07	0.00	0.07
Royalty agreements acquired in period	706,425	14,411,025	6,880,150	32,541,055
Aggregate royalty agreements acquired	64,051,752	57,173,223	64,051,752	57,173,223
Aggregate net proceeds on Contract Buyouts	-	9,391,535	-	13,562,045
Weighted average royalty rate (1)	3.98%	4.16%	3.98%	4.16%

(1) EBITDA, Adjusted EBITDA, Free Cash Flow, and weighted average royalty rate are non-IFRS measures. Refer to section Definition of Non-IFRS Measures for further explanation and definitions.

Revenue analysis

Three months ended December 31, 2016

	Three months ended December 31, 2016	% of total revenue	Three months ended December 31, 2015	% of total revenue	Growth %
Royalty payment income	$ 1,573,171	(27.9)	$ 2,359,048	244.5	(33.3)
Realized/Unrealized foreign exchange (loss) gain	570,031	(10.1)	1,155,087	119.8	(50.7)
Unrealized (loss) gain from changes in fair value	(7,807,035)	138.6	(5,088,119)	(527.4)	53.4
Realized gain from Contract Buyouts and other	-	-	2,353,457	243.9	N/A
Realized loss from investments written off	-	-	-	-	-
Interest income on promissory notes	-	-	122,780	12.7	N/A
Fee income	13,088	(0.3)	-	-	N/A
Other interest income	18,896	(0.3)	62,545	6.5	(69.8)
Share of joint venture profit, net of tax	128	(0.0)	-	-	N/A
Total revenue	**$(5,631,721)**	**100.0**	**$ 964,798**	**100.0**	**(683.7)**

Year ended December 31, 2016

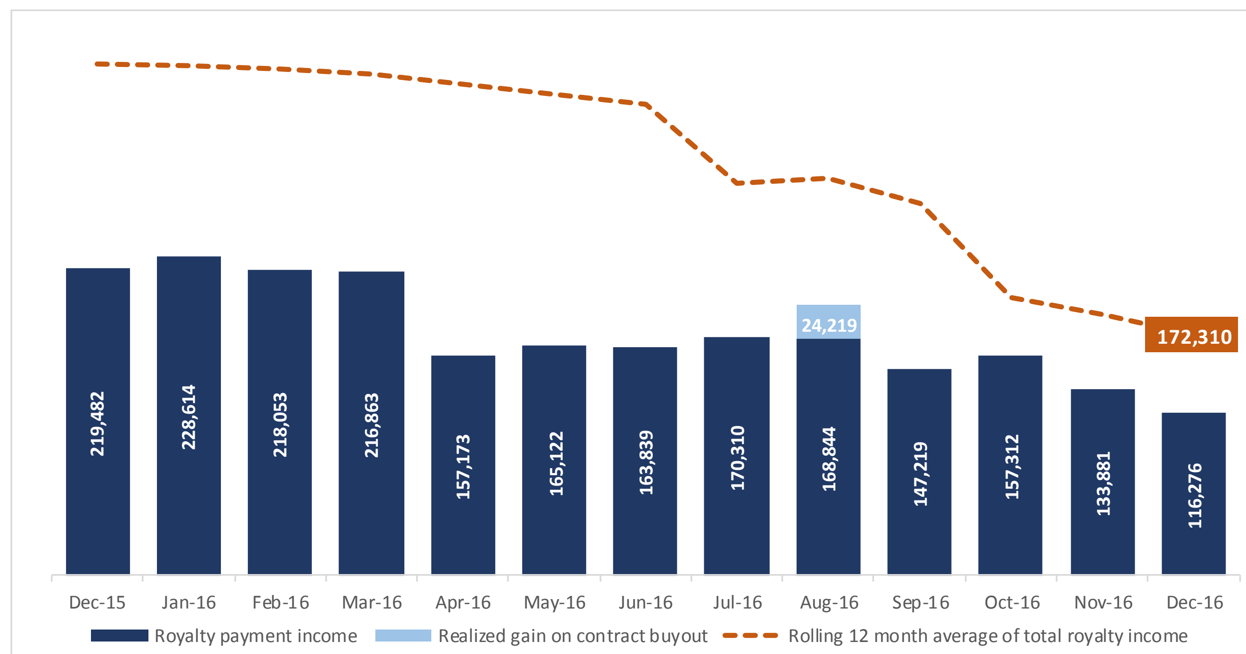
	Year ended December 31, 2016	% of total revenue	Year ended December 31, 2015	% of total revenue	Growth %
Royalty payment income	$ 8,003,067	(100.9)	$ 8,274,301	68.2	(3.3)
Realized/Unrealized foreign exchange (loss) gain	(1,512,961)	19.1	3,699,250	30.5	(140.9)
Unrealized (loss) gain from changes in fair value	(13,056,106)	164.6	(4,767,789)	(39.3)	173.8
Realized gain from Contract Buyouts and other	98,679	(1.2)	4,550,099	37.5	(97.8)
Realized loss from investments written off	(1,840,936)	23.2	-	-	N/A
Interest income on promissory notes	268,110	(3.4)	170,945	1.4	56.8
Fee income	13,088	(0.2)	-	-	N/A
Other interest income	96,691	(1.2)	200,373	1.7	(51.7)
Share of joint venture profit, net of tax	128	(0.0)	-	-	N/A
Total revenue	**$(7,930,240)**	**100.0**	**$12,127,179**	**100.0**	**(165.4)**

Revenues were $(5,631,721) for the three-month period ended December 31, 2016 compared to $964,798 for the three-month period ended December 31, 2015. Royalty payment income for the three-month period ended December 31, 2016 was $1,573,171 representing a 33.3% decrease from the three-month period ended December 31, 2015. The decrease was due to royalty payment income of approximately $850,000 not recognized for investments to ten investees which have failed to pay royalties for at least three months. Revenues for the three-month period ended December 31, 2016 were negatively impacted by net non-cash items of $(7,237,004) compared to $(3,933,032) for the three-month period ended December 31, 2015. This non-cash amount of $(7,237,004) relates to $7,807,035 for an unrealized loss from the change in fair value of royalty agreements acquired and promissory notes receivable which is offset by an unrealized foreign exchange gain of $570,031. The unrealized foreign exchange gain of $570,031 related to the translation of the royalty agreements acquired and promissory notes receivable denominated in US dollars and reflects the movement in the exchange rate from $1.3127 at September 30, 2016 to $1.3427 at December 31, 2016. There were no realized gains from Contract Buyouts for the three-month period ended December 31, 2016 compared to $2,353,457 for the three-month period ended December 31, 2015. During the three-month period ended December 31, 2015, the agreements with INOVX., Above Security and 4Tell were bought-out realizing net gains totaling $2,353,457.

Revenues were $(7,930,240) for the year ended December 31, 2016 compared to $12,127,179 for the year ended December 31, 2015. Royalty payment income for the year ended December 31, 2016 was $8,003,067 representing an 3.3% decrease from the year ended December 31, 2015. The decrease in royalty payment income from $8,274,301 for the year ended December 31, 2015 to $8,003,067 for the year ended December 31, 2016 was in part due to royalty payment income not recognized for investments which have not paid a royalty for at least three months. Revenues for the year ended December 31, 2016 were negatively impacted by a net non-cash amount of $(16,410,003) compared to $(1,781,085) for the year ended December 31, 2015. This non-cash amount of $(16,410,003) relates to $13,056,106 for an unrealized loss from the change in fair value of royalty agreements acquired and promissory notes receivable, $1,840,936 for realized losses from investments written off and an unrealized foreign exchange loss of $1,512,961. The realized loss from investments written off relates to two investments where the Company determined that it was not feasible to continue efforts to recover more of the value of the investments and in previous reporting periods the fair value of the investments were each written down to zero. The unrealized foreign exchange loss of $1,512,961 related to the translation of the royalty agreements acquired and promissory notes receivable denominated in US dollars and reflects the movement in the exchange rate from $1.3840 at December 31, 2015 to $1.3427 at December 31, 2016. During the year ended December 31, 2016, there was a realized gain of $98,679 made on the Pliteq investment that was fully repaid twelve months earlier than anticipated while for the year ended December 31, 2015, there were five royalty investments that were bought-out realizing net gains totaling $4,550,099.

For the three-month period ended and year ended December 31, 2016, other interest income was made up of interest earned of $18,896 and $96,691 respectively compared to interest earned of $62,545 and $200,373 for the three-month period ended and year ended December 31, 2015. The interest earned of $18,896 and $96,691 for the three-month period ended and year ended December 31, 2016 respectively was on short-term investments of available cash. The available cash during the three-month period ended and year ended December 31, 2016 was due to $13,562,045 of cash generated from the Contract Buyouts in 2015. The interest earned of $62,545 and $200,373 for the three-month period ended and year ended December 31, 2015 respectively was on available cash following the offering of common shares in the capital of the company in February and May 2015. The fee income of $13,088 for the three-month period ended and year ended December 31, 2016 related to license income earned on the joint venture agreements with Foregrowth-Grenville Investments Inc. and Darwin Strategic Royalty Corporation.

The average royalty payment per million invested, (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) including realized gains on Contract Buyouts and net of write-offs for the period from December 2015 to December 2016 was as follows:



The average royalty payment per million invested (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) for December 2016 was $116,276 compared to $147,219 for September 2016. The royalty payment income results for each month during the three-month period ended March 31, 2016 was reasonably consistent throughout that quarter. From April 2016 to December 2016, the average royalty payment per million invested (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) dropped significantly given that no royalty income was earned or recognized on investments in eight investee companies (including the Company's largest investment Compression Generation Services LLC) which did not pay royalties to the Company for at least three months. In the three-month period ended December 31, 2016, $1,690,929 of royalty payments were invoiced to investees but not recognized as revenue in the financial statements as it is uncertain as to whether these payments will be received. If payment of these invoices is subsequently received by the Company, the amount received will be recognized as revenue at the time of receipt. For the 12-month period ended December 31, 2016, the rolling 12-month average of total royalty income (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) was $172,310 and has declined during 2016 due to the absence of Contract Buyouts compared to five Contract Buyouts in 2015.

Operating expense analysis

Total operating expenses were $1,019,595 and $4,610,260 for the three-month period ended and year ended December 31, 2016, respectively, compared to $1,468,561 and $3,382,504 for the three-month period ended and year ended December 31, 2015 respectively. Operating expenses for the three-month period ended December 31, 2016 were $448,966 lower than the three-month period ended December 31, 2015 due to $475,000 of an employee bonus expense included in the three-month period ended December 31, 2015, lower professional fees of $131,489 but offset by higher office and general administrative expenses resulting from $155,941 of withholding taxes expensed in the three-month period ended December 31, 2016. Operating expenses for the year ended December 31, 2016 were $1,227,756 higher than the year ended December 31, 2015 due to increased salaries, benefits, and other staffing costs of $440,899, share-based payment expenses of $110,337, professional fees of $437,729 and office and general administrative expenses of $243,161.

Salaries, benefits, and other staffing costs were $372,714 and $2,244,872 for the three-month period ended and year ended December 31, 2016 respectively, compared to $824,096 and $1,803,973 for the three-month period ended and year ended December 31, 2015 respectively. Salaries, benefits, and other staffing costs were lower for the three-month period ended December 31, 2016 because there was a $475,000 employee bonus expense for the three-month period ended December 31, 2015 while no bonuses were accrued or expensed in respect of the year ended December 31, 2016. Included in the $2,244,872 for the year ended December 31, 2016 was the contract payment of $675,000 paid in connection with the departure of the former CEO, the cost of the increased number of employees including a new managing director and investment team member hired in 2015 and a salary increase starting January 1, 2016 following an executive compensation review by third party executive compensation consultants which did not form part of the salaries, benefits and other staffing costs for the year ended December

31, 2015. Offsetting the increase was a $525,000 employee bonus expense that was recognized for the year ended December 31, 2015.

Management and facility fees were $38,722 and $154,686 for the three-month period ended and year ended December 31, 2016 respectively compared to $38,104 and $156,647 for the three-month period ended and year ended December 31, 2015 respectively. This expense for both reporting periods relates to the Company's offices in Toronto. Share-based compensation was $113,811 and $322,091 for the three-month period ended and year ended December 31, 2016 respectively compared to $73,625 and $211,754 for the three-month period ended and year ended December 31, 2015 respectively. The increase in the share-based compensation expense of $110,337 for the year ended December 31, 2016 compared to the year ended December 31, 2015 was a result of an additional 4,715,000 options granted at various times throughout 2015, 2,015,000 and 2,325,000 options granted in June 2016 and November 2016 respectively.

Professional fees were $239,713 and $1,219,819 for the three-month period ended and year ended December 31, 2016 respectively compared to $371,202 and $782,090 for the three-month period ended and year ended December 31, 2015 respectively. Professional fees were higher for the year ended December 31, 2016 due to higher portfolio activity requiring more professional services, $122,584 for the cost of a managing director that started in 2016 which was included in professional fees, higher investor relations and communications expenses totaling $15,000, executive compensation review expense of $15,569 and consultancy expense of $83,558 for the IFRS 9 conversion and portfolio fair value valuation reports.

Office and general administrative expenses were $254,630 and $668,792 for the three-month period ended and year ended December 31, 2016 respectively compared to $151,040 and $425,631 for the three-month period ended and year ended December 31, 2015 respectively with the higher cost for the year ended December 31, 2016 reflecting the increased size of the team and higher portfolio activity and the $155,941 withholding taxes expensed in the three-month period ended December 31, 2016 as there was insufficient taxable income to utilize these taxes paid.

Free cash flow

Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) was $(170,083) and $(267,623) for the three-month period ended and year ended December 31, 2016 respectively compared to $3,739,658 and $7,349,954 for the three-month period ended and year ended December 31, 2015 respectively. Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) for the year ended December 31, 2016 of $(267,623) was lower than the $7,349,954 of Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) for the year ended December 31, 2015 due to realized gains of $3,344,323 ($4,550,099 before taxes) for Contract Buyouts generated during the year ended December 31, 2015, $1,111,995 of short-term working capital timing differences at the end of December 2015 ($500,000 in respect of bonuses that were accrued and expensed in 2015 but were not paid until February 2016 and $611,995 in respect of sales taxes for 2015 but which were not paid until the end of January 2016), the $675,000 contract payment that was paid to the former CEO during the year ended December 31, 2016 and the $155,941 withholding taxes expensed in the three-month period ended December 31, 2016.

Analysis for further items included in the Results of Operations

Financing expenses relating to the convertible debentures issued in July 2014 were $443,916 and $1,727,936 for the three-month period ended and year ended December 31, 2016 respectively compared to $428,097 and $1,692,562 for the three-month period ended and year ended December 31, 2015 respectively. Of the financing expenses of $443,916 and $1,727,936, for the three-month period ended and year ended December 31, 2016 respectively, $348,781, and $1,380,000 respectively was in respect of interest and $95,135 and $347,936 respectively was for the accretion portion of the initial transaction costs and the equity component recognized. For the total financing expense of $428,097 and $1,692,562 for the three-month period ended and year ended December 31, 2015 respectively, $342,165, and $1,380,000 respectively was in respect of interest and $85,932 and $312,562 respectively was for the accretion portion of the initial transaction costs and the equity component recognized.

EBITDA (EBITDA Loss) (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) was $(6,542,870) and $(12,500,834) for the three-month period ended and year ended December 31, 2016 respectively compared to EBITDA (EBITDA Loss) (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) of $(495,542) and $8,770,444 for the three-month period ended and year ended December 31, 2015 respectively. The lower EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) for the three-month period ended December 31, 2016 was due to lower royalty payment income of $785,878, an increase in the unrealized loss of $2,718,916 from the change in fair value of royalty agreements acquired and promissory notes receivable, the adverse movement in the unrealized foreign exchange of $585,056 and no gains from Contract Buyouts while there were gains of $2,353,457 for the three-month period ended December 31, 2015. The $21,271,278 decrease in EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) for the year ended December 31, 2016, compared to the year ended December 31, 2015 was a result of realized loss from investments written-off of $1,840,936 for the year ended December 31, 2016, an increase of $8,288,317 in the unrealized loss from the change in fair value of royalty agreements acquired and promissory notes receivable, the adverse movement in the unrealized foreign exchange of $4,057,124, lower gains of $4,451,420 from Contract Buyout and the contract payment cost of $675,000 paid to the former CEO.

Adjusted EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) was $699,407 and $4,201,513 for the three-month period ended and year ended December 31, 2016 respectively, compared to an Adjusted EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) of $4,221,253 and $10,760,875 for the three-month period ended and year ended December 31, 2015 respectively. The decrease of $3,521,846 in Adjusted EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) for the three-month period ended December 31, 2016 was due to lower realized gains on Contract Buyouts of $2,353,457, a decrease in royalty payment income of $785,877 and withholding taxes expensed in the amount of $155,941. The lower Adjusted EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) of $6,559,362 for the year ended December 31, 2016 was a result of lower realized gains of $4,451,420, a reduction of $710,137 in realized foreign exchange gains and $883,826 of higher operating costs (excluding share-based payment expense).

Income taxes were $(1,849,965) and $(3,612,982) for the three-month period ended and year ended December 31, 2016, compared to $(260,244) and $1,884,827 for the three-month period ended and year ended December 31, 2015. The effective tax rate for all periods was 26.50% and a full deferred tax recognition was made for all taxable and deductible temporary differences.

(Loss) after taxes was $(5,140,581) and $(10,655,454) for the three-month period ended and year ended December 31, 2016 respectively, compared to a (loss) profit after taxes of $(671,616) and $5,167,286 for the three-month period ended and year ended December 31, 2015 respectively. Loss after taxes has increased by $4,468,965 for the three-month period ended December 31, 2016, compared to the three-month period ended December 31, 2015, due to a higher unrealized loss of $2,718,916 from the change in fair value of royalty agreements acquired and promissory notes receivable, lower realized gains on Contract Buyouts of $2,353,457 and royalty payment income decreasing by $785,878. The loss after taxes for the year ended December 31, 2016 was higher by $15,822,740 compared to the year ended December 31, 2015 because of an increase of $10,030,574 in the unrealized loss from the change in fair value of royalty agreements acquired and promissory notes receivable, an increase of $4,057,124 in foreign exchange losses, a decrease of $4,550,099 in realized gains for Contract Buyouts and higher operating costs of $1,227,756.

PORTFOLIO UPDATE

In October 2016, the Company completed two joint ventures for third party co-investment in Grenville-sourced investment opportunities. The first was with Foregrowth Holdco Inc., a wholly-owned subsidiary of Gravitas Ilium Corporation, under a new company called Foregrowth-Grenville Investments Inc. ("FGI") and the second was with Darwin Strategic Royalty Corporation ("Darwin"). Both agreements provide the joint venture partners with the right to invest up to 25% each in each new Grenville investment with Grenville providing the balance and the ability to flex their investment amount based on capital available. Grenville receives a share of revenue from royalties paid and Contract Buyouts received by the joint venture entities, and continues to be the manager of the relationship with each investee, with a defined process for investment decision making prior to closing of each new transaction.

The co-investments will be incremental to the Company's investments, thereby providing additional scale to the Company's business model and enabling the Company to participate in a greater number of larger-sized investments. This syndication of risk will allow the Company to build a more diversified portfolio with less capital. The Company believes this will generate more stable returns with non-dilutive capital, enhanced by earning fees through license agreements in exchange for the right to use the Company's intellectual property and royalty-based investment strategy.

Since October 1, 2016, the Company closed two new company investments, each with the joint venture partners. Factor 75, LLC is a subscription-based service business, and eScribe Software Limited is a Software as a Service technology business. The pipeline for new company investments continues to be strong with 177 investment prospects reviewed by the Company during the the three-month period ended December 31, 2016.

Since the last MD&A, there were some disappointing developments with respect to some investee companies that resulted in significant deterioration in their financial condition. These results impacted the ability of these investee companies to pay royalties on the Company's investments. Accordingly, the Company reduced the fair value of such investments for the three-month period ended December 31, 2016 by $7,807,035.

Several investees experienced positive developments in the quarter around raising additional capital for their operations from third party sources. The Company anticipates that additional financial benefits will accrue through increased royalty payments as the businesses of such investee companies grow and Contract Buyouts that it expects will close in the short term. The Company believes that the potential gross amount that could be received from these Contract Buyouts is up to at least $9.0 million with possibly $5.0 million in the three-months ended March 31, 2017 and the balance spread over the remaining quarters of 2017.

The Weighted Average Royalty Rate (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) for all the royalty investments recognized as of December 31, 2016, was 3.98%, compared to 4.16% for all the investments made as of December 31, 2015.

The following was the activity with respect to the portfolio since October 1, 2016:

Expert Home RV Park Models ("Expert Home"): On November 17, 2015, an investment of a further $500,000 was made into Expert Homes. Grenville invested $250,000, FGI invested $125,000 and Darwin invested $125,000. The purpose of the investment is to assist in the growth of the business and assist Expert Homes in obtaining further financing for the growth of it's First Nations business which is growing significantly.

Factor75, LLC ("Factor75"): Factor75 is an online, subscription-based, personalized chef service that is positioned at the intersection of food and fitness and is based in Chicago, Illinois. On December 16, 2016, an investment of USD$500,000 was made into Factor75. Grenville invested US$250,000, FGI invested US$125,000 and Darwin invested US$125,000. Factor75 have the option to increase the investment by US$250,000 at any time up to March 31, 2017.

eScribe Software Limited ("eScribe"): eScribe is based in Toronto and is a provider of secure, cloud-based paperless board meeting software solutions, targeting primarily public and private sector boards, committees, and councils. On December 21, 2016, an investment of $250,000 was made into eScribe. Grenville invested $125,000, FGI invested $75,000 and Darwin invested $75,000.

Agnity Global Inc. ("Agnity"): On October 27, 2016, the Company completed an Amended and Restated Royalty Agreement and elected to convert a promissory note of US$750,000 plus accrued interest of US$84,750 to a royalty interest under the existing royalty agreement. This was done as part of a larger capital raise by Agnity to support its growth. Agnity provided a general security agreement for the full investment of US$2,834,750 over the assets of Agnity, subordinated to senior lenders, as part of this conversion.

BG Furniture Inc. ("BG"): On January 12, 2017, Grenville filed a court motion to appoint Farber Financial Solutions as receiver of BG. The receivership process is expected to be completed by Q2 2017. This investment is now classified as a Loss.

PFO Global Group ("PFO"): On January 31, 2017, PFO petitioned the court seeking protection from creditors under Chapter 11 of Title 11 of the United States Code. The investment of US$1,950,000 is now classified as a Loss.

At the end of each quarter, Grenville carries out a portfolio performance ("**Portfolio Performance Profile**") review. This analysis relies on management's judgement of the facts and circumstances impacting, or expecting to impact, the investee, as well as Grenville's intentions as they relate to the investment holdings. The review considers Grenville's expected return from royalty revenues, management's fair value of the investment, Contract Buyouts and income from other financial instruments. Management considers many factors in this analysis including collection variations and arrangements within agreements; delinquency trends, sales volumes, future royalty performance and the investee's ability to maintain its financial conditions; and Grenville's ability to impact an investee's financial outcomes, without limitation. The Portfolio Performance Profile is monitored based on our internal management guidelines.

The definitions of the guidelines used and the amounts in each category as of December 31, 2016, September 30, 2016, June 30, 2016, March 31, 2016, and December 31, 2015 were:

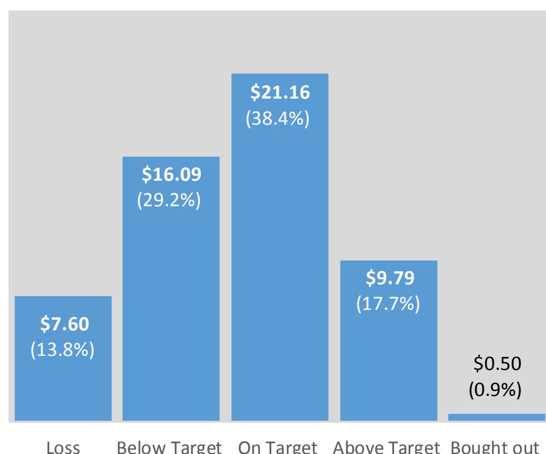
Bought Out: means a Contract Buyout occurred within the past 12 months from the date of this MD&A.

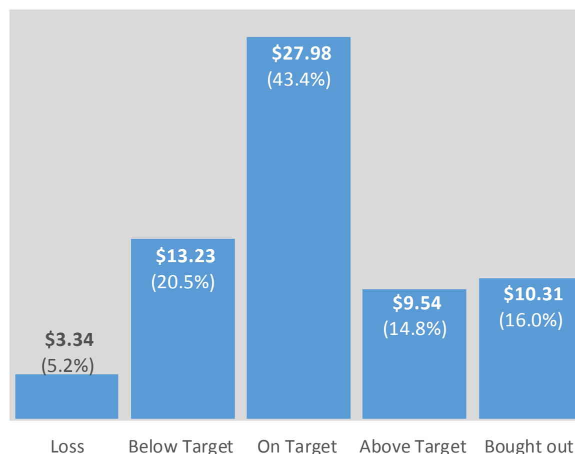
Above Target: means the future return (including the fair value) of the investment is expected to be greater than the expected return to Grenville at the time of investment. This category would include investments that are paying more than the contracted minimum royalty payment in the agreement either now or expected to in the future and/or management has received detailed communication from the investee regarding exercise of a Contract Buyout or buydown. This category also includes buydown amounts received over the past 12 months.

On Target: means the investment's return is in line with expectation at the time of investment. This category includes both companies that are paying a recurring amount, whether according to the original or a modified agreement above or below the original target. Depending on contract terms, the expected return may or may not include reference to a contract minimum.

Off Target: means that the fair value of the investment and/or Grenville's return on the investment are lower than expected. The expected lower return could be a result of existing or forecasted financial weaknesses of the investee. Typically, Grenville will work with the company to provide operational and/or financial assistance to correct the issues. Management also often assists companies in getting financing from other parties and may agree to temporary or permanent modifications to adjust the company's target.

Loss: means the investment has been written off within the past 12 months. Investments are written off when, in the opinion of management, the investment has absolutely no recovery value or that it is not practical nor desirable to continue efforts to recover more of the value of the investment.





Category	December 31, 2016	%	Sept. 30, 2016	%	June 30, 2016	%	March 31, 2016	%	December 31, 2015	%
Bought Out	$ 500,000	0.9	$10,313,972	16.0	$ 14,484,482	21.4	$14,484,482	21.5	$14,484,482	23.2
Above Target	9,793,555	17.7	9,543,555	14.8	7,381,900	10.9	4,871,900	7.2	4,871,900	7.8
On Target	21,159,315	38.4	27,983,375	43.5	32,180,777	47.5	35,772,763	53.1	34,041,916	54.6
Off Target	16,090,798	29.2	13,230,262	20.5	11,614,694	17.1	10,105,133	15.0	9,012,206	14.4
Loss	7,600,816	13.8	3,340,936	5.2	2,090,936	3.1	2,140,936	3.2	-	-
Total	**$55,144,484**	**100**	**$64,412,100**	**100**	**$ 67,752,789**	**100**	**$67,375,214**	**100**	**$62,410,504**	**100**

The reconciliation between the amounts stated in this table and the amounts invested in royalty agreements acquired and promissory notes receivable is as follows:

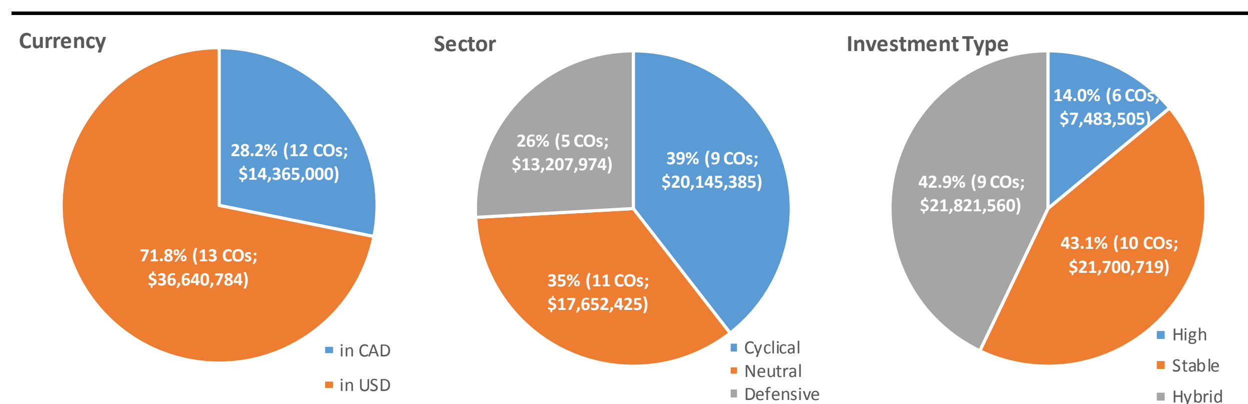
Category	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015
Cumulative royalty agreements acquired and promissory notes investments	$ 54,894,484	$ 61,345,327	$ 62,515,508	$ 62,137,933	$ 57,173,223
Realized gains on Contract Buyouts and redemptions	250,000	3,066,773	5,237,281	5,237,281	5,237,281
Total	**$ 55,144,484**	**$ 64,412,100**	**$ 67,752,789**	**$ 67,375,214**	**$ 62,410,504**

As of December 31, 2016, 57.0% of the investment portfolio generated returns equal to or more than Grenville's pricing level of 25% compared to 74.3% as of September 30, 2016. The decrease of 17.3% is a direct result of the unrealized loss of $7,807,035 from the change in value of the portfolio during the three-months period ended December 31, 2016. The Bought Out category as a percentage of total portfolio value was 0.9% as at December 31, 2016 compared to 16.0% as at September 30, 2016 and 23.2% as at December 31, 2015. The decrease in this category during the three-month period ended December 31, 2016 is due to the removal of the three Contract Buyouts that were closed during the three-month period ended December 31, 2015. As at December 31, 2016, 17.7% of total portfolio value was Above Target, compared to 14.8% as at September 30, 2016 and 7.8% as at December 31, 2015 reflecting a proportional increase of this category because of the lower portfolio amount as at December 31, 2016 and the improved performance of investments. 38.4% of total portfolio value was On Target as at December 31, 2016, compared to 43.5% as at September 30, 2016 and 54.6% as at December 31, 2015. The movement in the On Target category during the three-month period ended December 31, 2016 was a result of the unrealized loss of $7,807,035 recognized because of the change in value of the portfolio which came from investments that were previously reported as On Target. Due to the movement of $2,860,536 of invested capital into the Off Target category during the three-month period ended December 31, 2016, the Off Target category as a percentage of total portfolio value increased from 20.5% as at September 30, 2016 to 29.2%

as at December 31, 2016. $4,259,880 was moved to the loss category during the three-month period ended December 31, 2016 due to two investments that started bankruptcy and liquidation proceedings after the end of the year.

Diversification Analysis

As of February 13, 2017, the diversification analysis of the Company's portfolio holdings, by currency, sector and investment type is provided, as follows:



	Cyclical	%	Neutral	%	Defensive	%	Total	%
Number of Investments	9	36.0%	11	44.0%	5	20.0%	25	100.0%
Canadian Investments	$ 10,330,000	51.3%	$ 2,035,000	11.5%	$ 2,000,000	15.1%	$ 14,365,000	28.2%
US Investments	$ 9,815,385	48.7%	$ 15,617,425	88.5%	$ 11,207,974	84.9%	$ 36,640,784	71.8%
Sector Total	**$ 20,145,385**		**$ 17,652,425**		**$ 13,207,974**		**$ 51,005,784**	
Sector %	39%		35%		26%			

Excluded from the investment information above are two investments that were written off and six investments that have been bought out.

The Company has developed an investment framework focused on building a balanced, diversified portfolio in the small-to-medium sized, public and private, North American operating company marketplace. We measure and manage diversification based on currency, industrial sector and growth profile. With 25 investments (net of 2 write-offs and 6 Contract Buyouts as of February 13, 2017) management believes the current level of diversification is consistent with our internal business plan. We will continue to rebalance the portfolio through selection of new investments and management of Contract Buyout opportunities, on an opportunistic basis. This strategy is intended to protect investors against significant losses from major swings in performance in any sector of the economy, whether in Canada or the United States.

Past due

The following table shows the actual outstanding royalty payment past due for each period:

	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015
Past due					
- 30 days or less	$ 107,831	$ 126,589	$ 309,719	$ 158,621	$ 235,124
- 31 to 60 days	87,108	193,746	125,806	64,149	99,329
- 61 to 90 days	476,395	59,546	-	-	83,079
- Over 91 days	423,552	124,467	-	-	113,172
	1,094,886	504,348	435,525	222,770	530,704
Royalty payments where fair value is recognized as zero	521,656	427,110	388,729	346,108	35,313
Total	**$ 1,616,542**	**$ 931,458**	**$ 824,254**	**$ 568,878**	**$ 566,017**

In relation to the table:

- Included in the royalty payments outstanding in the amount of $1,094,886 as at December 31, 2016 was $469,698 relating to an investment where Grenville expects to be a Contract Buyout during the three-months period ended March 31, 2017. Of the $469,698, $90,432 was collected in January 2017 and the balance is deferred for payment until the date of the Contract Buyout. Grenville had agreed to defer the payment as part of supporting the investee in closing a financing which will result in the Contract Buyout;
- The Company has agreed with an investee to accrue the monthly royalty payments. The royalty payments owing by this investee are not shown as past due in the table above. The amount accrued was $823,608 as of December 31, 2016. The Company has recognized a fair value of zero on this receivable.
- During the three-months period ended December 31, 2016, $111,184 of interest due on a promissory note was added to the royalty investment as part of converting the entire promissory note into a royalty investment. In exchange for the conversion, security was obtained on the entire royalty investment through a general security agreement over the entire assets of the investee.

As of December 31, 2016, royalty payments (being $1,779,851 taken together) attributable to $31,943,379, or 64.5%, of the Company's currently invested capital were more than 30 days past due, compared to royalty payments (being $804,869 taken together) attributable to $24,279,379, or 49.5%, of the Company's invested capital as at September 30, 2016. Included in the $1,779,851 and $804,869 are $692,131 and $427,110 respectively where the fair value was recognised as zero. In addition, of the $1,779,851, $126,560 was received since December 31, 2016 and $379,266 will be paid when an investment is bought out which is expected during the three-month period ended March 31, 2017.

Investments overview

For royalty investments and debt advances completed as of the date hereof: (a) the amount invested and advanced by Grenville; (b) the date of completion of the investment and advance; (c) the nature of the interest acquired by Grenville; (d) the accounting valuation as at the date of each investment and advance; (e) the royalty, interest or other payments earned by Grenville from such investment during the fiscal year ended December 31, 2015; (f) the royalty, interest or other payments earned by Grenville from such investment during the year ended December 31, 2016; (g) whether the royalty investment requires payment of a minimum monthly payment by the investee company; and (h) whether the investment provides the investee company with the right to buydown or buyout part or all of the royalty is as follows:

Investee Company and Nature of Interest Acquired by the Company	Date of Completion of First Investment	Investment Amount / Acquisition Cost	Royalty, Interest or Other Payments Earned by the Company during the Year ended December 31, 2015	Royalty, Interest or Other Payments Earned by the Company during the Year ended December 31, 2016	Minimum Monthly Payments [2]	Buyout / Buydown Options
Pliteq (loan)	August 1, 2013	$250,000	$166,656	$97,217	N/A	N/A [3]
Clear Blue (streaming royalty)	November 12, 2013	$125,000, plus a follow-on investment of $250,000	$13,847	$4,812	No	Yes
Wmode (gross sales royalty)	November 1, 2013	$1,000,000	$121,284	Nil[4]	No	Yes, and option exercised on July 23, 2015.
4tell Solutions (gross sales royalty)	December 31, 2013	US$500,000 ($535,000), plus a follow-on investment of US$500,000 ($555,215)	$233,219	Nil[4]	No	Yes, and option exercised on November 6, 2015
Bluedrop (gross sales royalty)	January 10, 2014	$500,000, plus a follow-on investment of $500,000	$225,719	$388,170	Yes	Yes
PFO Global Group (gross sales royalty and unsecured convertible promissory note [5])	February 25, 2014	US$1,000,000 ($1,116,000), plus a follow-on investment of US$500,000 ($544,050), and	$536,604, plus interest earned on the promissory note of $55,384	$383,794, plus interest earned on the promissory note of $63,535[6]	Yes	Yes

Investee Company and Nature of Interest Acquired by the Company	Date of Completion of First Investment	Investment Amount / Acquisition Cost	Royalty, Interest or Other Payments Earned by the Company during the Year ended December 31, 2015	Royalty, Interest or Other Payments Earned by the Company during the Year ended December 31, 2016	Minimum Monthly Payments [(2)]	Buyout / Buydown Options
		US$250,000 ($304,950). Advance under the promissory note is US$400,000 ($499,880)				
Cherubim (gross sales royalty)	April 28, 2014	US$1,000,000 ($1,105,450)	$322,330	$194,206[(6)]	No	Yes
Insight (gross sales royalty)	May 30, 2014	$1,250,000	$311,376	Nil[(8)]	Yes	Yes
Aquam (gross sales royalty)	June 6, 2014	$2,000,000	$845,459	$1,099,083	Yes	Yes
Mera (gross sales royalty)	June 13, 2014	$850,000, plus a follow-on investment of $100,000	$236,355	$237,496	Yes	Yes
INOVx (gross sales royalty)	July 1, 2014	US$2,000,000 ($2,137,053)	$199,776	Nil [(4)]	Yes	Yes, and option exercised on October 6, 2015.
Above Security (gross sales royalty and unsecured convertible promissory note[(5)])	August 15, 2014	$2,000,000 initial investment, plus two follow-on investments of $500,000 each. Advance under the promissory note was $180,000 and $750,000	$564,348, plus interest earned on the promissory note of $30,000	Nil[(4)]	Yes	Yes and option exercised on October 20, 2015.
OneUp Games (gross sales royalty)	August 15, 2014	US$2,000,000 ($2,187,200)	$644,676	$549,167[(6)]	Yes	Yes
DS Handling (gross sales royalty)	September 5, 2014	$1,000,000	$182,637	Nil[(4)]	Yes	Yes and option exercised on September 25, 2015.
Lattice Biologics (gross sales royalty and secured convertible promissory note [(5)(7)])	September 12, 2014	US$2,000,000 ($2,215,800), plus a follow-on investment of US$200,000 ($243,890) and US$800,000 ($975,840). Advance under the promissory note was US$700,000 ($916,860), US$150,000 ($208,554) and US$100,000 ($131,700)	$649,466 plus interest earned on the promissory note of $37,011	Nil[(6)]	Yes	Yes
BG Furniture (gross sales royalty and secured convertible promissory note[(8)])	October 17, 2014	$750,000 plus a follow-on investment of $200,000 and	$109,207, plus interest earned on the promissory note of $1,327	$20,833[(6)]	Yes	Yes

Investee Company and Nature of Interest Acquired by the Company	Date of Completion of First Investment	Investment Amount / Acquisition Cost	Royalty, Interest or Other Payments Earned by the Company during the Year ended December 31, 2015	Royalty, Interest or Other Payments Earned by the Company during the Year ended December 31, 2016	Minimum Monthly Payments [(2)]	Buyout / Buydown Options
		$550,000. Advances under the promissory note were $695,000				
APO Group (gross sales royalty)	October 17, 2014	$1,000,000	Nil	Nil	Yes	Yes
MEDD (gross sales royalty and secured convertible promissory note[(5)])	October 31, 2014	US$2,000,000 ($2,261,400). Advance under the promissory note was US$500,000 ($683,650)	$519,262	$410,436, plus interest earned on the promissory note of $94,636[(6)]	Yes	Yes
Switch Video (gross sales royalty)	November 21, 2014	$500,000 plus a follow-on investment of $410,000	$125,000	$125,000	Yes	Yes
WATCH IT! (gross sales royalty and secured convertible term gross sales royalty[(9)])	February 25, 2015	$1,000,000 plus a follow-on investment of $1,000,000. Advance under the convertible short term royalty was $1,000,000	$349,309	$517,131	Yes[(10)]	Yes
Interiormark (gross sales royalty)	March 20, 2015	US$1,750,000 ($2,217,600) plus a follow-on investment of US$150,000 ($194,055)	$443,858	$601,053	Yes	Yes. US$75,000 bought down on February 1, 2017
Humble Abode (secured gross sales royalty and secured convertible term gross sales royalty[(9)])	March 31, 2015	US$550,000 ($701,800) plus a follow-on investment of US$450,000 ($558,540). Advance under the convertible short term royalty was US$400,000 ($567,280)	$211,861, plus interest earned on the promissory note (rolled into the convertible short term royalty) of $87	$407,439	Yes	Yes
Dove Cleaners (gross sales royalty and secured convertible promissory note[(5)])	April 29, 2015	$1,300,000 plus a follow-on investment of $200,000. Advance under the promissory note was $50,000	$229,032, plus interest earned on the promissory note of $146	Nil, plus interest earned on the promissory note of $4,854[(6)]	Yes	Yes
Expert Home (gross sales royalty)	April 30, 2015	$1,560,000 plus a follow on investment of $250,000	$260,000.00	$441,987	Yes	Yes
Manifest (gross sales royalty)	June 29, 2015	$250,000, plus a follow-on	$54,267	$125,000	Yes	Yes

Investee Company and Nature of Interest Acquired by the Company	Date of Completion of First Investment	Investment Amount / Acquisition Cost	Royalty, Interest or Other Payments Earned by the Company during the Year ended December 31, 2015	Royalty, Interest or Other Payments Earned by the Company during the Year ended December 31, 2016	Minimum Monthly Payments (2)	Buyout / Buydown Options
		investment of $250,000				
TruGolf (gross sales royalty)	June 30, 2015	US$1,000,000 ($1,246,900)	$166,354	$330,531	Yes	Yes
Medallion (gross sales royalty)	August 26, 2015	US$2,000,000 ($2,664,000)	$195,073	$608,493	Yes	Yes
Agnity (gross sales royalty and unsecured convertible promissory note(5))	October 30, 2015	US$2,000,000 ($2,625,400). Advance under the promissory note was US$750,000 ($984,525) (11)	$113,304, plus interest earned on the promissory note of $20,114	$661,063, plus interest earned on the promissory note of $91,981	Yes	Yes
CompGen (secured gross sales royalty and secured term gross sales royalty(12))	December 4, 2015	US$3,000,000 ($4,016,100) and a short term royalty facility of up to US$2,500,000, of which US$2,190,000 ($2,944,393) has been drawn	$78,129	$288,797, plus interest earned on the promissory note (rolled into the convertible short term royalty) of $5,411 6)	Yes	Yes
Westlake (gross sales royalty)	December 4, 2015	US$2,000,000 ($2,677,400)(13)	$52,086	$168,850(6)	Yes	Yes
SPCS (gross sales royalty(6))	December 8, 2015	US$2,000,000 ($2,723,200) plus a follow-on investment of US$100,000 ($131,700)	$44,644	$441,365	Yes	Yes
Factor75 (gross sales royalty)	December 16, 2016	US$250,000 ($331,245)	Nil(14)	$3,158	Yes	Yes
eScribe (gross sales royalty)	December 22, 2016	$125,000	Nil(14)	$924	Yes	Yes

Notes:

(1) Certain transaction costs which were not otherwise reimbursed by the investee companies on Grenville's initial investments were capitalized by Grenville in accordance with IFRS. All transaction costs on subsequent investments were reimbursed by the applicable investee companies.

(2) 92.93% of Grenville's total invested capital is subject to a requirement by the applicable investee company to pay the greater of a pre-defined minimum monthly amount or the applicable royalty rate based on the investee company's revenue for the immediately preceding month.

(3) On August 31, 2016, this loan was fully repaid. As the loan was repaid earlier than anticipated, there was a $98,679 gain realized.

(4) No payments were earned under this royalty agreement during the year ended December 31, 2016 as the agreement was bought out during the year ended December 31, 2015.

(5) The Company has an option to convert any unpaid balance on or after the maturity date into an additional royalty interest pursuant to and in accordance with the terms of the existing royalty agreement between the parties.

(6) Royalty income or other payments earned by this company will be recorded when received.

(7) As part of the advance, the Company has been granted a warrant to purchase 500,000 common shares at an exercise price of $0.60 exercisable for a period of 24 months.

(8) The Company has an option to convert any unpaid balance on or after the maturity date into an additional royalty interest or Series A convertible preferred shares pursuant to and in accordance with the terms of the existing agreements between the parties.

(9) The Company has an option to convert the short term royalty on or after the maturity date into an additional royalty interest pursuant to and in accordance with the terms of the existing traditional royalty agreement between the parties.

(10) Only the advance under the secured convertible term royalty agreement is subject to a monthly minimum payment amount.

(11) The option to convert the convertible promissory note and accrued interest into additional royalty interest was exercised on October 27, 2016. On the same date, the royalty agreement became fully secured.

(12) The Company does not have the option to convert any unpaid balance on or after the maturity date into an additional royalty interest pursuant to and in accordance with the terms of the existing royalty agreement between the parties.
(13) Pursuant to the terms of the agreement, US$1,000,000 of the US$2,000,000 investment in this company was redeemed in September 2016.
(14) No payments were earned under this royalty agreement during the year ended December 31, 2015 as the agreement was entered following the completion of the 2015 financial year.

Since the first Contract Buyout in July 22, 2015, the Company has closed five Contract Buyouts. For these Contract Buyouts, the table below discloses: (a) the aggregate investment amount; (b) the date of the Contract Buyout; (c) the gross amount received and the net amount; (d) the realized gain on the Contract Buyout; (e) the cumulative cash generated including the royalty payments by the investment over the life of the investment; and (g) cash on cash return as of the date hereof is as follows:

Investee Company	Date of Contract Buyout	Aggregate Investment Amount	Gross Amount Received	Net Amount Received	Gains realized on Contract Buyout (1)	Cumulative cash generated over the life of the investment	Cum. Cash / investment amount
Wmode	July 23, 2015	$1,000,000	$2,783,010	$2,783,010	$1,783,010	$3,147,358	3.15
DS Handling	September 25, 2015	$1,000,000	$1,387,500	$1,387,500	$387,500	$1,650,268	1.65
INOVx	October 6, 2015	US$2,000,000 ($2,137,000)	$2,279,725	$2,247,158	$(11,089) (2)	$2,722,238	1.27
Above Security	October 20, 2015	$3,000,000	$6,000,000	$5,700,000	$2,700,000	$6,453,861	2.15
4Tell	November 17, 2015	US$1,000,000 ($1,090,215)	$1,444,377	$1,444,377	$377,862(2)	$1,855,519	1.70

(1) These amounts are based using the principles of IFRS 9.
(2) These amounts include foreign exchange gains of $422,898 and $264,285 respectively realized when the royalty agreement was Bought Out.

The Pliteq investment was fully repaid on August 31, 2016. The investment generated cash of $500,000 since the start of the investment being two times the original investment amount. At the start of the investment the anticipated term was 48 months but as the investment was fully repaid within 36 months, a $98,679 gain was realized.

OUTLOOK

The Company has invested more than $64 million of capital in 33 portfolio companies, earned Adjusted EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) of $16.0 million since inception in July 2013 and has generated Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) of $8.0 million since July 2014. The Company is building a balanced and diversified portfolio based on a pricing level of 25% with Contract Buyout potential with the purpose of generating sustainable Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition). Contract Buyouts will continue to form a meaningful part of the Company's annual revenue stream and Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition). The capital returned from Contract Buyouts represents the cheapest form of capital for growth. However, given their nature, the timing of Contract Buyouts and Contract Buydowns will be more irregular than the monthly royalty payments received by the Company. The Company plans to make investments in certain industries where there is a higher likelihood of Contract Buyouts. Offsetting the Contract Buyouts, the Company has experienced losses and underperforming investments which management anticipates will continue in the future and is consistent with expectations for an SME portfolio. The Company plans to mitigate investment losses and underperforming investments by designing a diversified portfolio predominately in companies with higher growth, measurable recurring revenue and the capability to raise matching capital from other investors for growth and potential Contract Buyouts. The core of the portfolio has reached a scale at which it is generating positive Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) and Adjusted EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition).

Grenville's royalty agreements with its portfolio companies generated Adjusted EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) to the Company of approximately $0.7 million for the three-month period ended December 31, 2016 and $4.2 million for the year ended December 31, 2016. As of February 13, 2017, the Company estimates the royalty payment income and interest earned for January 2017 will be $0.5 million that, while lower than the run rate for the year ended December 31, 2016, is still sufficient to generate Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) of $50,000 and $0.25 million of Adjusted EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) in the month.

Based on information available as of February 13, 2017, management believes that there are some investments in the Above Target category that represent Contract Buyout opportunities in the next few quarters. There is no change in the guidance

provided in the MD&A as of November 15, 2016, and the Company believes that the potential gross amount that could be received from these Contract Buyouts is up to $9.0 million with $5.0 million possibly received in the three-months ended March 31, 2017 and the balance spread over the remaining quarters of 2017. The Company believes this would significantly increase Adjusted EBITDA (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) up to $5.0 million and Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) up to $4.1 million. Including the cash balance as of February 13, 2017, of $6.4 million, the available capital for investment in new companies would be up to $14.5 million. Given the nature of Contract Buyouts, the timing and the amount of Contract Buyouts are uncertain and any estimates included here may vary either positively or negatively.

Operating expenses (excluding share-based compensation and withholding tax expensed) for Q4 2016, were approximately $0.24 million per month and are estimated to be in the range of $2.4 million to $3.0 million on an annualized basis in Q1 2017.

Grenville's unique capital offering continues to fill a growing niche in the North American small to medium sized enterprise, growth-capital markets. With continued access to funding accretive to shareholder value, management is confident the Company will be able to add new portfolio companies to its existing portfolio holdings. Each new portfolio company added will further diversify and strengthen Grenville's existing portfolio balance. Management also believes that the revenue contribution per portfolio-company added will be priced at roughly the same rate as existing companies within the portfolio.

SELECTED ANNUAL INFORMATION

The following table provides financial data derived from the Company's audited financial statements since the year ended December 31, 2014:

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014 (1)
Revenues	$ (7,930,240)	$ 12,127,179	$ 2,944,791
Total profit/(loss) attributable to shareholders	(10,655,454)	5,167,286	(3,457,760)
Basic earnings/(loss) per share	(0.1007)	0.0578	(0.0700)
Diluted loss per share	(0.1007)	0.0535	(0.0700)
Total assets	49,426,466	64,544,855	35,194,085
Total non-current financial liabilities	15,950,871	15,605,863	15,295,274

(1)The Company adopted IFRS 9 effective January 1, 2015 and has elected not to restate the 2014 or earlier periods numbers using IFRS 9 meaning that the information presented for 2014 is not comparable to the information presented for 2015 under IFRS 9.

Revenues for the year ended December 31, 2016 have decreased by $(20,057,419) compared to the year ended December 31, 2015 due to an increase of $10,030,574 of unrealized losses from the change in fair value of royalty agreements acquired and promissory notes receivable, an increase of $4,057,124 in foreign exchange losses and a decrease of $4,451,420 in realized gains for Contract Buyouts. These variances also resulted in a loss of $10,655,454 attributable to shareholders for the year ended December 31, 2016. For the year ended December 31, 2015, there were five Contract Buyouts that generated realized gains of $4,550,099. The year ended December 31, 2015 was the first year in which there was a profit attributable to shareholders because of the high revenues and no related RTO expenses which amounted to $3,636,197 in the year ended December 31, 2014. During 2016, total assets decreased by $15,118,389 because of $14,897,042 of unrealized losses from the change in fair value of royalty agreements acquired and promissory notes receivable and $1,512,961 in foreign exchange losses reflecting the movement in the exchange rate from $1.3840 at December 31, 2015 to $1.3427 at December 31, 2016. Included in non-current financial liabilities was $15,943,173 relating to convertible debentures issued effective July 10, 2014. There were no discontinued operations in any of the financial years.

SUMMARY OF QUARTERLY RESULTS

The following table provides selected unaudited financial information for each quarter since January 1, 2015.

	Three months ended Dec. 31, 2016	Three months ended Sept. 30, 2016	Three months ended June 30, 2016	Three months ended March 31, 2016	Three months ended Dec. 31, 2015	Three months ended Sept. 30, 2015	Three months ended June 30, 2015	Three months ended March 31, 2015
Royalty payment and interest income	$ 1,573,171	$ 2,044,058	$ 2,072,520	$ 2,581,429	$ 2,481,828	$ 2,364,807	$ 2,093,571	$ 1,505,040
Realized gains on Contract Buyouts	-	98,679	-	-	3,063,594	2,196,642	-	-

Non-cash foreign exchange and fair value changes	(7,237,004)*	(3,014,279)	(806,146)	(5,451,255)	(4,643,169)	2,026,463	(397,317)	1,235,347
Other income	32,112	17,039	24,198	36,559	62,545	43,124	57,173	37,529
Total revenue	**$ (5,631,721)**	**$ (854,503)**	**$ 1,290,572**	**$ (2,833,267)**	**$ 964,798**	**$ 6,631,036**	**$ 1,753,427**	**$ 2,777,916**
Total profit /(loss) for the period attributable to shareholders	(5,140,581)	(1,690,843)	(633,250)	(3,190,773)	(671,616)	4,021,100	468,891	1,348,912
Basic earnings / (loss) per share	(0.0484)	(0.0159)	(0.0060)	(0.0306)	(0.0067)	0.0407	0.0051	0.0200
Diluted earnings /(loss) per share	(0.0484)	(0.0159)	(0.0060)	(0.0306)	(0.0067)	0.0330	0.0051	0.0168

*includes a foreign exchange loss of $98,679 that relates to Q3 2016 and therefore is a reconciling item when comparing to the 2016 annual revenues.

The increase in royalty payment income from the three-month period ended September 30, 2014 through to the three-month period ended March 31, 2016 was due to the increasing portfolio balance resulting from $62,974,572 in new royalty agreements acquired. The lower royalty payment income recorded since then was due to management's decision not to accrue income on 10 underperforming investments at December 31, 2016. During the three-months period ended December 31, 2016 there was an unrealized loss of $7,807,035 from the change in fair value of royalty agreements acquired and promissory notes receivable due to the deterioration in the financial condition of some investees during this period. For most quarters, the operating results have improved because of increased royalty income with periodic gains from Contract Buyouts. There were no discontinued operations in any of the financial periods.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2016, the Company's capital resources were $33,216,875, made up as follows:

106,293,543 common shares	$ 50,260,965
Contributed surplus	719,047
Equity component of the convertible debentures	558,831
Accumulated Deficit	(18,321,968)

At December 31, 2015, there were 5,718,477 share purchase warrants outstanding with an exercise price of $0.42 with an expiry date of February 19, 2016. Between January 1, 2016 and the expiry date of the share purchase warrants, 5,443,456 warrants were exercised and proceeds of $2,286,407 were received.

A summary of all the offerings and details of the use of proceeds is in the following table:

Offering	**Closing Date**	**Gross Proceeds**	**Net Proceeds**	**Amount used to acquire royalty agreements as of February 13, 2017**	**Amount yet to be used as of February 13, 2017**
20 million special warrants exercisable into common shares @ $0.50 per special warrant	March 27, 2014	$10,000,000	$9,051,436	$9,051,436	-
17,250,000 8% convertible unsecured subordinated debentures	July 10, 2014	$17,250,000	$15,905,455	$15,905,455	-
19,828,300 common shares @ $0.58 per share	February 26, 2015	$11,500,414	$10,517,207	$10,517,207	-

17,250,000 common shares @ $0.80 per share	May 7, 2015	$13,800,000	$12,811,549	$12,811,549	-

Starting in March 15, 2015 and up to October 15, 2016, the Company paid a monthly dividend. The dividends paid from March 15, 2015 to October 15, 2016 were $9,310,468. All dividend payments came from accumulated and available Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition). On October 18, 2016, the Company announced a suspension of the monthly dividend to allow the Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) to be invested in the portfolio.

The Company's cash position at December 31, 2016 was $6,202,412 of which all was available to fund the business and acquire royalty agreements. All cash was held in short-term, high-quality liquid investments. The Company is satisfied that it has sufficient cash resources to meet all current obligations. The Company's cash position at February 13, 2017 is approximately $6.4 million and for the foreseeable future, growth will be financed through Free Cash Flow (a non-IFRS measure, refer to Definition of Non-IFRS Measures for definition) generated from royalty payment income, capital from Contract Buyouts and co-investments with joint venture partners.

WORKING CAPITAL

Grenville's working capital at December 31, 2016 and December 31, 2015 was made up as follows:

	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 6,202,412	$ 16,897,331
Promissory note receivable – current portion	2,015,378	2,713,879
Royalty agreement acquired – current portion	1,580,247	1,264,541
Prepaid expense	98,477	70,885
Income tax recoverable	362,905	-
Accounts payable and accrued expenses	(255,531)	(882,181)
Dividend payable	-	(587,448)
Finance lease liability – current portion	(3,189)	(3,166)
Income tax payable	-	(1,548,438)
Total	**$ 10,000,699**	**$ 17,925,403**

The Company believes that it can meet all its obligations as they become due. A summary of the contractual and other obligations as at December 31, 2016 were:

Contractual obligation	Total	Less than 1 year	1-4 years	5 years
Accounts payable and accrued liabilities	$ 255,531	$ 255,531	$ -	$ -
Convertible debenture	17,250,000	-	17,250,000	-
Finance lease payments	10,887	3,189	7,698	-
Payments under an operating lease	127,015	127,015	-	-
Total	**$ 17,643,433**	**$ 385,735**	**$ 17,257,698**	**$ -**

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Before January 1, 2015 the Company classified and measured subsequently all financial instruments at amortized cost except for cash and cash equivalents. From January 1, 2015, following the adoption of IFRS 9, the Company classified and measured subsequently all financial assets at fair value through profit and loss and financial liabilities such as accounts payable and the convertible debentures continue to be classified and measured at amortized cost. As permitted by the transitional provisions of IFRS 9, the Company did not restate the financial results or balances presented for the year ended December 31, 2014 and so in this MD&A, any information relating to the year end December 31, 2014 have not been restated using IFRS 9 and still apply the guidance in *International Accounting Standard 39 Financial Instruments: Recognition and Measurement* ("IAS 39") for classifying and measuring financial instruments.

As at December 31 2016, the maximum credit exposure for the royalty agreements acquired and promissory notes receivable was $37,562,379 (December 31, 2015: $46,449,356). The Company has foreign currency exposures to United States dollars. The transaction exposure will be minimized by converting all foreign currency to Canadian dollars immediately. The Company is aware that a translation exposure exists and will continue to monitor the impact on its reported results and take the required hedging

action when management considers it necessary. The foreign exchange exposure at December 31, 2016 was 28,914,478 United States dollars representing 78.5% of total assets.

Since January 1, 2015, the Company classified and measured subsequently all financial assets at fair value through profit and loss. The fair value of the royalty agreements acquired and promissory notes receivable by the Company are estimated by the Company by discounting expected future cash flows using a discount rate that includes a weighted average cost of capital using variables from the industry in which each investee company operates and company specific risk factors. Future cash flows are weighted by the Company by using a combination of a probability approach and a terminal value approach, and the fair value for each investment is individually calculated by discounting estimated future cash flows using a discount rate that considers the size of the investee, term, credit risk and changes in market conditions. The change in fair value that was recognized in the total comprehensive income (loss) for the three-month period ended December 31, 2016 was a loss of $7,807,035 and a loss of $13,056,106 for the year ended December 31, 2016.

Cash and cash equivalents are classified as subsequently measured at fair value through profit or loss. All cash and cash equivalents were invested in short-term high quality liquid investments. In the opinion of management these measures ensure that the Company is not exposed to material credit or liquidity risks on these cash and cash equivalent balances. The cash and cash equivalent balances at December 31, 2016 were $6,202,412 (December 31, 2015: $16,897,331).

The Company has sufficient cash available to settle all liabilities when due. The Company expects that there is sufficient cash available to meet all working capital requirements for at least the next twelve months. The fair value of accounts payable and accrued liabilities approximates their carrying value due to their short-term maturity. The fair value of the convertible debentures is based on valuation techniques considering trading values, market rates of interest, the current conditions in credit markets and the current estimated credit margins applicable to the Company based on similar issues.

The Company does not hold any financial derivatives at December 31, 2016 or during the year ended December 31, 2016 either for hedging or speculative purposes.

COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2016, Grenville had no commitments for material capital expenditures, no contingencies, and no off-balance sheet arrangements.

As at December 31, 2016, the only material contractual obligations were the convertible debentures (see Liquidity and Capital Resources) and the payments of $127,015 under the lease agreement for the Company's office in Toronto.

TRANSACTIONS BETWEEN RELATED PARTIES

Compensation of key management personnel

	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Short-term employee benefits	$ 242,553	$ 597,167	$ 1,035,474	$ 1,185,637
Share-based compensation	84,040	54,006	210,099	145,231
Consultancy fees	33,088	40,000	135,917	153,750
Contract payment	-	-	675,000	-
Total	**$ 359,681**	**$ 691,173**	**$ 2,056,490**	**$ 1,484,618**

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As the Company grows, it will continue to enhance the internal controls over financial reporting.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally,

controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Management is required to make estimates when preparing the financial statements. Estimates may include the cash flows for royalty agreements acquired throughout the agreement including the probability of each stream of cash flows, estimates used for components of the discount rate which are used for measuring fair values, share-based payments, deferred income tax assets and before January 1, 2015 impairment of financial assets.

The terms of the royalty agreements provide that payments are made by investee companies and the Company had 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 on the basis that each royalty agreement contains one or more of the following terms: (i) a right in favour of the investee company to buydown or Contract 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 Contract 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. The term of the agreement is normally perpetual and the royalty amount received can be dependent on the revenues of the investee. As a result, uncertainties exist as to how long the agreements will exist and the royalty payment income that will be received throughout the agreement. The Company must estimate the expected cash flows based on the Company's experience of such investments, the terms of the agreement and the investee's historical cash flows. 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 that 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.

Effective January 1, 2015, Grenville classifies and measures all royalty agreements acquired and promissory notes receivable at fair value through profit and loss. The Company determines the fair value 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 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 arising under the agreement, 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.

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.

RECENT ACCOUNTING DEVELOPMENTS

The Company has adopted IFRS from incorporation as required by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. The Company adopted IFRS 9 *Financial Instruments* effective January 1, 2015 but as permitted by the transitional provisions of IFRS 9, the Company has not restated any of the financial periods prior to January 1, 2015. The IASB has issued a collection of amendments as part of its annual project "Improvements to IFRSs." They are not expected to 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 for the Company revenues generated from financial instruments. However, the new standard will be in scope for revenues generated under license agreements which the Company completed in October 2016.

In January 2016, the IASB issued IFRS 16 *Leases*, which addresses the accounting, classification and measurement for all types of leases for both lessors and lessees. The application date of the new standard is January 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.

OUTSTANDING SHARES

The Company is authorized to issue an unlimited number of common shares, without nominal or par value, and no other classes of shares. As of February 13, 2017, there were issued and outstanding: (a) 106,293,543 Common Shares; (b) 9,422,788 options under the company's stock option Plan to acquire 9,422,788 common shares, at a weighted average exercise price of $0.4921; and (c) convertible debentures at a conversion price of $0.92 (or a conversion rate of 1,086.9565 common shares for each $1,000 principal amount of debentures) which, if converted into common shares at that price, would result in the issuance of 18,750,000 common shares.

RISK FACTORS

An investment in the Company's securities should only be considered by those investors who can afford a total loss of their investment. The risks presented below should not be considered to be exhaustive and may not represent all of the risks that the Company may face. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the Company's business operations. If any of the risks described below or in the Company's other public filings occur, the Company's business, financial condition, results of operation or prospects could be materially adversely affected and the Company's ability to satisfy its obligations, pay dividends or continue as a going concern could be threatened.

Dependence on the Performance of Investee Companies

The Company will be dependent on the operations, assets and financial health of the SMEs from which royalties are purchased. The ability to meet operating expenses in the long-term will be largely dependent on the royalty payments received from investee companies and realized gains on Contract Buyouts which will be the primary sources of cash flow. Royalty payments from investee companies will generally be based on a percentage of such companies' top line revenues. Accordingly, if the financial performance of an investee company declines, cash payments to the Company will likely decline. The failure of any investee company to fulfill its royalty payment obligations could adversely affect the Company's results of operations, prospects or cash flow and could threaten the Company's business, financial condition, ability satisfy its obligations, pay dividends or continue as a going concern. The Company conducts due diligence on each of its investee companies prior to entering into agreements with them and monitors investee company activities by receiving and reviewing regular financial reports. Nonetheless, there is a risk that there may be some liabilities or other matters that are not identified through the due diligence or ongoing monitoring that may have an adverse effect on an investee company's business, and this could have a material adverse impact on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

Limited Number of Investee Companies and Concentration Risk

The Company has purchased royalties from a small number of investee companies to date. While the intention is to purchase a large number of royalties from companies in different industry sectors, it will take time to attain such diversification, if such diversification can be achieved at all. Until such time as diversification is achieved, the Company may have a significant portion of its assets dedicated to a single business sector or industry. In the event that any such business or industry is unsuccessful or experiences a downturn, this could have a material adverse effect on the Company's business, financial condition, and results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

As at the date of this MD&A, the Company's top five investments represent approximately 39% of the Company's invested capital and 43% of the Company's monthly royalty income. The largest of these investments is CompGen, which represents approximately 13.65% of the Company's invested capital and US$108,125, or 13%, of the Company's monthly royalty revenue. Any significant downturn or loss in any one or more of these investee's business, financial condition or the industry in which it operates could have a material adverse effect on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or complete additional financings or continue as a going concern.

Limited Control Over Investee Company Management

Although the royalty purchase agreements do contain approval rights in the Company's favour in respect of certain fundamental transactions involving its investee companies, the Company does not have significant influence or control over any of the investee companies or their operations as the Company does not mandate board representation as a condition to investment. Royalty payments received from the investee companies therefore depend upon a number of factors that may be outside of the Company's control.

Risk of Payment Defaults under Royalty Agreements

While the Company believes that the Company has structured, and will continue to structure, the royalty purchase agreements in such a way as to encourage payment of royalties and discourage default, there is no guarantee that investee companies will

not default on their royalty payment obligations as a result of business failure, obligations to shareholders, obligations to lenders or to other investors or stakeholders, or that on the occurrence of a default by an investee company the Company will be able to recover all or any of the investment. Such failure could have a material adverse effect on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations or pay dividends. In addition, because the Company has structured, and generally intends to structure, its investments in investee companies on an unsecured or subordinated security basis, the Company's rights, including payment rights, will be subordinate to the rights of senior lenders of investee companies and other parties holding security interests against investee companies.

Volatility of Share Price

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility. A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Company's listed securities will trade cannot be predicted. The market price of the Company's listed securities could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the Company's listed securities. If as the Company expects, the Company is required to access capital markets to carry out its development objectives, the state of domestic and international capital markets and other financial systems could affect the Company's access to, and cost of, capital. Such capital may not be available on terms acceptable to the Company or at all, and this could have a material adverse impact on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

Financing Risks

The Company does not have any history of significant earnings and due to the nature of the Company's business, there can be no assurance that the Company will be profitable. While the Company may generate additional working capital through equity or debt offerings or through the receipt of royalty payments from the Company's investee companies, there is no assurance that such funds will be sufficient to facilitate the development of the Company's business as currently planned or, in the case of equity financings, whether such funds will be available on terms acceptable to us or at all.

Outstanding Debt

Certain features of the Company's outstanding debt could adversely affect the Company's ability to raise additional capital, fund operations or pay dividends, could expose the Company to interest rate risks or limit the Company's ability to react to changes in the economy and its industry, or could prevent the Company from meeting certain of its business objectives. In addition, any conversion of interest or principal on the Company's outstanding debt into common shares of the Company will dilute the interests of existing shareholders.

Dilution

The Company anticipates that it will be required to conduct additional equity financings in order to finance additional royalty purchases and develop the Company's business as currently planned. Any further issuance of equity shares pursuant to such equity financings will dilute the interests of existing shareholders, and existing shareholders will have no pre-emptive rights in connection with any such future issuances.

Early Stage of Development

The Company is an early stage company. There will be limited financial, operational and other information available with which to evaluate the Company's prospects. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy the working capital requirements. In addition, as an early stage company the Company may not yet have all of the skills or personnel necessary to properly analyze and value royalty opportunities.

Ability to Negotiate Additional Royalty Purchases

A key element of the Company's growth strategy involves purchasing additional royalties from new investee companies. The Company's ability to identify investee companies and acquire additional royalties is not guaranteed. Achieving the benefits of future investments will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of revenues.

Ability to Manage Future Growth

The ability to achieve desired growth will depend on the Company's ability to identify, evaluate and successfully negotiate royalty purchases from investee companies. Achieving this objective in a cost-effective manner will be a product of the Company's sourcing capabilities, the management of the investment process, the ability to provide capital on terms that are attractive to potential investee companies and the Company's access to financing on acceptable terms. As the Company grows, the Company will also be required to hire, train, supervise and manage new employees. Failure to effectively manage any future growth or to

successfully negotiate suitable royalty purchases could have a material adverse effect on the Company's business, financial condition, and results of operations or prospects and could threaten the Company’s ability to satisfy its obligations, pay dividends or continue as a going concern.

Exercise of Buyout Option

Some of the royalty purchase agreements with investee companies contain or will contain buyout options which allow investee companies to repurchase royalties for a set price. While the buyout provision is designed to produce enhanced returns, if the Company has miscalculated the value of a buyout option relative to the ongoing value of a lost royalty stream, the return on an investment may be lower than expected, which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects and could threaten the Company’s ability satisfy its obligations or pay dividends. In addition, if the lost royalty stream is not replaced with a new royalty stream on a timely basis, there will be a reduction in the Company’s revenues in the financial periods following the exercise of the buyout which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects and could threaten the Company’s ability satisfy its obligations or pay dividends.

Risks Facing Investee Companies

As previously noted, the financial condition and results of operations will be affected by the performance of the SMEs in which the Company invests capital through royalty purchases. Each investee company will also be subject to risks which will affect their financial condition. Given that the Company is not privy to all aspects of the businesses in which we will make future investments, it is impossible to predict exactly what risks investee companies will face. Nonetheless, the Company expects that typical risks which SMEs might face include the following:

- Investee companies may need to raise capital through equity or debt financing. Such equity or debt may impair the ability of the investee companies to finance their future operations and capital needs. Flexibility to respond to changing business and economic conditions and to business opportunities may thereby be limited.
- The success of the Company's investee companies may depend on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on an investee company.
- Investee companies may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, the financial performance and development of the businesses of the investee companies may be adversely affected.
- Damage to the reputation of the brands of the investee companies could negatively impact consumer opinion of those companies or their related products and services, which could have an adverse effect on their businesses.
- Investee companies may face intense competition, including competition from companies with greater financial and other resources, more extensive development, manufacturing, marketing, and other capabilities. There can be no assurance that the investee companies will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses.
- Investee companies may experience reduced revenues with the loss of a customer representing a high percentage of their monthly revenues.
- Investee companies may experience reduced revenues due to an inability to meet regulatory requirements, or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government.
- Investee companies may rely on government or other subsidy programs for revenue or profit generation. Changes or elimination of such programs may have an adverse effect on the company.
- Investee companies may derive some of their revenues from non-Canadian sources and may experience negative financial results based on foreign exchange losses.

Joint Venture Relationships

The Company will be dependent on the performance of the joint ventures with both FGI and Darwin, which joint ventures are intended to enable the Company to scale its portfolio across a broader number of investment opportunities. The success of the joint ventures will be largely dependent on the Company's ability to successfully manage its joint venture relationships.

Impact of Regulation and Regulatory Changes

The Company and investees are subject to a variety of laws, regulations and guidelines in the jurisdictions in which the Company and investees operate and may become subject to additional laws, regulations and guidelines in the future in such jurisdictions. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on the business, resources, financial condition, results of operations and cash flow of the Company and the investee companies and could threaten the Company’s ability to satisfy its obligations, pay dividends or continue as a going concern. Such laws and regulations are also subject to change and it is impossible for us to predict the cost or impact of changes to such laws and regulations on its future operations.

Foreign Account Tax Compliance

The *Foreign Account Tax Compliance Act* ("**FATCA**") is U.S. tax legislation that came into effect on July 1, 2014. FATCA generally imposes certain U.S. reporting and information gathering requirements, as well as a 30 percent withholding tax applied to certain payments received by a "foreign financial institution".

Specifically with respect to a Canadian entity, FATCA (as modified by the intergovernmental agreement between Canada and the United States, the "**IGA**", and the *Income Tax Act* (Canada) and the regulations thereunder (the "**Tax Act**")) requires a "reporting Canadian financial institution" to, amongst other things:
(a) report to the Canada Revenue Agency (the "**CRA**") certain information regarding its U.S. holders and certain U.S. persons that indirectly hold interests in such reporting Canadian financial institution (other than equity and debt interests that are regularly traded on an established securities market); and (b) comply with certain reporting, verification, due diligence and other procedures established by the U.S. Internal Revenue Service (the "**IRS**") and/or the CRA.

Further, unless a reporting Canadian financial institution complies with the FATCA reporting requirements (as modified by the IGA), it may be subject to 30 percent tax on certain payments it receives from U.S. withholding agents.

A Canadian entity that is not a financial institution generally will be a non-financial foreign entity ("**NFFE**"). An NFFE does not have registration requirements on the IRS portal, but may face a similar 30 percent FATCA withholding on certain payments unless it provides certain documentation to applicable withholding agents.

Pursuant to the IGA, the Tax Act and published CRA guidance, we may be a reporting Canadian financial institution. We will continuously monitor any future guidance from the IRS and/or the CRA and will comply with any future changes in guidance as they relate to us to ensure that we are fully compliant with any differing or additional requirements that such guidance may dictate.

Tax Matters

The validity and measurement of tax benefits associated with various tax positions taken or expected to be taken in our tax filings are a matter of tax law and are subject to interpretation. Tax laws are complex and their interpretation requires significant judgment. The provision for income taxes reflects management's interpretation of the relevant tax laws and its best estimate of income tax implications of the transactions and events during the period. There can be a risk that tax authorities could differ in their interpretation of the relevant laws and could assert that tax positions taken by the Company give rise to a need for reassessment, including reassessment under specific or general anti-avoidance rules.

The assessment of additional taxes, interest and penalties or damage to the Company's reputation could be materially adverse to our future results of operations or financial position.

Under the liability method of accounting for income taxes, deferred tax assets are recognized for the carryforward of unused tax losses and tax credits, as well as amounts that have already been recorded in the financial statements, but will not result in deductible amounts in determining taxable income until future periods. Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the future tax deductions and unused tax losses can be utilized.

At the end of each reporting period, we must assess the value of our deferred tax assets. The determination of our deferred tax assets is dependent upon projections of future taxable profits. Our projections require significant judgments and estimates about future events, including global economic conditions and the future profitability of the business. If the profitability of our business is lower than our projections or if our outlook diminishes significantly, we may be required to reduce the value of our deferred tax assets. Any change to our deferred tax assets could have a material adverse impact on our future results of operations or financial position.

From time to time, there are changes to statutory corporate income tax rates. These changes require the Company to review and re-measure our deferred tax assets and liabilities as of the date of substantive enactment. Any future tax rate decreases could result in a reduction in the carrying value of the deferred tax asset and a corresponding income tax expense at the time of substantive enactment of a rate reduction.

PFIC Status for U.S. Investors

Generally, unfavourable rules may apply to U.S. investors who own and dispose of securities of a PFIC for any year during which the U.S. investor holds such securities (regardless of whether the company continues to be a PFIC), including, without limitation, increased tax liabilities under U.S. tax laws and regulations and additional reporting requirements. Specifically, if a non-U.S. entity is classified as a PFIC, any gain on disposition of securities of a PFIC and any "excess distribution" received by a U.S. holder would be: (i) deemed to have been earned rateably over the period such holder owns such securities: (ii) taxed at ordinary income tax rates; and (iii) subject to an interest charge for the deemed deferral in payment of the tax.

A non-U.S. entity will be a PFIC for any taxable year in which either (i) at least 75% of its gross income is passive income, or (ii) at least 50% of the value (determined on the basis of a quarterly average) of its assets is attributable to assets that produce or are held for the production of passive income.

The Company has not made, and does not expect to make, a determination as to whether it is or has ever been a PFIC. Consequently, there can be no assurance that the Company has never been a PFIC or will not become a PFIC for any tax year during which U.S. investors hold securities of the Company.

U.S. investors are urged to consult their own tax advisors regarding the possible application of the PFIC rules and the consequences of holding securities of the Company if the Company is treated as a PFIC for any taxable year in which a U.S. investor holds its securities.

Competition from Other Investment Companies

The Company competes with a number of private equity funds and mezzanine funds, investment banks, equity and non-equity based investment funds and other sources of financing, including the public capital markets. Some of the Company's competitors are substantially larger and have considerably greater financial resources than the Company does. Competitors may have a lower cost of funds and many have access to funding sources and unique structures that are not available to the Company. In addition, some of the competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments than the Company. Pressure from the Company's competitors may have a material adverse effect on the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

Impact of Quarterly and Annual Financial Reporting

There can be no assurance that the Company will be profitable on a quarterly or annual basis. The business strategies may not be successful. As a reporting company, the Company will be required to report financial results on an annual and quarterly basis. If the Company's business is not profitable, the market price of the Company's shares may decline.

Payment of Dividends

There is uncertainty with respect to future dividend payments by Grenville and the level thereof. Holders of the Company's common shares do not have a right to dividends on such shares unless declared by the Board of Directors of the Company. The declaration of dividends is at the discretion of the Board of Directors of the Company, even if the Company has sufficient funds, net of its liabilities, to pay such dividends, and the declaration of any dividend will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board of Directors of the Company.

Currency Fluctuations

Certain of the Company's royalties may be paid and received in United States dollars and potentially other foreign currencies. The Canadian dollar relative to the United States dollar or other foreign currencies is subject to fluctuations. Failure to adequately manage foreign exchange risk could therefore adversely affect the Company's business, financial condition, results of operations or prospects and could threaten the Company's ability satisfy its obligations or pay dividends.

Reliance on Key Personnel

The Company's success will depend on the abilities, experience, efforts and industry knowledge of the Company's senior management and other key employees. The long-term loss of the services of any key personnel for any reason could have a material adverse effect on business, financial condition, results of operations or prospects and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern. In addition, the growth plans may require additional employees, increase the demand on management and produce risks in both productivity and retention levels. The Company may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance that the Company will be able to effectively manage growth, and any failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Conflicts of Interest

Certain of the Company's directors and officers will also serve as directors and/or officers of other companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such director may have a conflict of interest in accordance with the procedures set forth in applicable corporate legislation and under other applicable laws and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

Effect of General Economic and Political Conditions

The Company's business, and the business of each of its investee companies, is subject to the impact of changes in national or North American economic conditions including, but not limited to, recessionary or inflationary trends, equity market conditions, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. These economic conditions may be further affected by political events throughout the world that cause disruptions in the financial markets, either directly or indirectly. Adverse economic and political developments could have a material adverse effect on the business, financial condition, results of operations or prospects of the Company and is investee companies and could threaten the Company's ability to satisfy its obligations, pay dividends or continue as a going concern.

Sale of Common Shares by Existing Shareholders

If the Company's shareholders sell substantial amounts of the Company's shares in the public market, the market price of the Company's shares may decline.

Legal Proceedings

In the normal course of business, the Company may be subject to lawsuits, claims, regulatory proceedings, and litigation for amounts not covered by the Company's liability insurance. Some of these proceedings could result in significant costs, whether or not resolved in the Company's favour.

Analyst Reports

The trading price of the Company's common shares will be influenced by the research and other reports that industry or securities analysts publish about it, its business, its market or its competitors. If any of the analysts who cover the Company changes his or her recommendation regarding the Company's stock adversely, or provides more favourable relative recommendations about the Company's competitors, the Company's stock price would likely decline. If any analyst who covers the Company were to cease such coverage or fail to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which in turn could cause the stock price or trading volume to decline.

Accounting Policies and Methods

The accounting policies and methods the Company utilizes determine how the Company reports its financial condition and results of operations, and they may require management to make estimates or rely on assumptions about matters that are inherently uncertain. Such estimates and assumptions may require revisions, and these changes may materially adversely affect the Company's business, financial condition, and results of operations or prospects. The Company has elected to adopt IFRS 9 as the Company believes that classification and measurement guidelines under IFRS 9 are more aligned with the Company's business model and the cash flow characteristics of the Company's financial assets. The most significant impact of the adoption of IFRS 9 has resulted in royalty agreements, loans receivable, acquired and accrued interest and royalty payments receivables being classified as subsequently measured at fair value through profit or loss rather than amortized cost. This change in classification primarily reflects the characteristics of the cash flows generated by these financial assets which are not solely made up of principal and interest. Changes in the fair value of royalty agreements and promissory notes are recognized in consolidated comprehensive income (loss) reflecting market conditions. As a result of the adoption of IFRS 9, the Company may have to amend the valuation of its investment in an investee company if the value of such investee company declines, which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

APPROVAL

The Board of Directors of the Company approved this MD&A on February 13, 2017.

ADDITIONAL INFORMATION

A copy of this MD&A, as well as additional information concerning the Company, is available on SEDAR at www.sedar.com.

DEFINITION OF NON-IFRS MEASURES

The following key performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative or replacement of net earnings or any other measure of performance under IFRS. These non-IFRS measures do not have any standardized meaning and may not be comparable to similar measures presented by other issuers. These non-IFRS measures will be found throughout this report and the definitions can be found below.

EBITDA refers to earnings determined in accordance with IFRS, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. EBITDA is used by Management and many investors to determine the ability of an issuer to generate cash from operations. Management believes EBITDA is a useful supplemental measure from which to determine the Company's ability to generate cash available for royalty investments, working capital, income taxes and dividends.

Adjusted EBITDA refers to EBITDA excluding items that are non-recurring in nature or will not have a cash impact in the immediate future. "Adjusted EBITDA" is calculated by adding back non-recurring charges and significant long-term unrealized gains or losses to EBITDA. Management deems non-recurring charges to be unusual and/or infrequent charges that the Company incurs outside of its common day-to-day operations. Management considers unrealized gains or losses from changes in fair value, unrealized foreign exchange differences on royalty agreements acquired and share-based payment expense as long term, unrealized, gains and losses and therefore included as an adjustment when determining Adjusted EBITDA. Adding back these adjustments allows management to assess EBITDA from ongoing operations. The following table reconciles EBITDA measures to IFRS measures reported in the consolidated statements of comprehensive income (loss) for the periods ended as indicated:

	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Profit/(Loss) before income taxes	**$ (6,996,553)**	**$ (931,861)**	**$ (14,268,436)**	**$ 7,052,113**
Depreciation	9,767	8,221	39,666	25,769
Financing expense	443,916	428,098	1,727,936	1,692,562
EBITDA/EBITDA (Loss)	**(6,542,870)**	**(495,542)**	**(12,500,834)**	**8,770,444**
Adjustments:				
Unrealized foreign exchange (gain)/loss on carrying amount of Royalty Agreements Acquired	(678,569)	(444,949)	1,483,213	(2,989,112)
Unrealized loss/(gain) on change in fair value of Royalty Agreements Acquired and Promissory Notes Receivable	7,807,035	5,088,119	13,056,107	4,767,789
Realized loss from investment write-off	-		1,840,936	-
Share-based payment expense	113,811	73,625	322,091	211,754
Adjusted EBITDA	**$ 699,407**	**$ 4,221,253**	**$ 4,201,513**	**$ 10,760,875**

(1) The Company adopted IFRS 9 effective January 1, 2015 and the 2015 numbers are presented using IFRS 9 meaning that the information presented for 2015 is comparable to the information presented for 2016 under IFRS 9.

Free Cash Flow refers to the amount of cash that is available to the Company as a result of operating activities. "Free Cash Flow" is calculated by deducting from net cash flows used for operating activities as presented in the consolidated statements of cash flows, the interest amount in financing expense, the movement in income tax payable during the period and adjusting for new investments, redemptions and Contract Buyouts for royalty agreements acquired and promissory notes receivable in the period. The following table reconciles the Free Cash Flow measure to IFRS measures reported in the audited consolidated financial statements:

	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Net cash generated used in operating activities	**$ (451,527)**	**$ (2,355,957)**	**$ (6,347,459)**	**$ (12,423,077)**
Royalty agreements acquired – new investments	708,225	14,410,845	6,880,149	32,541,055
Royalty agreements acquired – redemptions	(28,184)	-	(1,331,656)	-
Royalty agreements acquired – Contract Buyouts	-	(7,129,163)	-	(9,919,970)

Debenture interest paid	(690,000)	(690,000)	(1,380,000)	(1,380,000)
Interest payable – movement in period	341,219	351,616	-	-
Income tax recoverable / payable - movement in period	(49,816)	(847,683)	1,911,343	(1,468,054)
Free Cash Flow	**$ (170,083)**	**$ 3,739,658**	**$ (267,623)**	**$ 7,349,954**

Average Royalty Payment Per Million Invested refers to the royalty payment income earned and the realized gains on Contract Buyouts during the period, converted into an annualized amount and by reference to a $1 million investment. This is used by management to monitor the performance of a royalty investment and the portfolio compared to the pre-determined target of $250,000 per million invested. The following table shows the calculation for each month since December 2015:

	Ref.	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16	Jun-16	May-16	Apr-16	Mar-16	Feb-16	Jan-16	Dec-15
Royalty payment														
Interest income on loans														
Royalty payment income		452,095	516,606	605,379	582,417	687,938	693,375	664,806	670,012	635,820	841,647	813,114	847,092	1,058,250
Adjusted for royalty not received														(336,299)
Principal payments														
Realized gain on contract buyouts						98,679								
Total Royalty payment	**A**	452,095	516,606	605,379	582,417	786,617	693,375	664,806	670,012	635,820	841,647	813,114	847,092	721,951
Capital Deployed														
Starting balance		46,429,190	46,179,190	46,179,190	48,767,890	49,017,890	48,692,135	48,692,135	48,692,135	48,396,260	44,747,750	44,747,750	44,180,470	34,763,770
Royalty agreements acquired less buyouts/buydowns		456,425	250,000		(1,338,700)	(250,000)	325,755			295,875	3,648,510	-	567,280	9,416,700
Write-offs					(1,250,000)									
Ending balance		46,885,615	46,429,190	46,179,190	46,179,190	48,767,890	49,017,890	48,692,135	48,692,135	48,692,135	48,396,260	44,747,750	44,747,750	44,180,470
Average capital deployed*	**B**	**46,657,403**	**46,304,190**	**46,179,190**	**47,473,540**	**48,892,890**	**48,855,013**	**48,692,135**	**48,692,135**	**48,544,198**	**46,572,005**	**44,747,750**	**44,464,110**	**39,472,120**
Average royalty per $1m invested		**Dec-16**	**Nov-16**	**Oct-16**	**Sep-16**	**Aug-16**	**Jul-16**	**Jun-16**	**May-16**	**Apr-16**	**Mar-16**	**Feb-16**	**Jan-16**	**Dec-15**
((A*12)/B)*1,000,000		**116,276**	**133,881**	**157,312**	**147,219**	**193,063**	**170,310**	**163,839**	**165,122**	**157,173**	**216,863**	**218,053**	**228,614**	**219,482**
Analysis														
Royalty payment income		116,276	133,881	157,312	147,219	168,844	170,310	163,839	165,122	157,173	216,863	218,053	228,614	219,482
Realized gain on contract buyout		-	-	-	-	24,219	-	-	-	-	-			-
Total royalty income	**C**	**116,276**	**133,881**	**157,312**	**147,219**	**193,063**	**170,310**	**163,839**	**165,122**	**157,173**	**216,863**	**218,053**	**228,614**	**219,482**
Rolling 12 month average of total royalty income**														
Total royalty income (Ref C)		**172,310**	**180,911**	**192,757**	**259,789**	**277,469**	**280,753**	**336,501**	**344,052**	**351,440**	**358,215**	**362,036**	**364,222**	**365,477**

Twelve-month total royalty income moving average represents the average of the royalty payment income and realized gains in the current month and the previous eleven months. The table directly above shows the calculation for each month since June 2015.

Weighted average royalty rate represents the applicable royalty rate, stipulated in the royalty agreement, weighted by the investment amount under each agreement over the aggregate investments. This is used by management to assess the portfolio compared to the pre-determined targets. The calculation is carried out on a transaction by transaction basis and weighted by the investment amount over the aggregate investments.